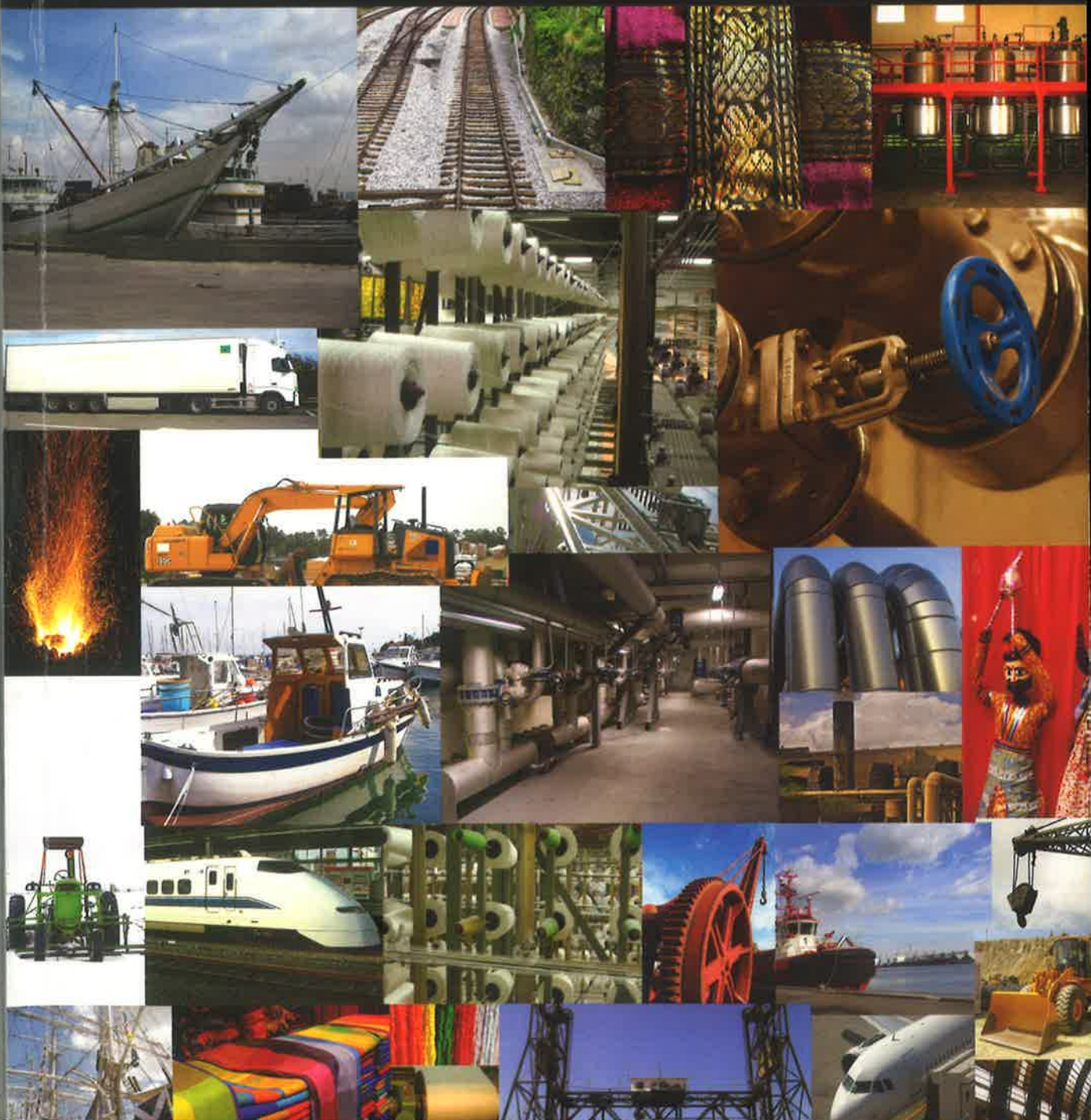


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## XIME

XAVIER INSTITUTE OF MANAGEMENT & ENTREPRENEURSHIP



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## From the Editor

With 'Make in India' being the flavor of the season, this issue of our journal opens with an article on the subject by Mr. Vinay L Deshpande, Chairman and CEO of a dynamic Indian electronic manufacturing company. He points out that for the campaign 'Make in India' to be sustainable the overwhelming focus on the MNCs should be modified and the accent should rather be on 'Create in India' and towards that end, build up the right ecosystem that would not just facilitate but stimulate and encourage creation of new products in India. The foremost objective should be to engender a mindset of innovation and creativity among our youth and business persons. Mr. Deshpande suggests some concrete measures to accomplish it, besides urging the imperative for 'Make in India' to be inclusive of domestic manufacturers. India already has a mature manufacturing industry, so manufacturing does not need to follow the experience – gaining strategy of the Indian IT industry.

Mr. Preet Malik, former Secretary of the Ministry of External Affairs, writes in this issue on India's economic diplomacy. In a historical review of the theme he describes how from an assumption that it was political diplomacy that was central to foreign policy making and execution, the first steps towards using the tools of economic diplomacy in support of the country's real economic national interests came to be taken in the 1980s. Referring to the Uruguay Round of trade negotiations 1986-94, however, Mr. Malik points out that India's role was essentially negative, not being effective in formulating and projecting her real national interests in the sophistication of group bargaining positions, whether with allies like Brazil or within the G-77 group. He proceeds to set out the essential elements to the conduct of economic diplomacy, the foremost being the vital linkage between domestic and external policy. Strategy for implementation is also mentioned, with the way in which FIPB and the Steering Committee on Economic Reforms had functioned in unison under the Narasimha Rao government during 1991-94 as a clear example of decision and rule making. The article concludes with suggestions for the present government in its drive to make economic diplomacy the centre piece of foreign policy.

Writing on national security, Mr. K Sreedhar Rao, a former member of the National Security Advisory Board, examines a wide range of issues that confront India. The thrust of the article is its treatment of Jammu & Kashmir, the North East and the Naxalite problem. It is a candid analysis rich with factual content and will be read with interest for the insights that it provides into a subject that is of perennial interest to all.

In his article on a multidisciplinary approach to user innovation, customer feedback and organizational learning, Dr. John Ben deals sequentially with the three subject areas, bringing out innovation as the common thread. Innovation would need to be pursued by companies as an activity or process that is built into marketing, R&D, technology, production and logistics. Dr. Ben argues for an inclusive approach, eschewing functional silos.

In a change, the book review in this issue is by Prof. Naseer Md. Jaffer of XIME and it is on Dr. Meghnad Desai “HUBRIS – Why Economists Failed to Predict the Crisis and How to Avoid the Next One”.

*J. Philip*

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# MAKE IN INDIA

**Vinay L. Deshpande**

Chairman & CEO, Encore Software Ltd  
Bangalore

Prime Minister Narendra Modi launched his *Make In India* international marketing campaign a little over a year ago, on September 25, 2014, to make India a major manufacturing hub in the world, and thus generate far greater employment than possible otherwise, essentially by the highly commendable aims of eliminating all unnecessary laws and regulations and by promising and ensuring time-bound project clearances through a single online portal. The campaign focuses on twenty-five major industrial sectors that hold tremendous potential for India, based on India's needs, capabilities, and achievements, and aims to facilitate investment, foster innovation, protect intellectual property, enhance skill development, and build world-class infrastructure. In the process, it is expected that the contribution of the manufacturing sector to the national GDP will rise from the current 16%, to 25% by 2022.

It is not the intention of this author to elaborate on the *Make In India* campaign, as there is plenty of information available on it from Indian Government sources as well as non-government sources, both online and offline, and indeed this author wishes the campaign a glorious success. Nevertheless, a few important suggestions need to be made that could have a multiplier effect on the outcome of this innovative campaign.

First of all, in my humble opinion, the *Make In India* campaign seems to be focused on MNCs, whether small or large, and attempts to encourage them to make in India whatever they make elsewhere, leveraging India's "3D" advantage of Democracy (largest in the world), Demography (largest youth workforce in the world), and Demand (huge domestic market), and also selling such products worldwide. While such manufacturing in India by MNCs will undoubtedly generate larger employment opportunities for the millions of working-age youth being added to the Indian economy every year, it might not be sustainable in the long term as it

would depend solely on the manufacturing priorities of the (MNC) parent(s), and might end up with large variations in the volume (and value) of manufacturing each year.

The fundamental question, though, is: where is the accent on fostering innovation, and arises from the fact that the focus on *Make* (manufacturing) rather than *Create* contributes to the Indian economy only the wages of the workers and managers, whereas profits from successful products accrue to the (MNC) parent(s). Witness, for example, what has happened in the Indian IT industry. Despite its experience gained over twenty five years, the industry still provides, by and large, software development services to its customers, whereas the intellectual property relating to those services resides with the customer who reaps huge profits from such intellectual property. Therefore, while India has admittedly received spectacular revenues from providing such services worldwide, I dare say that we seem to be satisfied with the tip of the iceberg, and are missing the larger gains by not creating our own intellectual property in software. Imagine the revenues of the Indian IT industry if it had been primarily based on own intellectual property (IP).

An example here might be appropriate. The per-person productivity of the Indian IT industry today is approximately US\$ 30,000 per year. By contrast, the per-person productivity of the Israeli IT industry is US\$ 300,000 per year! This, I believe, is because Israel has focused much more on innovation and creativity, and less on services. The Indian IT industry currently generates around \$120 billion annually; it is not rocket science to figure out what it could be if it was primarily based on IP, with the productivity per person rising to somewhere between US\$ 30,000 and US\$ 300,000!

Many will argue that we need to walk before we run, and the Indian IT industry has gathered (undoubtedly) valuable experience over the past 25+ years, that positions it very well for creating its own IP now. Indeed, there are some Indian companies that have created their own IP and are now leveraging that to generate far greater revenue than possible via pure services, but the number of such companies still remains miniscule compared to the size of the Indian IT industry. So what do we do to enhance this productivity? More on this a little later.



My apprehension is that *Make In India* seems to be following a similar strategy – get our manufacturing workforce employment opportunities now by attracting MNCs to manufacture their products in India, so that our workforce gains experience (and salaries!) over the next several years, and then our industry will have matured enough to hopefully undertake manufacturing of its own products. There are two problems with this line of thought:

First, India already has a mature manufacturing industry, whereas it did not have a mature IT industry 25+ years ago, so manufacturing does not need to follow the experience-gaining strategy of the Indian IT industry.

Second, the great majority of the Indian IT industry is made up of Indian-owned companies, whereas *Make In India* seems to be primarily targeting MNC manufacturers who wish to leverage our workforce and our market to maximize their own profits. Very few may leverage our workforce to *create* new products here and manufacture them for worldwide sale as GE Medical has done.

It would be unrealistic to expect that there could be many spinoffs of Indian companies from such MNC operations by Indians gaining experience and starting their own ventures as has happened in the Indian IT industry, because it is far more difficult to start a manufacturing business than a software development business.

Let me clarify – there is nothing wrong in promoting *Make In India*, but we need to make it an equal opportunity for both MNCs and domestic companies to *Make In India*. In our enthusiasm to attract MNCs to establish manufacturing in India, the issues and problems of existing domestic manufacturers should not be overlooked, and solutions must be found for those problems. Further, instead of a pure emphasis on *Make In India*, we need to widen the focus to also *Create in India*, because our youthful workforce is not just good enough to follow the instructions of their MNC bosses; they are equally well-suited to making what is designed or created in India!

## **Create In India**

It is therefore felt that right from the start, *Make In India* should encourage *Create In India* along with *Make In India*, and just as it is envisaged to create infrastructure to facilitate *Make In India*, there should be concrete efforts to create the right ecosystem that would not just facilitate, but stimulate and encourage creation of new products in India. These would be products in all sectors of industry, without regard to the sector. Creativity and innovation will automatically lead to *Make In India*.

### **Creating the Ecosystem for *Create In India***

What is the right ecosystem for *Create In India*?

First, we have to create the mindset for innovation and creativity among our youth and businesspersons, so that no new or crazy idea is frowned upon or summarily brushed away, and so that people are encouraged to think outside the box without being laughed at. This needs to be done on a war footing, and I dare say that nothing less than a Ministry of Innovation needs to be put in place, at the levels of both central government and state governments. This Ministry would be mandated to do everything necessary to create an atmosphere in the country that nurtures innovative thinking right from the primary-school level through graduate and post-graduate education and throughout industry.

Although there would be myriad ways to promote innovation in academia and industry, one excellent example is the *Queen's Awards for Innovation* that the UK government announces annually, which are highly coveted and bring widespread recognition to the award-winning innovators and companies who then reap the fruit of that innovation in their respective markets. In a similar fashion, how about instituting the *Prime Minister's Award for Innovation* in our country, or perhaps the *President's Award for Innovation*, and likewise, the *Chief Minister's Award for Innovation* at the state level? These should carry a substantial cash reward and a distinctive logo and trophy that would be a pride to display and carry on company stationery and marketing collaterals.

Second, the Ministry of Innovation should create an Innovation Fund that is at least Rs. 10,000 or 20,000 crores, so that creative new ideas don't die of starvation of funds. The Department of Electronics and Information Technology has been talking about such a fund for the IT industry for years, but it does not seem to have seen the light of day yet. However, such a fund is required for all sectors of industry, and a Ministry of Innovation would probably be better suited to administering it. The reason a large fund is required, is that most of the time, even if a new idea results in a prototype, taking that product to market by putting the successful prototype into production, requires a huge amount of working capital that is difficult to source from the banks without the ability to provide collateral security. The Innovation Fund could in such cases extend an appropriate loan to the entrepreneur until the product becomes self-sustaining in the market.

Undoubtedly, some new products developed with the assistance of the Innovation Fund may fail in the market. It would be crucial, however, to not crucify the respective enterprise or entrepreneur for such failure, lest other innovators be discouraged in future. Failures should be treated as valuable learning and therefore as assets for the future. Only when entrepreneurs do not have the fear of failure, will they venture into risky but ground-breaking new ideas. Clearly, the Innovation Fund may lose the funds advanced to failed ideas or products, but those ideas or products that do succeed, will definitely make up for the ones that have failed.

Third, the Ministry should mandate that products/ideas successfully developed by availing of the Innovation Fund, shall have a reasonably sized *first order* from the relevant government department(s), so that the market development of that product/idea gets a kickstart. This is an extremely critical step in the market success of innovations.

Fourth, the Ministry should mandate that all products created in India, whether using the Innovation Fund or otherwise, shall get preference in government procurement, and shall have a minimum procurement quota of thirty or forty percent. This will encourage all manufacturers to create products in India rather than depend on imported designs and technology, wherever possible. More importantly, this will

encourage Indian industry to develop products for the unique needs of the Indian market, which could also help them enter other markets around the world.

Fifth, the Ministry, in consultation with the Ministry of Finance, should work out certain concessions in or exemptions from applicable taxes for products designed/created and manufactured in India. This would enable such products to compete effectively with imported products or other products made in India but developed elsewhere. This measure will help overcome the current spectre of an inverted duty structure that is discouraging manufacturing in India because it is actually cheaper to import such products.

A word about inter-ministry cooperation in the context of *Make In India* would not be out of place here. Historically, the Ministry of Finance has been always resisting tax concessions or exemptions due to the supposed loss of revenue from those respective taxes. It is high time that they look at the larger picture and realize that such tax concessions and exemptions would result in manifold growth in manufacturing which would in turn grow incomes manifold and thus compensate the exchequer by way of higher corporate and individual income tax collections. Consequently, Ministry of Finance truly has a huge role in *Make In India* and *Create in India*.

Sixth, the two Ministries should, in consultation with each other, work out innovative schemes for funding of working capital for new products that have been designed and manufactured in India, without the need for heavy collateral security. Perhaps the only collateral security could be the IP and/or product(s) manufactured. Why can't such schemes be considered as social welfare schemes, just like MGNREGA and others, but with a payback to the government from every product that succeeds, so that such funding is not always written off? In reality, even if a product fails in the market, it would have already generated considerable employment for its production, and would therefore serve the objective of generating employment just the same way as *Make In India* is expected to, and successful products would of course generate employment manifold.

In conclusion, I wish to submit that *Make In India* will be a many time larger success when it is inclusive of existing domestic manufacturers as well as of *Create in India*, and will result in at least two to five times the per-person productivity on average of the industries involved, and in some cases even ten times the present per-person productivity. To achieve this, government must have an open mind to the ideas suggested above as well as those that quite likely will emanate from industry as *Make In India* and *Create In India* are implemented, and be ready to implement changes/modifications swiftly.

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# ECONOMIC DIPLOMACY AND INDIA

**Preet Malik**

Former Secretary, Ministry of External Affairs

What are the parameters that drive the efforts made by a country to further its economic and business interests in a globalised world? This is an area where India's policy approach has a rather chequered past that needs to be looked at before we proceed with the specific purpose that lies behind the practice of economic diplomacy in India.

## **Introduction**

Nehruvian India followed by the garbi hatao ideology of his daughter Indira Gandhi led to a policy framework for the economy that was driven by the twin goals of central control over the commanding heights of the Indian economy and import substitution. Not surprisingly this framework resulted in a highly protected economy that was largely inward looking. Another consequence of this policy was the negation of the benefits of export-led growth despite the evidence that this approach was contributing to the impressive growth of what had come to be known as the "tiger economies" of South East Asia.

The prevailing attitude during the Nehruvian/Indira Gandhi period furthered by the ICS- dominated babu giri at the MEA decreed that commercial work including the adoption of marketing techniques lay outside the realm of foreign policy. The assumption being that it was political diplomacy that was central to foreign policy making and to its conduct. The trade side according to these stalwarts whose training had been undertaken at the feet of the former colonial administrators was best left to the 'Dalda' salespersons in the private sector.

To a degree it was the oil shocks of the 1970's that saw the first real emphasis on building up bilateral trade relations and also to the gradual development of interest in regional relations. However it was only in the post July 1991 period that economic diplomacy acquired the status of an imperative in the formulation and practice of Indian foreign policy and came to be considered as central to achieving the country's national interests.

## **The Initial Steps**

It was in the post 1973 period that Indian policy makers came to attach some priority to the conduct of economic diplomacy. However this was not in any way a sophisticated or professionally accomplished approach. The change in attitude was largely governed by the need to mitigate the negative impact of rising energy prices on India's balance of payments. The export drive was largely supported by subsidies like tax incentives and by export promotion bodies that did not have the means to really help transform the export push. The main obstacles of rigid industrial licensing, trade controls, heavy dependence on largely non-performing or low performing public sector entities and very poor infrastructure ensured that India remained a marginal player in the global market place nowhere near to realising its economic potential.

Export promotion backed by export incentives did make exports more profitable to Indian entities, but issues of quality and adherence to standards persisted as major barriers that the regulatory system in India was hard put to deal with. Moreover the incentives themselves encouraged violations with fly-by-night operators invoicing exports with the intention to defraud the system. The control regimes in place were also responsible for the development of negative practices that encouraged the prevalence of over and under invoicing and the resort to above licensing production all of which contributed richly to the prevalence of trade and production related accumulation of monetary assets outside the purview of the tax regime in India.

This only served to confirm the neo-liberal economists in their firmly held views that were sceptical of economic diplomacy, in particular, of the efforts of countries like India that had come to rely on the twin aspects of trade promotion namely, export subsidisation and export promotion agencies.

India's role in the international trade rule-making bodies has been generally one of seeking exemptions in support of developing country platforms that were largely composed of rent seeking incentives while maintaining closed door regimes guided by principles of import substitution and the promotion of re-engineering of products rather than pursuing and encouraging creative activities and licensed

technology-based production. As the commanding heights of the economy continued to reside mainly in the PSU's there was no effort made by these bodies to absorb technologies and build on them. This was and remains in contrast to what has happened in China and the Republic of Korea (ROK) where PSU's advanced either through privatisation or the development of in-house systems that furthered the production systems by improving on the original technologies and making them more user friendly.

It was only in the eighties that regulatory systems came to be eased to some extent and the first real steps to try and use the tools of economic diplomacy in support of India's real economic interests came to be employed. The embassies and the concerned ministries of the GOI adopted a set of measures that amounted to a closer understanding of the markets that were important to India's economic growth. However these were dependant to a large extent on individual enterprise and the effective tools of team effort were yet to be developed. The dependence on export promotion agencies remained central to this stage of economic diplomacy. What was yet to be understood by the powers that be was that a drastic change in attitude was of paramount importance if India was to realise its vast economic potential and the congruent benefits that this would provide to India's position in the global market place and, in an overall sense, the major role that economic diplomacy had to play in achieving the goals of foreign policy.

The negative mentality that India had come to adopt in bodies like GATT continued to play a distinct role in the conduct of Indian economic diplomacy. The Uruguay Round of Negotiations that eventually led to the establishment of the World Trade Organisation (WTO) in 1994 saw an essentially negative role being played by India particularly where the new areas of TRIMS and TRIPS were concerned. One paramount weakness of India's negotiations led by the minions of the Trade Policy Division of the Ministry of Commerce lay in the refusal to develop a maximalist approach as a bargaining tool to ensure that relevant targets that advanced India's real national interest were achieved. Instead the time was wasted in futile efforts of blocking moves while our allies like the Brazilians were busy negotiating terms that suited them, or were acceptable to them, leaving India to carry the can and



ultimately being forced to compromise. What showed up this weakness even more starkly was the Brazilians accusing India of having accepted a compromise thus letting them down. The interesting point in all of this was the failure of Indian negotiators, who appeared to be ideology driven rather than using real politick as a negotiating tool, to keep away from traps that the Brazilian types set for India. India's negotiators took pride in their leadership role in the process not necessarily getting the best deal possible.

Take for instance, the pride that Indian negotiators took in what was achieved by the G-77 Group of developing countries within the UN bodies on developmental issues. As it happened, when it came to the crunch in the mid-eighties with the severe economic crisis that had afflicted Sub-Saharan Africa, the Special Session of the UNGA to deal with the crisis resulted in the entire economic agenda at the UN being over turned and we could do little to salvage the situation. Economic diplomacy is not the carving together of a uniform group negotiating position on trade issues; what is fundamental is to ensure that India's own interests are formulated and projected in the sophistication of group bargaining positions and that in the adoption of new trade rules those interests are effectively secured. Obviously one can achieve these goals in a phased manner.

The essential factors that go into the making of economic diplomacy need to be spelt out with one essential element taking the pride of place. That element being a clear recognition of the strong and vital linkage between domestic and external policy which governs and influences to a considerable extent what can effectively be achieved through economic diplomacy.

### **Essential Elements to Conduct of Economic Diplomacy**

As Yakob et al have aptly put it "economic diplomacy is the use of international political tools to obtain economic objectives."

The essentials of economic diplomacy have been spelt out by a number of experts including in the form of a meta-analysis entitled "Does Economic Diplomacy Work?" by the International Institute of Social Studies of the Erasmus University of Rotterdam. The study concludes, "economic diplomacy is indeed working." It

goes on to make the point that “economic diplomacy can play a role in reducing transaction costs, increasing the commercial potential of companies in a country and making the country a more attractive place to invest in.” The conclusions and findings of this study are significant as these are based on experiences that have a bearing on all aspects of economic diplomacy derived from the fact that the economies of countries like Holland are trade and services dependant for their economic and social growth. The study also concludes “although all instruments of economic diplomacy contribute positively to trade and investment flows, there are differences in the degree of contribution of underlying instruments. Here we found that the embassies have an above average effect.” The meta-analysis of the study was based in turn on 23 studies on economic diplomacy and examination of 873 parameters making it the most extensive examination yet of the form, extent and effectiveness of economic diplomacy and the various instruments employed in its conduct. A key fact established by the meta-analysis is that the utilisation of “other government centers (e.g. consulates) investment and export promotion agencies seems to have a below average stimulating effect (but still contributing positively)” The point that the study repeatedly makes is that the impact of the embassies is significantly more positive than that of the other instruments that governments tend to employ.

Today international relations conducted by the state includes within its fold a multitude of actors who are largely non-state actors taking the form of pressure groups and making their own impact. Such instrumentalities as representing commercial and business interests have to an extent taken away from the state actors the exclusivity that the latter had possessed in the conduct of economic diplomacy, arising out of their capacity to add to transactional and trans border activities. This factor only goes to show that not only should there be better coordination between the different instrumentalities involved in the conduct of international economic relations, but that there should be set in place a more responsive mechanism of consultation covering all players that would help develop a more consistent and sustained policy framework to help promote a country’s economic interests. At the same time it has to be understood that such non-state actors also have a spoiler

element to their activities in terms of adoption of pressure group tactics determined by sectarian interests that may run counter to the interests of the nation.

Another aspect of international economic relations is the impact of globalisation and the competition for investment flows (FDI) in a context where there is a greater role being played by international economic rule and standard setting bodies like the WTO, ITU and the ILO as well as the growing number of Regional Trading Arrangements with more liberal FTA related rules exercising greater and increased pressure on the practice of economic diplomacy. This has also prompted the demand for diplomats to specialise and develop expertise in the overall conduct of economic diplomacy to help promote the economic and commercial interests of the country. An obvious corollary to this is the need for the foreign offices and ministries to develop and expand their institutional capabilities so as to enable them to seriously engage the business interests, the relevant economic ministries and the trade and investment coordinating bodies including the chambers of commerce and, in the case of a federal political structure, the states in the promotion of the country's economic interests. The foreign ministries have to be flexible in their approach to enable them to manage the complexities of a globalising world that is throwing up a 'complex of economic and political realities.'

As Friedman has observed in his description of globalisation "it is not just a passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations..." Nations like India have to make policy adjustments that reflect this overarching development. Another aspect that imparts substance to the point about the role of pressure groups that try and influence policies is the fact that an important driving factor behind the process of advancing globalisation is the business entities 'engaged in rapid expansion through merger and acquisition (M&A) and other forms of cooperative joint ventures while intensifying efforts to influence domestic and international policies in their favour' (Scholte).

The need, the components and the different aspects of international economic relations and their conduct and promotion through an active use of economic diplomacy in an increasingly globalised and connected world having been established, it behoves on India to develop a strategy for implementation of an effective economic diplomacy.

## Strategy for Implementation of Economic Diplomacy in India

Prime Minister Narendra Modi has indicated that he would like a more intensive role being played by Indian embassies in the area of economic diplomacy. He has also suggested that there should be a greater understanding on the part of the MEA and the Indian embassies of the different economic strengths of the Indian states and to be able to assist in projecting the advantages that individual states offer for doing business. These are projections of foreign policy expectations that are in keeping with the hypothesis that India intends to play a leading role in the global economy and this would be on the back of growth and development that would help the country realise its recognised potential as one of the key drivers of the global economy in the years ahead.

To enable a country as complex and diverse as India to achieve its targets and goals, its economic diplomacy would require holistic treatment of certain key elements. These essential elements are set out below:

- Conduct of external economic relations. The idea being to work for the opening of markets in order to generate greater cross border transactions covering trade, investments and technology flows, taking advantage in full of the country's comparative advantage. Utilise all means available to achieve an improvement in the overall functioning of international markets.
- Develop the necessary understanding on the impact of domestic decisions and policies on the content and direction of the task to promote the state's economic and business attraction and its place in the global economy.
- The manner in which the state conducts its international negotiations that are indicative of the course it intends to adopt for achievement of its targets and objectives. Participate effectively in the making and implementation of international rules, standards and agreements.

The nature of Indian economic diplomacy reflects the complexity of decision making in India and the lack of understanding at both the political and the bureaucratic levels of the impact of domestic policy decisions on the projected aims and target

areas identified as focus areas where economic diplomacy is expected to deliver. The issues impacting on the conduct of economic diplomacy are numerous, but the keys to resolve the negatives and strengthen the conduct of economic diplomacy such as would enable the country to not only set realistic albeit ambitious goals but to achieve them, are attainable as long as there is a political will to overcome the obstacles.

What the FIPB and the Steering Committee on Economic Reforms were able to achieve during the period 1991-94 provides a clear example of decision and rule making that overcame the traditional elements opposed to a market economy. This was so because the three key political decision making elements were clear in what they wanted and were willing to take the risks in working towards establishing India as a key player in the global economy. The three were the then Indian Prime Minister, the then Finance Minister and the then Principal Secretary to the Prime Minister; the last chaired the two policy-making bodies thus ensuring that all actions on economic issues were centred on the PMO. At the same time there was a close coordination with all the economic policy making ministries and institutions.

There was a clarity of purpose that enabled those who were responsible for the conduct of economic diplomacy to work within the domestic projections and expectations to set and achieve the requisite goals. The important factor during this period was that all elements domestic and external were able to reflect their views and provide inputs that could be taken into consideration for decision-making and rule setting. Once a decision was taken and the process of endorsing it was in place implementation was undertaken in a sophisticated manner and appropriately monitored within the PMO and the MEA.

At this point it would be worth citing the example of decision-making that brought Sony of Japan to India. The Chairman of Sony, Akiro Morita, was in principle against Sony entering a new external market unless it was permitted 100% equity. The decision to meet this request was taken in the face of strong opposition from domestic pressure groups; the aim was to convey to the Japanese that India was ready to take decisions that were business friendly and sensitive to the special

needs of certain business entities whose presence would otherwise help India attain its economic goals.

In contrast, the UPA II Government had little or no clarity of purpose and took contradictory decisions that eventually created a negative atmosphere for investments and transfer of technology. Now to overcome the negative overhang left behind by the previous GOI and its lack of decisiveness and to ensure that all elements would be brought into the decision-making that has a bearing on economic diplomacy the following suggestions are offered:

1. The Prime Minister should have a senior and experienced person in his office who would deal with all areas of economic diplomacy. This person and his team (the team should consist of a mix of external, official and non-state representation) would be inter-active and would help structure decision making so as to ensure that the objectives set by the government in the areas of trade, investment and technology flows et al are not compromised or held to ransom by domestic decisions that have failed to take all elements and stake holders into consideration.
2. This body or person would interact with key economic Ministries/ Departments of the GOI as well as the concerned states to help set and achieve the targets that have been worked out and to facilitate the requisite commercial and economic targets and objectives.
3. He or it would help coordinate the inputs and the views of the various actors in the area of India's economic diplomacy to ensure that these are reflected in the processing of decisions so that there is no negative impact on the overall economic and business objectives set by the GOI.
4. Monitor the progress and implementation of decisions approved by the PMO in all areas of economic diplomacy.
5. Here, it is imperative to point out the role of consultation that should be broad enough to derive inputs from all stakeholders. In the area of attracting foreign investment one of the most important requisites is that we recognise the presence of multinational and other foreign origin

enterprises that have made substantial investments in the Indian economy both in manufacturing and the IT industry. These entities have thus clearly indicated that they have a stake in the growth story of India. The period since 1991 has shown substantial investments that have created a considerable number of jobs. For instance the combined presence in India of French corporate investments has led to the creation of over 300,000 jobs. The automobile industry is yet another example of substantial investments and significant contribution to job creation. While it is not yet an established fact the contention is that foreign origin Indian companies have created more jobs in the last 20 years than the combined efforts of wholly Indian owned private sector and public sector companies. All of which goes to show that the foreign origin private Indian companies have a great stake in the India story and would certainly like to see the country's growth continue at an accelerated pace. Double digit GDP growth is possible in India only if foreign investment continues to flow into the economy. The India-based CEO's of these foreign origin private Indian companies should be consulted on what is standing in the way of larger foreign investment and vital technology flows into India. Further they should be utilised to convince their parent company Boards and other associated companies to look afresh at the Indian economy and plan fresh investment and technology flows into India. Their example can be used as an important directional input to attract other yet to invest foreign entities into the Indian economy. These individuals are indeed credible ambassadors of goodwill towards India.

6. Ease of doing business in India: The complexities of doing business in India are well known and despite claims of an improving climate in this area the negatives continue to impact adversely on attracting investments and technology flows that are being targeted by programmes like Make in India etc. The regulatory requirements remain a complex of filings that run into pages almost constituting volumes. The coordination between the centre and the states is also flawed to a large extent. A consequence of past actions that has led to states having a lower than essential understanding

of their capacities and rights. The need is for a single window clearance system that also brings into full play the involvement of the states and assists in arriving at a coordinated set of actions that enable swift decisions on investments and manufacturing.

7. Land for industry and infrastructure is a major issue that needs to be resolved on a pragmatic basis where the landowners are provided a stake in the development process that follows the acquisition of the land. This would ensure that land is not an unnecessary problem that is standing in the way of both domestic and external investment. For another, agriculture has to be modernised also as part of the growth story that attracts investments best by resorting to contract farming driven by the requisite policy incentives.
8. The only way India can become a global power in line with its immense and recognised potential is with the evolution of a strong technology base. This requires that India puts in place policies that permit an easy flow of equity into industry and infrastructure where unnecessary equity based restrictions are removed and market forces are permitted to strike the relevant balances thereby reducing dysfunctional governmental interventions.
9. Once for all the GOI has to move away from a control triggered mentality if India is to occupy the role of a major driver of the global economy.

The eventual aim has to be that the mistakes that were made in areas of taxation, like retrospective taxation for instance, are not repeated and there is clarity in decision and rule making that assures investors both domestic and external that commitments made were sacrosanct and decisions would not be reversed and most certainly not retro-actively. Unfortunately the present government has failed to rectify this lapse which continues to have a negative impact on investment flows. The idea has to be that domestic policy and regulatory framework are such as to encourage investors to believe that India's attractive growth story is one which they can profit from. The policy framework has to be one that provides meaning and content to the efforts of India's economic diplomacy.



Another aspect that should be kept at the forefront is that India has to develop a culture that looks at geo-economic strategy as a key part of its strategic decision making. This implies that geo-economic strategy has to be at the centre of decision making with reference to the targeted countries. To take Myanmar as an example, India has decided at the highest levels that it is strategically placed in the context of both bilateral as well as regional interests for India; accordingly we have committed ourselves to set up a relationship that would involve a strong presence for India in the infrastructure space of Myanmar. Unfortunately between commitment and delivery there are a number of gaps that have since given the impression that we are big on announcements but very poor on delivery falling behind in every aspect to the point that there is a prevailing feeling that India is not a performer. This is a reputation that hurts India's attempts to become a serious global player. The way forward is to spell out the geo-economic strategy with the parameters including timelines set out. Monitoring of progress has to be effective and the internal barriers of which the actions of the Finance Ministry are most critical should be replaced by streamlined procedures where all stakeholders should be involved in the decision making process. Once an in-principle approval to a project has been accorded taking all factors including the strategic aspects into account, internal barriers that come in the way of implementation should be identified and done away with.

Here again, it has been the tradition in decades past that the follow-through on commitments made by India bilaterally as in the case of Myanmar, Nepal and Bhutan are assigned to the Indian public sector. It may well be useful to note that multi-national companies with vast operations in India are equally well equipped and indeed perhaps more efficient in delivering on commitments than the traditional methods followed by the public sector. It would help India achieve its goals better by allowing for fair competition for the projects committed bilaterally.

In conclusion it is obvious that there has to be a major effort in the area of economic diplomacy if India is to achieve its ambition of becoming a decisive world power. To achieve its potential the hype has to be replaced by commitments in the area of implementation. The first requirement is that India becomes a positive influence in the international rule making bodies and at the same time it utilises

the potential of regional arrangements as well as comprehensive economic and strategic partnerships. The most effective arrangements for India would flow out of closer ties with strategic partners like the USA, Russia, Japan, the European Union, in particular Germany and France, the ASEAN countries who have evolved as major vendors to China's manufacturing sector, China and Taiwan as well as the emerging economies of Africa and finally the Gulf countries including Iran. Economic diplomacy should be focussed on deriving mutual benefit out of economic relationships with these countries on a specialised basis without these being exclusive or confined to segments. In other words the world has to be our oyster driven by strategic relationships both bilateral and multilateral in dimension.

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# INDIA'S NATIONAL SECURITY

**K. Sreedhar Rao I.A.S (Retd.)**

Former Member, National Security Advisory Board, Government of India

Ever since the idea of a nation state took root especially after the “peace of Westphalia”, safeguarding the nation’s security in all its aspects has been a primary responsibility of the state in whatever form it is constituted. Democracies are accountable to the people for safeguarding the individual, collective and national security and even totalitarian regimes do not survive if they fail on this account.

National security has many dimensions namely internal, external, economic, energy, agricultural, food etc and any nation state worth its name has to pay attention to all these. This article, however, confines itself to mainly internal security. In many ways both external and internal security issues are intertwined when we consider national security as a whole. I believe the question of security-individual, collective and national – is of vital importance to each one of us primarily because without such security, organizational stability of societies and their prospects for orderly progress, social, economic, cultural and ethical - will be destroyed. There will be anarchy and chaos all round.

Threats to security arise mainly because, unfortunately, the basic nature of the human species has undergone so little change in all these centuries. The human being continues to be the most dangerous animal in this world, he being the only animal which kills for purposes other than food. The human has been the biggest threat to other humans and in recent times to all of nature, all creation and the very existence of life on earth due to one extraordinary fact of life, namely human greed. Greed for wealth, resources, dominance, glory, hunger for power, so called ‘national interest’ and ambition of certain individuals have all been causes for human conflict. In Europe in the first half of the twentieth century the state was viewed as a living organism, ruthlessly competing for size and resources, prizing prestige and strength over stability and practicality and this view resulted in conflict after conflict each more lethal than the previous. Humans now are not only capable of destroying the planet and all life by over-exploitation of the earth’s resources

and use of hazardous technologies, but are actively engaged in doing so despite dire warnings. The acquisition of WMDs and the possibility of these falling into the hands of terrorists is another grave danger. Population growth and increasing unemployment have also played a part and may play an increasing role in the near future in aggravating conditions for human conflict and threats to security. It may be recalled that Adolf Hitler's *lebensraum* thesis (living space for the Germans) is what led to the Second World War. Today many of the problems we confront in several parts of the country as also in the Arab world are all due to these very factors. The Malthusian warning of nature imposing "positive checks – wars, famine, disease, civil disorder etc" - is to my mind already in action in these areas.

The post WWII architecture erected for eliminating conflicts and resolution of disputes through dialogue and consensus, after the initial years of relative success, is today increasingly ineffective, especially as the world is now witnessing wars called 'unconventional' launched by "non-state actors".

The Roman dictum "If you want peace be prepared for war" and our own Chankaya's "to be safe and strong keep your enemies weak and divided" as well as "your enemy's enemy is your friend" continue to be valid operational principles in the conduct of national security and foreign policies.

Let us define what exactly is meant by national security. It is the desire of all individuals, societies and nations to live peaceably, travel freely without fear of being subjected to violence, carry on your chosen vocation, enjoy the assets you have acquired through legitimate means along with freedom of speech, association etc.

It is also necessary to understand what we mean by the word nation. The concept of a "nation state" came into being only around the 1600 CE and before this there were no defined borders and borders kept changing depending upon the strength of the armies of various monarchs. The Holy Roman Empire was a union of people based on faith. Chengis Khan, for example changed geography by sheer force. In the 18<sup>th</sup> and 19<sup>th</sup> centuries, especially after what is now known as the "Peace or Treaty of Westphalia", the concept of nation states was fully developed with clearly defined borders and armies to defend the borders. In India we had a profound sense of nation hood, more

in the spiritual and cultural sense – as Bharata Varsha or Jambo Dweepa - and in all our literature this concept is beautifully illustrated. *Adi Shankara* travelled all over *Bharatha Varsha* unhindered by any one, and this idea of nation-hood had even geographical features – the Himalayas in the north and the [Indian] ocean in the south.

Given the fact that the concept of nation state in the political sense had assumed such great importance from about the 18<sup>th</sup> century, India immediately after gaining her independence after nearly a thousand years of subjugation, should have as the very first step clearly demarcated all its external borders and taken measures to defend these. The failure to do so has led to serious consequences as evidenced by our continuing problems with China and Pakistan. In contrast China went about consolidating its polity by taking a series of measures both internally and externally. It defined its borders and asserted its control over its territory where necessary by armed action. Tibet, Xinxiang and Inner Mongolia are examples. Also China reasserted its distinct Chinese national identity taking advantage of its imperial past and the homogenous character of its population-92% Han Chinese.

India on the other hand, thanks to Western influences and leftist leanings, forgot its past and in fact our people have been made to feel ashamed of their past. The British and before them Muslim invaders, tried their very best to destroy the unique civilization of this country. They understood the truth of George Orwell's view that "The most effective way to destroy a people is to deny and obliterate their understanding of their own history." One may add its culture and traditions as well. Unfortunately in post independence India this policy has been continued. David Fawley points out "There is no other country in this world where it has become a national past time among its educated classes to denigrate its own culture and history and there is no other country where the majority religion, however enlightened, mystical or spiritual, is ridiculed, while the minority religions, however, fundamentalist or militant, are doted upon". KM Munshi bemoaned "Indian secularism clearly defined in the constitution is being misused by a school of politicians and left-leaning intellectuals to denote godlessness and anti-religious bias or to dub Hindus as reactionary. This has a tendency to weaken the hold of

ethical and spiritual values over people and to consequent decline in national character. Secularism as in France or Australia should have been used to modernize and reform all sections of the society especially those who are prisoners of ancient beliefs which cannot stand scientific and rational inquiry.”

Equally importantly we have shown a distinct tendency not to draw lessons even from our own recent experiences after independence. Take the case of the 1962 or 1965 wars. What went right or wrong and how do we remedy the defects that were noticed should have been a major concern of all those in power. Why are we refusing to publish the Henderson Brooks report on the Indo China war? If mistakes have been committed so be it. Many countries have committed blunders –as by western democracies in dealing with Hitler or at the time of the first WW I. No country should shy away from learning from history. In our case there seems to be an over anxiety to protect the reputation of some leader or the other which prevents us from learning from even recent history and take remedial measures.

The right to live peaceably, pursue one’s vocation and enjoy one’s legitimate assets, is taken for granted by most of us; but it is not so in many places within and outside our blessed land. Of course such features do not exist in the whole of the Middle East and large parts of Pakistan, Afghanistan and Africa. Even in Europe or the US, which today are generally speaking, regarded as high points of rule of law, safety and security cannot be taken for granted due mainly to the emergence of radicalized Islamist elements that have an international agenda of dominance through violence.

One look at our constitution will make it clear that all the points I mentioned are guaranteed as fundamental rights to all citizens and there are institutions which are charged with the responsibility of ensuring the safety and security of the individual, the society as well as the nation. Further no one including the government of the day can snatch away the fundamental rights guaranteed by law. The courts, the armed forces, the civil service, police, the intelligence agencies are all created to ensure such security for all, without any discrimination on any ground.

Despite all this- a fine constitution and adherence to the basic principles of rule of law etc- can we say that our individual, collective and national security stands fully assured? Why is it that in the past ten years there have seen no less than 45 terrorist attacks in our country and more than 4000 innocent civilians and security personal have been killed? Our Parliament, the Taj Mahal Hotel in Mumbai, suburban trains, places of worship have all been targets and sadly we see policemen in most of our temples. Naxalites have staged dramatic attacks with unfailing regularity. An SP has been killed in Jharkhand and earlier a Collector was kidnapped in Chhattisgarh and even while the Prime Minister Shri Narendra Modi is trying to promote industrialization in the area, kidnappings and killings have taken place. Communal riots happen regularly in UP and elsewhere. Why do all these keep happening especially when we are supposed to have a representative democracy which enables the people to get their grievances redressed via their elected representatives and through peaceful means and there is no need for violence as an outlet for anger or frustration? Further there are several terrorist outfits such as IM and SIMI backed by Pakistan roaming free in parts of India. There is any number of sleeper cells waiting to strike in the country. They all derive their support from Pakistan and Saudi Arabia's charities pump in enormous funds.

My thesis is that while there are on the one hand, unfortunately, several forces both internal and external which are arrayed against us and are assiduously working to destabilize and dismember India as a nation, the government on the other hand has not only failed in dealing with these threats with the required determination, diligence, and purpose but is busy destroying the mechanisms which have been in existence for dealing with these threats. The police machinery has now become so incompetent that it can no longer deal with ordinary crimes, leave alone terrorist related. It has been forgotten that internal strength and cohesiveness is of vital importance for achieving any success on the economic or foreign policy fronts.

All aspects of the criminal justice system, police, enforcement, prosecution, judiciary and well conceived laws particularly with respect to terrorism, remain our Achilles heel.

Contrast this to the stringent steps taken by many countries including the US, UK, France etc. Laws have been strengthened continuously to deal with terrorism and institutions have been beefed up resulting in not only preventive action, but also apprehensions and stringent punishments in a speedy manner. The functional autonomy of all the institutions is jealously guarded and no political interference is permitted.

We have also, a system where those who work hard for a living and pay taxes are outnumbered by those who vote for a living plus those who need their votes for a living. Those who vote for a living are the presumed beneficiaries of what can be called PPAs – perpetual poverty alleviation schemes. Unless the people are kept poor there can be no justification for all these PPAs and the concomitant loot of the public exchequer. This leads to the unfortunate situation where those who depend on votes for a living cultivate their particular vote banks unabashedly exploiting the factors of caste and creed and even protect criminals if this can earn them the continued support of some segments.

Attempts are no doubt being made to remedy some of these ills by the new central government but so far only the fringes have been touched. However several state governments continue to be lackadaisical in their approach to these serious problems and innocent lives continue to be lost.

Many of the problems that we face today are basically self-created due to wrong policies, lack of foresight, unwillingness to take sound and timely decisions and the policy of appeasement and postponement. There is a pronounced tendency to ignore some of the threats, down play others and seek piecemeal solutions without attacking and solving the problems in a decisive manner, all because of the fear that some vested interest or the other may be hurt. National interests are sacrificed at the altar of electoral prospects every time. Witness the way everything is politicized, allegations of fake encounters are leveled and so many spring to the defence of terrorists or Naxalites. The media also appear to be biased in favour of these anti national elements. Look at the publicity for so called fake encounters and air time for Naxalite sympathizers - Binayak Sen, Arundathi Roy, Aruna Roy Prof Saibaba of DU etc. This trend can only worsen with the growth of population of minorities



and their increasing hold over the political system. Further there is also the serious problem of politician - criminal nexus. We have also witnessed a continuous decline in standards of governance and in the efficacy of institutions. Strict laws enacted to control terrorism have been taken off the statute book while our courts are far too conscious of safeguarding the human rights of terrorists who themselves have no regard for such rights of any body and indulge in the most heinous of crimes. There is a serious shortage of police personnel at all levels. On an average for every so called VIP there are at least three policemen but there is not even one for some 1700 persons. In states like UP or Bihar the situation is far worse.

High standards of governance are essential for both peace and prosperity. Our own rulers have undermined the respect for the rule of law. No society, let me emphasize, can be governed if there is no respect and a high degree of fear for the law. Also all societies need to be governed from within and outside, from within by a set of self-generated and self-enforced norms of conduct and from without by well enforced laws and regulations.

I propose to cover three major threats to our internal security, each one of these becoming, I am afraid, more complicated and intractable with the passage of time and the failure to find lasting solutions by addressing the basic issues involved. These would be J&K, the North East and the Naxalite menace. I will also touch upon the rise of radical Islam as a growing threat to our security. This has both internal and external dimensions.

The situation in the state of J&K poses a grave threat to the nation's security because;

- i. There is an ongoing armed insurgency in the vale of Kashmir (six districts- not in Ladakh or Jammu) aided and abetted by Pakistan which trains, arms and finances terrorists to infiltrate into the state of J&K and the rest of India to create mayhem. No less than 400,000 Kashmiri Pandits who are citizens of J&K have been rendered homeless refugees and no one sheds a single tear for them. A pluralistic society has been turned into an exclusive Islamic society in the valley.

ii. It has provided right from the time of independence an open door to Pakistan to interfere in our internal affairs, create disaffection among the minorities, openly provide military support to the insurgency and agitate the issue in all international forums. Pakistan has built up a huge infrastructure for the export of terror and unabashedly uses jihad as an instrument of state policy for the specific purpose of snatching away J&K from the Indian Union and in the process destroying the unity and integrity our nation. It has used every device to undermine India's security, breed terrorists of various hues, flood the country with fake currency, provide shelter to known criminals (the D company, for example) and infiltrate agents on a regular basis a policy of punishing India with a thousand cuts. Pakistan wants the whole of J&K to be handed over on a platter to it. In my view even if we do this, Pakistan will continue its enmity with India as friendship with India does not suit the army of Pakistan, which has been progressively radicalized from the time of Zia-ul-Haq and generations have now been infected with anti-India venom though the country's educational system and madrassahs. It has been rightly said that the only country the Pakistan Army has conquered is – hold your breath - Pakistan. Students of all schools in Pakistan are taught to “recognize the importance of jihad” “be aware of the blessings of jihad” “have a yearning for jihad” “develop a love and aspiration for jihad, tabligh, shaheed etc “make speeches on jihad and be judged on the spirit while making such speeches”. Such instruction does not take place in some Taliban-run schools but in all Government-run institutions. The “Quaid-e-Azam University” in Karachi has three mosques but no library. In such an environment where is the place for “ahimsa” or “aman ki aasha”? Survey after survey (Pew research) shows that 78% of Pakistanis believe even today that India is a greater threat than the TTP (Tehrik-e-Taliban-e-Pakistan). I do not also understand as to why we keep repeating that a strong and united Pakistan is in our interest. It surely is not.

- iii. It has become the focus of international Islamic jihad. All jihadi literature refers to Kashmir along with Palestine, Chechnya etc as theatres for war against infidels. What was basically a political issue has been converted into a religious struggle.
- iv. It has given an opportunity to bodies like the OIC to needle us and for human rights bodies to pillory us with impunity.
- v. It is an excuse for terrorists and anti-national elements to strike at important national assets, places of worship and engineer communal strife.
- vi. India has been compelled to station a large part of its armed forces in the state to combat terror, giving an excuse for so called liberals and human rights activists to criticize and lower the image of the country in international forums. Pakistan unabashedly takes full advantage of all these conclaves.

In my view based on a dispassionate analysis of facts, the J&K problem need not have come into being at all and as was the case with Hyderabad and Junagadh, and indeed all other princely states which were part of the sub-continent, it could have been solved once and for all within the framework of the Indian Independence Act in 1947 itself if only the great Sardar Patel had been allowed to handle the problem in the same manner as he integrated all the 560 princely states into the Union of India. I base my thesis on the following arguments:

1. While all other princely states were dealt with by the great Sardar, Nehru as PM decided to take away this state alone, to be dealt with by him personally with the aid of Gopaldaswami Iyengar, – thanks to the influence of Sheikh Abdullah, in whom the PM reposed disproportionate faith. The Sardar resigned in protest but was persuaded to withdraw.
2. The Maharajah of J&K –Hari Singh - signed the instrument of accession on the 26<sup>th</sup> of Oct 1947 in accord with the choice available to him as per the Indian Independence Act. This accession places the state on the same footing as every other princely state which acceded to one of the two dominions. There can be no going back on this.

3. Shiekh Abdullah himself declared (June 1948) “We the people of J&K cast our lot with India in the cause of freedom.” He had earlier advised the Maharajah to accede to India unconditionally. From his prison cell he advised the Maharajah “to at once accede to the Indian Union and not to remain independent as the leaders of the Muslim conference wanted him to do”. He had been sent to jail by the Maharajah for launching a ‘quit Kashmir’ agitation against the Maharajah and Nehru got him released.
4. The state of J&K in its constitution categorically states that the J&K is an inalienable and integral part of India and shall always remain so.
5. An offer of plebiscite in J&K (along with Hyderabad and Junagadh) made by Mountbatten in his capacity as Governor General on 1<sup>st</sup> Nov 47 (without formal authorization by Independent India’s Cabinet) was categorically rejected by Jinnah himself.
6. Despite signing a standstill agreement with India, Pakistan had sent tribal raiders backed fully by the Pakistan Army and Jinnah himself, to forcibly take full control of the state of J&K from the 22<sup>nd</sup> of Oct 47. Thanks to the prompt action by the Sardar, within 24 hrs the Indian Army on the specific request by the Maharajah (who had just signed the instrument of accession) was airlifted and it succeeded in driving back the raiders and would have driven the raiders form the entire state, had not the PM (possibly due to the Sheikh’s influence and pressure from Mountbatten the GG) and against the advice of his cabinet and the army, halted its advance by declaring an unilateral ceasefire creating the CFL and now called the LOC.
7. The PM despite opposition from his cabinet and in particular the Sardar decided to take the matter to the UNO, offer a plebiscite and again due to the influence of the Sheikh decided to grant a special status to the state of J&K in the form of article 370 under which that the central government and the parliament have only limited jurisdiction over the state of J&K. Providing a special status to the state to satisfy the ego of one person namely the Sheikh was stoutly opposed by the Constituent Assembly, the

Congress Party and the Cabinet as well as stalwarts like Dr Ambedkar, but the PM managed to get this accepted by arguing that it will go away in the course of time (“Ye ghisthey, ghisthey chale jayega”) Though this article is supposed to be “temporary and transitory” and this indeed was the intention of the Constituent Assembly and the PM himself, no one has had the courage to get rid of this for the last 65 years. This provision is nothing but a mill stone round the neck of the nation, standing in the way of full integration of the state with India and giving room to separatist and anti-national elements to carry on an armed insurgency in the state.

It must be added that Nehru himself regretted his decision to take this matter to the UNO and by 1953 had lost all faith in the Sheikh and put him in jail. We have a peculiar and anomalous situation today as the very Parliament in which MPs from J&K sit and legislate does not have jurisdiction over J&K and MPs of J&K can become Union Ministers and lord it over the whole of India. Indians have no rights in J&K whereas a Kashmiri can do anything in India. A woman of Kashmir loses all rights if she marries an Indian.

In our generosity successive Finance Commissions’ awards take into account the occupied part of J&K as well, while giving the weightage for the area of the state, and the government in Srinagar gets a share of the central revenues on this basis, despite the fact the actual population is only some 2/3rds of the total.

Above everything both the separate constitution and Article 370 have failed to protect 400,000 Kashmiri citizens from being forcibly evicted from their hearth and homes by separatist, religious zealots merely because they are hindus. It may be recalled that the present National Conference was Muslim conference in the 1940s led by Sheikh Abdullah and was responsible for a series of communal riots and had specifically targeted the Maharajah as he was a hindu.

In my view the solution to the problem of J&K is:

- a. Make the LOC the international border between India and Pakistan. Even this is a great concession to an aggressor who occupied the state through force.

b. Get rid of article 370

c. Fully integrate the state and change the population composition.

Pakistan, it may be added, gives no special status to the part it has forcibly occupied and has drastically changed the population composition.

To her credit it must be said that Mrs Gandhi took some firm steps to integrate the state with the rest of India by applying several laws and Jurisdiction of constitutional bodies such as the SC, C&AG, EC, AIS etc. She had a great chance to solve the problem once and for all in 1972 when Pakistan was on its knees but she squandered this precious opportunity. Today the situation in Kashmir continues to simmer with strong religious overtones and all parties concerned are getting a lot of money from Pakistan as well as Saudi Arabia. No one is concerned about the future or the Kashmiri Pandits. Feeble efforts to resettle them in the valley continue to be resisted by separatist elements and no one seems to have the courage to take them on.

Azadi demanded by the separatists is impractical and not acceptable to Pakistan either. Pakistan has given no azadi to the part it has occupied and on the other hand the shias of Gilgit and Baltistan are regularly butchered. Ladakh and Jammu want to be with India. If azadi is granted, the valley will be taken over by Pakistan followed by the Taliban within 24 hrs of the withdrawal of India resulting in grave security related consequences for India. The separatists should learn from the treatment being meted out by Pakistan to the Baluchis who are being regularly butchered with great barbarity for demanding some basic rights.

Before leaving this segment of the article attention should be drawn to the new danger that is emerging in the past couple of years which has grave implications to our national security and reinforces my thesis that the J&K issue needs to be dealt with renewed urgency. This is the rise of what is called the Islamic State (ISIS) with a caliphate to boot. It appeals to the Islamic Umma with a grand vision of world domination by Islam, as the only true religion and it claims to be fighting for the recovery-indeed re-conquest – of what it terms as muslim lands and Jammu and Kashmir and even the whole of India is part of this enterprise with violence as

an integral element. This evil vision has captured the imagination of many of the faith in almost every country and since the electronic media and social networking is so potent a tool already being used by the IS, India cannot be immune. With the active encouragement of official elements in Pakistan as evidenced by the open admission of the likes of Hafiz Sayeed etc there is a jihad being waged against India by him and other militant outfits. The Caliphate idea can be easily used to widen the appeal of jihad for liberating J&K and intensification of the so called struggle against Indian occupation of muslim lands. The fact that evidence has emerged of the IS establishing its presence in Afghanistan reinforces this danger. This is happening at a time when the new President of Afghanistan Ashraf Ghani (unlike his predecessor Hamid Karzai) seems to be downgrading his relations with India despite the fact that India is still the largest provider of economic assistance (US \$2.2 billion) to Afghanistan, seemingly to please the real rulers of Pakistan- the Army and ISI. He does not seem to realize that he may be assisting the Pakistan Army in achieving their objective of allowing the Taliban to take over a great part, if not the whole of Afghanistan and eliminating Indian influence altogether. This process is unfortunately backed by Washington which has not learnt any lessons from its earlier misadventure of using jihadi elements from many countries to fight the Soviets. India will have to keep a close eye on these unwelcome developments.

I will now turn to what I call as India's North East with the intent of emphasizing the point that this part of the country has had centuries of intimate spiritual and cultural, as well as political links with the rest of India. I consider the states in the North East particularly Assam, Manipur and Arunachal Pradesh as the easternmost extension of the glorious philosophical, spiritual and cultural heritage of Bharathavarsha. This region's strategic importance for national security can hardly be overemphasized, as it borders the Tibet autonomous region of China in the North, Bangladesh in the south and Myanmar in the east. It is also of great economic importance to the nation being rich in hydro power, uranium, coal, hydro-carbons, bamboo, forest produce etc. Assam is the largest producer of tea in the entire world and is the largest exporter as well.

Today the North East and Assam in particular, is in the news for all the wrong reasons. For many in the rest of India the North East is an enigma wrapped in a mystery, a remote and turbulent region and full of apparently insuperable problems, violent and perhaps ungovernable. Parts of this region are to my mind ungoverned and are becoming ungovernable. I am going to argue that this region can and should be governed in the best possible manner; it is a vital part of the nation and the problems that continue to exist are eminently solvable if only there is political will and high standards of governance.

Let me give you a bit of the history of this region which will facilitate an easy understanding of my thesis and serve as the background for understanding the nature of the problem.

The word Assam was applied to practically the whole of the North East (except Arunachal Pradesh which was called the North East Frontier Area—NEFA) at the time of independence. It is derived from the word Ahom which itself owes its origin to the fact that a major part of the state was ruled by the dynasty of Ahoms. The Ahoms entered Assam in 1228 CE through the Patkai hills led by Chukhapa – a much revered personality in Assam- in the far-eastern corner of Assam. The Ahoms are believed to have come from Thailand. From a small principality the Ahom kingdom was expanded by subjugating many local satraps and covered the area right up to Dhubri in the west. The Ahoms ruled Assam till 1826 when the Burmese invaded the area and to save themselves they had to invite the British to come to their rescue, which the British were only too happy to do and then decided that they may as well stay on and make Assam part of the British Empire. The British were farsighted to see that such a move will eventually help them in guarding the North Eastern frontiers of British India and counter any possible Russian influence in Tibet.

Some believe the word Assam is derived from ‘acam’ meaning unequal or even undefeated as the Ahoms could not be defeated by the Mughals even after several attempts. Lachit Barphukan, the Ahom general who defeated the Moghuls, is a revered figure in Assam’s history. He even cut off his own uncle’s head for failing to do his duty.



The other principalities that existed before the arrival of the Ahoms such as the Koch, Kachari and Kamatapur had by then been subdued and the areas they controlled absorbed into their kingdom by the Ahoms. The Bodos originally known as Bodo Kacharis about whom we hear so much these days are a branch of the Kacharis , the other branch being Dimasa Kacahris. The town of Dimapur (now in Nagaland) was their capital.

While this pertains to the plain areas of Assam, the hill areas are inhabited by a variety of tribes basically of East Asian origin and of the Tibeto- Burman ethnic group. Each of these has distinct languages and cultural mores. The Khasi language for example resembles the Khmer language. Many of these languages do not have a script of their own and under the influence of the British many adopted the Roman script. The Manipuri language is however written in the Bengali script.

The Ahoms embraced Sanatana Dharma by the 14<sup>th</sup> century while the Kochs, Kacharis etc had already absorbed the main features of Hinduism. Their Kings had names such as Pushya Verma, Sthalsthamba, Brahmapala, Dharmapala etc. With the arrival of the Indo Aryan communities in the state, Assamese became the court language in the Ahom Kingdom and the Assamese script was adopted. Sakhtism, Vaishnavism, and Saivism came to be practiced from the time of Jayadvaja Sinha and the Ahom Kings started having names such as Rama Sinha, Chakrdvaja Sinha, Rudra Sinha etc.

Assam has (therefore) been the recipient of a continuous stream of people throughout history from all directions-Tibeto-Burman, Indo Aryan etc. With the arrival of the British, Bengalis were brought to man the Government services – hence the name Babu-- labourers from Central and South India for cultivating tea and Marwaris to run businesses. In the 1930's land hungry settlers from East Bengal were encouraged to come under the 'grow-more food' campaign. Nepalis run the dairy industry and with all the money for development labourers from eastern India come for road construction etc. The state has indeed been a melting pot of a variety of cultures and languages for centuries. I do not think that in any other part of the country you will see changes in the ethnic and linguistic composition almost every one hundred kilometers as you travel through the state.

Consequently apart from what can be called plainsmen of the Indo Aryan group, Assam and its neighbouring states—now altogether seven- have each both plains and hill tribes each with a distinct culture and language. Assam has 14, Meghalaya 17 tribes, Manipur 20, Mizoram 14, Arunachal Pradesh 12, Tripura 19, and Nagaland 15. There are also many who are classified as scheduled castes and OBCs.

Let me note some very interesting features of this bewildering mixture of ethnic and linguistic identities. To add to the complexity of the ethnic and cultural mix, we have since the advent of the British the arrival of Christianity (by now Nagaland and Mizoram are wholly Christian, Meghalaya mostly so) and Islam through the then East Bengal.

In the Assam valley the Sakta and Vaishnava influences can be seen everywhere. The famous Kamakhya temple where Parvati is worshipped was built by the Ahom Kings and so also the beautiful Shiva Temple in Sibsgar. Adi Shankara visited Khamakhya dham and designated Kamakhya as one of the nine holiest *thirtha sthanas* of India. Assam was at one time known as Kamarupa as it is here that Kamadeva who had been reduced to ashes by Lord Shiva for having disturbed his penance, was able to regain his original form. Now Kamrup is a district of Assam. At the eastern most corner is Parashurmkhund where Parashurama had performed a long penance. The great Brahmaputra is the only manly river in the whole country, (all others have female names) though all over Assam the female goddess is worshipped as Shakti.

Though not known widely, the great social reformer and religious teacher Shrimantha Shanakardeva initiated a remarkable religious movement called neo-vaishnavism in the early part of the 16<sup>th</sup> century, preaching a simple monotheism without elaborate rituals based on the Bhagavad-Gita and the Bhagavatam. He succeeded in synthesizing the beliefs of several prevailing cults, establishing a direct relationship between the devotee and the Supreme, namely Vishnu. The new philosophical system was propagated utilizing culture-oriented media – music drama, literature etc. Village prayer halls-nam ghars – can be seen to this day where villagers gather in the evening for bhajans and discourses and there is always an

orchestra and several singers in each village. Durga is worshipped as Shakti and Durga Puja is a statewide festival.

The North East, it must be noted, is free from many of the societal ills that afflict various segments of the society in many states. The place of women is far superior, they inherit the property, the girl child brings joy, there is no female foeticide, or dowry deaths, or bride burning or honour killings. The whole area is free of the kind of caste rigidities that we see elsewhere. Women have the right to choose their husbands and also the right to disband them if they feel like (he can be thrown out by placing his shoe outside the door). Many are matriarchal societies and the husband lives in the home of the wife. Manipur which represents the height of the influence of Chaitanya Mahaprabhu has no caste system. All the tribes are highly egalitarian in their social organization. Female education has always been very high in the region. Mizoram has 92% literacy and female literacy is 88%.

Why is this whole area racked by widespread unrest and armed insurrection and violence from the very first years of independence? Why is there so much of disorder, dissatisfaction and disillusionment in all parts of the North East, despite the fact that the constitution itself and the government at the centre have taken one step after another to satisfy the political, economic and social aspirations of this area and each of the ethnic groups?

Let me briefly outline these steps.

- a. The Constitution recognizes all the tribes as entitled to reservation in the legislatures and in the services.
- b. Special administrative arrangements in the shape of a third tier of governance namely the Autonomous District councils were made under the Sixth Schedule for the hill tribes and by now district councils have been constituted for many other tribes. For example the Bodos have their own territorial council. These self-governing bodies have been given wide ranging legislative, administrative and even judicial powers.
- c. Due to demands from the tribes, by now the state of Assam has been

In my view, the fundamental reason for the unrest in the North East, as indeed for problems such as Naxalism, civil unrest and sectarian conflicts not to mention the growing divisiveness and rampant corruption in the whole country, is the failure of independent India's governing classes and systems to instill the confidence in the minds of all citizens that the system will deliver speedy justice, in an impartial, fair and even handed manner, that no one is above the law and rule of law will prevail. One look at the constitution will show that our founding fathers and the constitution makers did indeed realize that the application of rule of law in all its dimensions is of fundamental importance if this country is to preserve its unity and integrity and solve all its economic and social problems. The chapter on fundamental rights which guarantees equality in the eyes of law, equal protection, and equality of opportunity, as well as all the institutions that were created through the constitution to govern this complex country are all based on the British model and meant to ensure prevalence of the rule of law without any dilution.

Also every system of governance is basically a social contract between those who govern and those who are governed and the system can work only if both parties to this contract conduct themselves with a high degree of responsibility. Every society needs to be governed both from within and outside, by a set of self-generated and self-regulated codes of conduct and by laws and regulations enforced from outside. That is why to my mind fundamental duties as provided in the constitution (Article 51A) are equally if not more important than fundamental rights.

However after the initial years of idealism, today the grand vision of a strong united, vibrant and prosperous India has all but disappeared and along with this there has occurred a progressive erosion of all values, devaluation of all institutions and deliberate exacerbation of sectarian divides for electoral gains. Everyone is perceived as corrupt. The ordinary citizen has no faith or respect for any institution of governance, be it the political executive, the civil service, the police or the judiciary. It is impossible to get any justice from the police or our judicial system. Consequently problems continue to fester, 484 million (as per the latest estimates) are below the poverty line, our health and education standards are low and malnutrition, maternal and infant mortality are abysmal. The internal and

external threats to the nation's security are multiplying rather than diminishing. In a word, after 65 years of independence we continue to be a third world country whereas some who attained independence along with us are today already first world countries. The protectors have become predators and very few if any have even heard that there is a chapter on fundamental duties in our constitution (Article 51A). The social contract I mentioned has been repeatedly violated and neither of the parties has behaved with the degree of responsibility that such a compact requires for its successful implementation.

We have definitely created the feeling in everyone's mind that violence and thieving do not get punished and in fact they are rewarded. Politicians consider themselves generally above the law. We have done great violence to the principle "However high you are, the law is above you".

It is clear in India that a good constitution though a necessary condition for good governance is not a sufficient condition. I quote Lord Balfour in this context "Constitutions are easily copied; temperaments are not...If people have no capacity for grading their loyalties, if they have no natural inclination to liberty, no natural respect for law...if they do not know the art of compromise, if corruption does not repel them and if their divisions are too numerous or too profound, the successful working of institutions on the British model becomes difficult if not impossible". Did our constitution makers in their eagerness to provide a model edifice, borrow ideas without assessing their suitability to India? Is our constitution merely a top dressing on a poorly prepared soil of India?

Dr Rajendra Prasad while expressing satisfaction that the Constituent Assembly had completed a difficult task of drafting the constitution, had also underlined the importance of proper implementation of its provisions and the quality of those who implement it. Dr Radhakrishnan added "Our opportunities are great but let me warn you that when power outstrips ability we will fall on evil days". This is what has happened today and most of our problems are traceable to this fundamental failing of the growing asymmetry between ability and power.

While there has been no doubt visible, credible economic and social progress in some states, in the West and the South in particular, this is primarily because of the innate spirit of entrepreneurship that was unleashed in 1991. Even this progress has today decelerated though the present government is taking some commendable steps to breathe new life into the economy.

In the North East, however, primarily because of insurgency and attendant insecurity and the virus of extortion, private enterprise has been unable to make any contribution to economic or social development. The only investment is from the government which is subject to so much of inefficiency and corruption. Also much of the money spent by the GOI is taken away by the insurgents and the intended benefits do not flow to the people. The North East is in my view in the grip of a vicious cycle of low investment leading to failure to create economic and employment opportunities which breeds ethnic divides and fierce competition for limited opportunities, leading to dissatisfaction, disillusionment, unrest and insurgency, which in turn drives away investment.

I believe the basic causes for the continued unrest in this entire area can be summed up by three Es-Ethnicity, Economic Development and Elections.

I have already described how the North East is a bewildering mixture of a variety of ethnic groups. For a long time before independence a process of assimilation and absorption was in progress – which can be termed as Assamisation and Indianisation. The Assamese language had been accepted by many groups along with its script. Assamese customs, festivals and social mores had found increasing acceptance. But unfortunately this process has not only been halted but is being reversed with a vengeance. To an extent the Assamese themselves must share the blame for this, as their insistence on making Assamese as the state's official language replacing English, angered all the hill tribes who started agitating for separate states.

Further, separatist tendencies have been aggravated by the growing competition for resources- land in particular - and for livelihood and employment caused by leaps in the quantum of population, with no matching expansion or diversification of the economy. This is accompanied by the revolution of rising expectations. This has

made the groups to view each other with suspicion as undesirable competitors for the limited resources and opportunities. Assertion of one's separate ethnic identity came to be regarded as a means of safeguarding one's interests and to ensure cohesiveness to successfully ward off the challenges from other groups. Demands for autonomy, statehood and even nationhood are considered legitimate to ensure the dominance of the particular ethnic group while reducing if not eliminating the challenge of other groups. Everyone is therefore busy identifying themselves as a separate ethnic, linguistic and recently more dangerously as a religious group. Safety is sought in building a separate identity and carving out a piece of territory, from which others can be dealt with from a position of strength. There is therefore a progressive narrowing of loyalties and outlook and the idea of a united India is being increasingly tested and challenged.

As to economic development in the absence of private investment there is low growth and so long as there is unrest, the North - East has to be supported by governmental efforts which are inherently inefficient and subject to leakages of increasing magnitudes. Unemployment combined with growth in population provides a fertile ground for recruitment of insurgents. Insurgency and extortion is now a way of life and hence insurgency has become self-perpetuating. Many politicians benefit in this process as insurgency is a convenient device to blackmail the centre. One cannot ignore the role played by those inimical to India- China and Pakistan- who have extended support to insurgent groups in a variety of ways.

This situation is worsened by the kind of divisive politics encouraged by our electoral system-the third of the Es. The "first-past-the post" system which we blindly adopted from the British—totally unsuited to a multi-cultural, multi religious society such as ours—encourages our politicians to appeal to caste, religious and tribal loyalties and benefit by exacerbating differences. They have only to win and retain the loyalty of one small segment of the electorate to win the election and hence they play divisive politics with impunity. All the dreams of creating a casteless society in India have by now been dashed. In Assam we have recently seen the aggravation of religion based politics with the formation of the AIUDF. This party has now acquired a following in all minority dominated areas and has

already 18 MLA's (out of 127) and one or two MPs as well. I am of the view that because of this system we do not have a truly representative democracy and consequently there is a growing disconnect between what the people desire and what our leaders think.

Added to this volatile mixture is the problem of illegal immigration from Bangladesh. Though there was immigration from the then East Pakistan this were mainly Hindu refugees kicked out due to communal violence, and there was a good mechanism to detect and deport illegal immigrants who were not refugees. The Foreigners Act was fully enforced and village level mechanisms existed with substantial staff specifically for controlling what was then termed as Pak-infiltration.

The main reasons for this illegal infiltration are both economic and religious. There are what can be called push and pull factors. The comparatively poor and thickly populated East Pakistan and now Bangladesh was happy to send out people in search of employment. There has been talk of finding lebensraum in the North East to relieve the population pressures in Bangladesh. Also with all the central funds flowing into this area there is need for cheap labour, for tasks which the locals are reluctant to perform. The Assamese are happy to become government servants sit behind desks and lord it over but not soil their hands. Illegal immigrants are now to be found in all corners of India. There are no doubt interests within the country who would like to change the demographic composition in as many areas as possible and there are counterparts on the other side of the border who aid the process actively.

Since the creation of Bangladesh the mechanisms to control illegal immigration have been deliberately dismantled. The police machinery created for detecting and deporting illegal immigrants has been done away with and maintenance of the village registers has fallen into disuse. This I have no hesitation in saying is due the discovery that this block of insecure illegal immigrants can be a veritable vote bank for ensuring success at the hustings by the some parties. The administration could be bent to ensure that the Foreigners Act is not enforced and the immigrants assured that they are safe. Assam student agitation of 1979 rattled the Central government and convinced the Congress party that the Assamese will not vote for



them and hence additional measures were required to cultivate other vote banks. In anticipation of the AGP (the political party formed by the agitating students) coming to power based on the platform of protecting Assamese interests and riding on the success of the student agitation, an unconstitutional Act called the Illegal Immigrants (Determination by Tribunals) Act was passed(1983). This act applied only to Assam, only to immigrants from Bangladesh, defanged the police by removing their powers to detect and deport Bangladeshis under the Foreigners Act. Under the IMDT Act the illegal immigrant does not have to prove that he is an immigrant and even after a lengthy and tortuous process by the tribunal he is finally declared as an illegal immigrant he is to be given three months to prepare himself to depart. He uses this time fruitfully to disappear from the radar, lie low and appear somewhere else in the state or elsewhere. (Some 50,000 declared as foreigners after lengthy processes by the Tribunals have reportedly vanished) Can you imagine a more direct signal than this, to welcome Bangladeshis? The AGP Government could do nothing because of this Act, to either control illegal immigration or detect or deport Bangladeshis. The Assam accord signed by Rajiv Gandhi with the students, promised cleaning up the electoral rolls so that immigrants do not play a role in determining the political future of the State but no steps have been taken to implement this accord to this day. The militant part of the student body seeing that they cannot expect any justice from the present system, formed the insurgent movement called ULFA fighting for the independence of Assam. The Assamese, however, made the mistake of becoming antagonistic towards not merely the illegal immigrants from Bangladesh but all those in Assam from all over India.

Today the failure to detect and deport illegal immigrants and in fact extend an umbrella of protection through the IMDT Act has now resulted in the demographic transformation of some 11 districts in Assam and 6 districts along the border of West Bengal as well. These illegal immigrants form a substantial chunk of the population in the extremely sensitive Siliguri corridor (called the chicken's neck) a population whose loyalty to the country is at best untested if not doubtful. This population has already proved to be a fertile ground for recruitment by militant outfits such as HUJI, IM etc and the ISI. Forces inimical to our national interests are active in this area. The MHA has warned the NE states of possible attacks by

jihadi elements based in Manipur in retaliation for the so called ill treatment of minorities in Assam, an issue that led to violence in Mumbai and Pune and even in Bangalore.

I must also refer to the widespread sense of alienation in the entire North East. The people have come to the conclusion that the Centre is remote, has no understanding of the NE, is apathetic and is bent on protecting those who can be expected to vote for the ruling party. And their own leaders have let them down, are corrupt, do not keep their promises and only enrich themselves, while protecting themselves with black cats. The Centre they feel understands only the language of violence and makes concessions only if the situation gets out of hand. The army deployed in the area for too long a time has also done its own share of damage. On the other hand the rebels like the Naxals, speak their language, deliver quick justice, protect their rights and have the same life style as the ordinary tribal.

Let me briefly touch on the specifics of the Bodo Problem. The Bodos who inhabit mainly the northern belt of the Brahmaputra are one of the original inhabitants of Assam and as I mentioned earlier in this article have been in Assam even before the arrival of the Ahoms. They are a scheduled tribe and in order to protect their basic rights, apart from the constitutional provisions under the revenue law, tribal blocks and tribal belts have been constituted where no one other than a Bodo can have either possession or titles to land. No non-Bodo can purchase land in these areas. With the increasing numbers of illegal immigrants having occupied the districts in the western most part, the immigrants started entering the Bodo areas, first occupying the grazing reserves, then forests and then forcibly evicting or purchasing land from the Bodos. Through political patronage and corrupt practices by the land revenue staff these occupations were not disturbed and in fact regularized though it is illegal to do so. To get into the voters list has been a cake walk for a long time. Tribal women face harassment.

The Bodos naturally became increasingly agitated in the face of this onslaught and on the pattern of ULFA, NSCN etc formed an insurgency outfit called the Bodo Security Force. These insurgent groups do cooperate with each other perceiving India as the common enemy. Interestingly there are reports which suggest that it is

the Congress party which had initially encouraged the formation of this body and had financed this in order to embarrass the AGP Government and destabilize the same.

We have therefore an extraordinary situation in the North - East where policies followed by successive governments and short term electoral politics, has created a boiling cauldron seething with dissatisfaction, anger, disillusionment and violence caused primarily by the omissions and commissions of those who take the oath to abide by the constitution. It is a protest against what clearly constitutes a flagrant violation of every principle of the constitution and good governance and failure to protect our own citizens against an invasion –a silent invasion or demographic aggression. Today the whole of Assam is in ferment with daily agitations and hartals. Some bodies are threatening to take the law into their own hands to detect and deport illegal immigrants. The student bodies from all the NE states (North Eastern Students Organisation-NESO) have joined hands in demanding eviction of Illegal immigrants. The ULFA which had lost its appeal is rebuilding its cadres and with the help of NSCN (K) building new bases in Arunachal Pradesh.

Even after the Supreme Court held that the IMDT Act was indeed unconstitutional and be scrapped and the Foreigners Act be implemented as in other parts of India, the powers that be framed rules under the Foreigners Act to protect the Bangladeshis. This again was held unconstitutional by the SC and even then no action is taken to this day to detect and deport the illegal immigrants. The new argument is that there are so many and hence impossible to detect and deport. Does this leave any room for the indigenous people to hope that the problems they face will be resolved peacefully? What remedies do they have except to take the law into their own hands and resort to violence? Have we not destroyed faith in the peaceful resolution of conflicts through dialogue, negotiation, compromise and accommodation? Recently the Naga HoHo has passed a resolution that the time has come for all indigenous people to unite and evict the illegal immigrants. This is a dangerous development and so also the reaction of Muslims in Mumbai, Pune and Bangalore, who have risen to defend the illegal immigrants and through threats, intimidation and rumours have scared the students and others from the NE region

that were peacefully pursuing various vocations, to run away in panic. Isn't this a direct challenge to the very idea of India and the unity and integrity of India? I know for a fact that many Manipuris and others who were gainfully employed in Bangalore etc felt more comfortable than in their own strife-torn and drug-infested states. The recent exodus of people from the North East caused by rumours etc is deeply disturbing. We are now about to destroy the very idea of a united India as a nation state as also the process of economic integration that was taking place. To my mind when people start depending upon each other for their livelihood through economic integration our ability to combat separatist tendencies improves. When we ourselves have done so much damage to the cause of national unity by our own shortsighted and divisive policies, is it any wonder that our enemies from across the border take advantage of this and worsen the problem? The ISI has definitely played a nefarious role but I am sure without substantial support from within the ISI can do very little. There are any number of reports in the hands of the Government of India indicating that the illegal immigrants are indoctrinated with a poisonous propaganda and many militant bodies are active, particularly bodies such as SIMI and HUJI as well as Indian Mujahideen.

I am afraid the press has failed to play a constructive role in this whole episode. Without emphasizing that the issue is illegal immigrants pitted against tribals, the press repeatedly gives a religious colour by describing the immigrants as Muslim settlers, inviting the reaction from Muslims in the rest of India. Even the National Minorities Commission has unfortunately played the religious card forgetting that the tribals are themselves minorities, 15 % are Christians and 30 or 40 % are animists etc.

How do we deal with this problem that is so complex and made complicated by our own actions.?

No doubt there are any number of reports in the Home Ministry and elsewhere which clearly detail what are the measures that need to be taken and the urgency of taking these. Former civil servants and DIB's have written articles in the papers, offering a number of suggestions and warning of the dangers of indecision, delays and dithering. All these ideas are gathering dust in the corridors of power, because

we have no political will and keep repeating the same useless slogans and make the same empty promises. National interests are being repeatedly sacrificed at the altar of short term electoral gain.

In practical terms we must, in my view, do the following:

- a. Implement the Foreigners Act with vigour.
- b. Complete speedily the process of preparing the final National Register of Citizens which has been repeatedly deferred by successive Governments anxious to please the vote bank of illegal immigrants. (The process has been initiated only because of repeated orders by the Supreme Court.)
- c. Detect and deport all illegal immigrants and delete their names from the electoral rolls. That merely because of neglect and connivance the problem has become huge does not mean that you do nothing. Ensure that only genuine citizens have a valid multi-purpose national identity cards.
- d. Eschew vote bank and identity oriented politics. Such politics are an admission that you cannot win elections on the basis of your fitness to rule and performance in office.
- e. Complete the fencing all along the border with Bangladesh as we have done along the Indo-Pak border. Strengthen the BSF and ensure that there is no corruption in the force.
- f. Restore the trust and confidence of the people by providing them high standards of governance and satisfying their basic needs.
- g. Eliminate corruption and the contractor - politician nexus.
- h. Enforce the law of the land and punish the guilty speedily and without discrimination.
- i. Insurgency of any sort should be dealt with ruthlessly. People must be convinced that insurgency does not solve any problem, does not build roads or supply electricity and that by now insurgency in the NE is bereft of any ideology and has degenerated into an extortion industry. It must be made clear that violence cannot be justified on any ground and will be met with

swift and effective retaliation from the Indian state, which they cannot match under any circumstances. External support to insurgency movements must be dealt with determination. Supply of arms, training, havala transfers and counterfeit currency all must be effectively stopped.

- j. The people of NE must be convinced that the whole of India belongs to them and many from the North East have become governors, SC judges, CEC's, Central Ministers etc They have their own governments elected by them in free and fair elections and are also full participants in the governing structures of the whole country at all levels.
- k. The present policy of throwing good money paid by honest taxpayers and thereby buying peace should be stopped. It is nothing but plain bribery and has made some very rich and has created a dependency syndrome, while destroying the spirit of enterprise in the entire area. The benefits promised seldom trickle down to the really poor.
- l. The administrative machinery, in particular the police, must be allowed to perform its duties especially when it comes to maintenance of law and order, as empowered by the laws of the land and without any political interference.
- m. We must take all measures against cyber threats and cyber-attacks which have done so much damage recently.

### **Naxalite Menace**

In the last week of May, 2013 some 28 people mostly politicians and security personnel had been killed and scores injured in a brazen attack by Naxalites on a convoy in Chhattisgarh. Hundreds of such attacks have taken place and more than a thousand security personnel have been killed ever since the so called Naxalite movement began in the late 1960's in a place called Naxalbari in West Bengal. The inspiration for this so called "people's revolution" is Mao's peasant uprising in China and his thesis of violent overthrow of the capitalist exploitative system, through mass mobilization and armed rebellion to establish the true dictatorship of the proletariat. "Power flows from the barrel of the gun" he preached. That his capture of power and the programmes he implemented resulted in great suffering,

some 60 million deaths, no real economic and social progress and had to be abandoned by Deng Zhao Ping and that today China is more capitalist than India are all well documented. His “great leap forward” was a great disaster, indeed a ‘great leap backward’ and that his cultural revolution was nothing but a farce to enable him to retain his firm grip on the power is also well-known. Mao and Maoism are both long dead and so are Marx and Marxism. Communism as a political and economic philosophy has been a resounding failure in every part of the world. It promised a utopia, a worker’s paradise but delivered so little in terms of progress or equity. Its propaganda, however, was successful beyond measure and had succeeded in capturing the imagination of many an intellectual including our own first PM. Even today there are any numbers of left leaning intellectuals who are sympathetic to the cause of the Naxals and they pressurize the government to go slow. Some political parties are also known to take the help of Naxals at the time of elections. Communism is a sterile ideology born out of hate and envy, a philosophy of failure, a creed of ignorance, its inherent virtue being the equal sharing of misery. This creed has no understanding of basic human instincts and motives which release growth impulses and assure sustainable advances in every field. It only concentrated power in the hands of a few oligarchs, without any checks and balances and tyrannized huge numbers and arrested their development in every way. Marx’s wife herself lamented that ‘She would have been happier if Marx had left behind some capital instead of writing so much about it and leaving her in penury’. Over emphasis on distributive justice without unleashing the productive impulses of the society is the main cause of communism’s failure. Our Maoists do not seem to have heard of all this and seem to be like Rip Van Winkles.

Be that as it may, Naxalism in India is born out of our history of mal-governance, and non-governance and no doubt corruption. How is it that there is no Naxal activity in a state like Gujarat or for that matter in Tripura, while the Naxals have established a red corridor along the eastern belt covering nearly 240 districts primarily in areas inhabited by the tribals of the heart of India?. The Maoists are estimated to have a dedicated cadre of 10,000 fighters (some estimates suggest that the figure is as high as 50,000) in nine states. Some 9000 sq kms are regarded by them as liberated zones where they operate freely. Gujarat is relatively poor resource endowed and

water starved but paradoxically those states which are rich in minerals, coal, iron ore and water have Naxals roaming around. It is an expression of anger, frustration and total disillusionment with the system of governance. Naxalites believe that what we have in this country is a system which has enabled a select coterie of people to capture power and who have perfected the art of perpetuating their grip on power by every means fair or foul and money and muscle power while feeding the people with freebees. The very tribals who were enabled to assume power as for example In Jharkhand have failed the tribals. Take the case of Madhu Khoda who is now in jail having defrauded the treasury of hundreds of crores of rupees and is accused of money laundering. We have also systematically demoralized and defanged the very police system that is meant to assure the safety and security of all citizens.

The Supreme Court has rightly observed “People do not take up arms in an organized fashion against the might of the state, without rhyme or reason. Guided by an instinct for survival and according to Hobbes, a fear of lawlessness that is echoed in our conscience, we seek order in our societies. However when that order comes with the price of dehumanization, of manifest injustices of all forms perpetrated against the weak, the poor and the deprived people will revolt”. This is a severe indictment of our system of democracy.

On an average there are three policemen guarding each of our netas while there is one police man for some 1700 common people. The life of the tribal remains what it was in 1947 when we made our tryst with destiny and wanted to wipe out every tear from every eye in our blessed homeland. In fact, the lives of tribals have remained almost unchanged in the past one thousand years. The Naxal for his part lives among the tribals, speaks their language, eats the same food, does not go round with Z category security and points out how the leaders whom they elect and who promise the moon to them at the time of elections, live like kings and they have done nothing for them- no water, no electricity, no health care, no roads, no education, no jobs – and often state repression.

My thesis is that the Naxalites are justified in giving expression to the anger and frustration, albeit violently, of the tribals and such groups and that is why there



is a substantial sympathy and support for the Naxal cause amongst quite a few left leaning intellectuals and the Naxals have been able to create quite a few front organizations. No guerilla movement can survive if it cannot command the support and loyalty of substantial numbers. As Mao said a guerilla is like a fish with the people as the water in which it survives.

The remedy they offer however is wrong and impractical. The Naxals are violent and against democratic rights and have actively prevented development and diversification of the economy, building of infrastructure and creation of job opportunities. They are now a real obstacle to governance and are a grave threat to the constitutional system that we have established in this country. They are also indulging in large scale extortion. In fact several reports suggest an active collaboration between some mining barons and Naxals. It may be because of threat and the industrialists have to pay protection money which in turn enables them to operate clandestinely avoiding paying taxes to the government. The Naxals are permanently damaging the future of the poor tribals and in fact more tribals have been killed by them than the security forces. Naxalism cannot survive, if there is progress and prosperity.

Chidambaram as Home Minister had evolved a strategy of “clear, hold and develop” which had started showing success in quite a few pockets. But this has not been followed up with the required vigour. Also given the fact that the Naxals often use force to compel the poor tribals to be on their side, the strategy of arming tribals (Salwa Judum) was quite successful but then the front organizations of Naxals and bleeding heart liberals and human rights activists ensured that this is wound up. There are quite a few Arundhati Roys, Testa Setalvads and Dr Binyak Sens as well bodies such as PUCL who scream against any decisive action against the Maoists.

Naxalism can be altogether wiped out through use of force followed by development and re-establishment of the full administrative machinery to provide the full range of services that a citizen deserves. Bader Meinhof, Red Brigade, Black September, and even the IRA were wiped out when the state decided to enforce its full might against such terrorist bodies. The lethal insurgency that had been fully supported by Pakistan in the Punjab was comprehensively defeated by a well-organized

police effort led by determined leadership who were given a free hand. The same can be said of the AP police who were able to uproot the Naxals through the “grey hounds”. Full and proper inters-state coordination and centre-state coordination are essential. As of now unfortunately there are so many different voices within the ruling establishment and the political parties. Left leaning bleeding heart liberals regard the Naxals as Gandhians with guns-a total contradiction in terms - and keep talking about development as the solution. But how can the state develop if it cannot even enter the area and which contractor will execute any project if he faces death the moment he enters the liberated Red Zone? Right now use of force to altogether eliminate the Naxals is the only course and the approach of “clear, hold and develop” is the right strategy. Naxals have declared war and this cannot be ignored. Their outfit is called People’s War Group (PWG) and this cannot be ignored. The Naxals are not fighting for the tribals but are trying to annihilate the Indian Union and the state constituted by law.

Let me recall what Sardar Patel had said when moving the bill for preventive detention just after independence. He had in mind the communists against whom the measure was intended. He said that they are

- a. A danger to the existence and security of the State.
- b. They are a comparatively small number.
- c. They are merciless and ruthless.
- d. Whose inspiration, methods and culture are all of a foreign stamp and who are linked financially and strategically, structurally and tactically with foreign organizations?

Today these touchstones apply manifold to the Naxalites as well as the insurgents of J&K.

We therefore need stringent laws, effective enforcement, accurate intelligence, specially trained forces, speedy trials and deterrent punishments and above everything political will. Spineless responses will not do. In sum high standards of governance in all its dimensions.

Apart from these three major security threats the country is also plagued by centrifugal tendencies, linguistic, regional, religious conflicts and secessionist tendencies. The worldwide phenomenon of the rise of radical islam and international terrorism has spawned several bodies - such as SIMI, Indian Mujahideen, Peoples Front of India (PFI)-etc which are a growing threat to our stability and security. Worldwide after 9/11 no less than 22000 terrorist attacks have taken place. This is apart from the civil war in Syria and now in Iraq. The rise of a so called Islamic State (ISIS) with a Caliphate has unfortunately created unwelcome and dangerous resonance in several countries and India is not immune. There are reports of Indian youth joining the ISIS, to fight so called infidels and modern technology provides a dangerous new instrument in the hands of the ISIS to propagate on a worldwide basis its poisonous ideology which is backed by unlimited funds from Saudi and other charities. The ISIS, is basically a sunni movement which considers all other sects and all other belief systems as heretic and fit for elimination by brutal methods. The rest of the world has so far been slow to react to this new worldwide threat. It is of utmost importance for us in India to fully recognize that IS represents a clear, imminent and dangerous challenge to the world order and for India as a civilization and to take all necessary steps taken to eliminate this threat.

More than anything else my greatest fear is the fact that while, on the one hand the magnitude and complexity of the internal security problems are growing, the will and ability of the machinery to deal with these problems is declining on the other. This growing asymmetry can have grave consequences to the future of the nation. Instead of strengthening the machinery and enhancing its efficiency, effectiveness and responsiveness, the government has so far been actively undermining the entire architecture of governance and in particular the police machinery. The Punjab Police for example is totally demoralized by any number of cases against all those officers who fought militancy bravely at a time when the politicians who had created the problems had all run away and the judges also simply vanished. The IB is being destroyed by its officers being pilloried by the CBI for serving the masters' sectarian agenda. Equally importantly our moral fibre is being destroyed by corruption of a magnitude that is eating into the vitals of our society. Our internal threats are greater than our external threats. The enemies within are today more

dangerous than the enemies without. Hopefully the present government with a new outlook will deal with all these issues with the required urgency.

As to the rise of radical Islam this is now a grave threat to peace and security of many countries arising from the belief that Islam should prevail all over the world and backed by unlimited petro dollars from the Middle East and seemingly endless supply of foot soldiers from the madrassas of Pakistan and Afghanistan. The whole of Europe, several African countries and countries in our neighbourhood are all targets of this militant ideology. In India the Muslims are being influenced by the radical attitudes towards non-Muslims emanating from the Middle East and Pakistan. The concept of jihad is corrupting the minds of quite a few and they pose a grave threat to country's internal stability.

Let me briefly turn to external threats to India's Security. I shall have to cover this in a summary fashion.

Before doing this let me note that there has been a paradigm shift in the pattern of international relations especially since the end of the 20<sup>th</sup> century.

These are

- a. The decline of the USA as a super power, the rise of China as a potential super power and a multi-polar world.
- b. The fact that use of coercive force has diminished in importance while the threat to use force combined with diplomatic, economic, commercial, subversive measures has assumed greater currency. Also the rise of so called "non-state actors" as the main drivers of violence and conflict.
- c. The strength of nations is defined not merely by military power, but by a combination of economic, scientific, technological and diplomatic strengths.
- d. Wars are fought more across conference tables than in battle fields and through exploitation of a nation's fault lines.
- e. The rise of radical Islam as an international threat backed by a militant ideology, endless supply of foot soldiers from madrassas and equally endless supply of funds from oil - rich Middle East.

- f. The ideological strife within Islam.
- g. The decline of the efficacy of international institutional architecture for the management of both international security and world economy and the emergence of regional groupings.

Our external threats come from Pakistan and China. There are also maritime threats and minor irritants from our other neighbors. Fortunately due to some far reaching initiatives by the present government, we are now in a much better position to deal with our immediate neighbors and also improving our relations with the west. Our international profile has definitely been substantially upgraded.

With China we have a civilizational rivalry and a competition for influence in the Asia-Pacific region. However I believe that it will be possible to solve our border problem with China with courage and to evolve a policy of reconciliation. This will pave the way for breaking the nefarious nexus between China and Pakistan.

Pakistan will remain permanently hostile. When asked as to why Pakistan was so hostile to India Zia-ul-Haq replied “Turkey or Egypt, if they stop being aggressively Muslim, will remain exactly what they are- Turkey and Egypt. But if Pakistan does not become and remain aggressively Islamic, it will become like India again. Amity with India will mean getting swamped by the all-enveloping embrace of India.” Also if Pakistan does not maintain this hostility, the relevance of the army will disappear and with it the privileged position that the Pakistan army enjoys and the huge funds it swallows.

We have to deal with Pakistan from a position of strength and take steps to exploit its fault lines and its economic weaknesses as also highlight its horrendous record on terrorism and get it declared a terrorist State, inviting international sanctions. We should encourage the international community to implement UN resolutions on international terrorism which call for steps against countries which harbour terror groups which Pakistan does so openly and with such aggressive defiance.

Let me conclude this article by quoting from a perceptive piece written by Somerset Maugham, which is a warning from history, as to how a nation can be defeated from within by corruption and the destruction of its moral under-pinning.

Saddened by the inglorious collapse of France in May 1940, Maugham wrote “While not ignoring factors such as the conflict between the General staff and the III<sup>rd</sup> Republic’s leadership, the sloth and conceit of the French Generals, the fear of Bolshevism of the rich who preferred German rule to Communism and the conflict between the working class and the employees, I strongly feel that these contributory factors were only symptoms and effects of a far more fundamental cause namely the lack of morality in France of this period. No doubt there were thousands of French men and women who were honourable, upright and patriotic. There were however not enough. Too many politicians were unscrupulous, too many newspapers were venal, too many employers were crafty and tyrannical and too many working people were dishonest, selfish and avaricious. France was defeated from within, long before she was defeated from without in the field of battle by the German Army.” Maugham cautions that “We would be stupid if we do not take warning from the fate that befell France”.

We in this country should all heed this warning from history which can be ignored only at our peril. Throughout our history many a time we have failed to protect ourselves from our enemies because of internal dissensions, corruption and decline of the society’s moral fibre.

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# CHANGING BOUNDARIES: TOWARDS A MULTIDISCIPLINARY APPROACH TO USER INNOVATION, CUSTOMER FEEDBACK AND ORGANIZATIONAL LEARNING

**Dr. P John Ben**

Xavier Institute of Management & Entrepreneurship, Bengaluru

## **Introduction**

While innovation has been the core theme what with firms seeking to progress and compete effectively, researchers and academicians for their part have typically studied it from the perspective of the firm. So, literature has focused on innovations originating from the firms themselves. Here a plethora of inter-related topics have been studied. Witness partnership roles which lead to firms becoming more innovative (Zhang, Shu, Jiang, Xu, & Alan J, 2010), the positive effects of collaboration on the innovative behaviour of firms (Sawang & Matthews, 2010), internal characteristics of firms who manage innovation (Waal, Anton, Maritz, Alex, Shieh & Chich, 2010), identifying and exploiting a larger number of knowledge sources for successful innovation (Leiponen & Helfat, 2010) and the moderating role of innovation in the firms' performance linked to corporate social performance (Hull & Rothenberg, 2008). In a similar vein, the impact of innovation on a firm's performance has also attracted a large set of researchers. In this area, studies have typically focused on the impact of innovation on a firm's value and risk (Sorescu & Spanjol, 2008), the study of knowledge, innovation and their impact on firm performance (Thornill, 2006; Darroch, 2005; Loof & Heshmati, 2002) and the impact of dynamic capabilities on a firm's performance in terms of process innovations (Zott, 2003).

From the perspective of customers or users, the impact of innovation has been researched in detail. We come across a wide range of topics here; the customer's experience and delight with the innovative product (Prahalad & Ramaswamy, 2003),

a structured and process oriented management of customer-centric innovation (Selden & MacMillan, 2006), and customer experience as an important dimension of a company's innovation efforts (Sawhney, Wolcott & Arroniz, 2006).

Another important field of study in innovation has to do with the inquisitive, exploratory nature of users who further take upon themselves the role of the innovator and seek to modify or customize the product according to their requirements. In this area, research has traditionally focused on the high technology products where the customer involvement levels are considerably higher. Predominantly, research in this area has addressed issues such as leveraging customer experiences and feedback into innovation (Ulwick, 2002), the critical role of innovation in conjunction with symbolic interactions and customer relationships (Flint, 2006), customer orientation in the development of innovative products (Salomo, Steinhoff and Trommsdorff, 2003) and the dynamic role of the virtual community of users in innovation models (Nambisan, 2002). Besides, customers who don the mantle of innovators have been studied extensively by Hippel (1982). In his stream of research, dominant themes range from identifying successful industrial products through involvement of customer ideas (Hippel, 1978), and studying lead users as the unit of analysis to generating novel product ideas (Hippel, 1986), identifying governmental and regulatory support mechanisms by actively propagating the role of private collectives (Hippel & Krogh, 2006) and studying open source software as the evolving form of innovation models (Hippel & Lakhani, 2003).

We draw our insights from the field of user innovation. In particular, we want to highlight the potentially enormous implications of user innovations for the functional disciplines of marketing and organizational science. With this in mind, we proceed to understand how user innovation, which has predominantly been addressed in innovation literature, has subtle linkages with customer feedback process from the marketing literature and organizational learning which is an area of research and practice in organization science literature. Our humble attempt is aimed at integrating the various common points encountered in these three major streams of research and identifying a model that can help firms to develop stronger focus on innovation.



We have structured the paper into four sections. The first section deals with the development of a strong foundation in understanding the concepts of user innovation. The second section draws insights from marketing literature, yet the focus is on understanding the customer feedback process. The third section focuses on organizational learning, where we try and understand the perspective of single loop learning and double loop learning viewed through the lens of user innovation. The fourth and last section deals with generating an integrated framework that can help firms to programme innovation as a basic function within the boundaries of the organization. In this section, we also propose future research directions that could assist practitioners and academicians who are involved in a dialogue with this field of inquiry. This would be chiefly targeted at providing a multi-dimensional perspective on the emerging field.

### **User Innovation: Towards A Deeper Understanding**

It would be worthwhile to understand some of the works of Eric Von Hippel in this field. Among his early works, Hippel (1978) attempted to change the focus to a Customer-Active-Paradigm (CAP) as opposed to the Manufacturer Active Paradigm (MAP). This brought the focus of innovation to the customer. In his studies of 3M, (Hippel, Thomke & Sonnack, 1999) the example of 3M was used to highlight how innovative character can be built into a firm's processes and structures.

The other stream of research within user innovation turned the spotlight on the lead user as the prime subject for diffusion of innovation. In addition, lead users were actively solicited by firms in the development of new products. As lead users were identified as visionaries who could foresee potentially critical products ahead of their time, firms developed processes to engage them in the innovation practice. In this realm, Hippel (1986) discussed how lead users could be tapped to generate insights for innovative products. The concept is applicable to industrial products (Urban & Hippel, 1988), in terms of developing an understanding of product failures in a high technology environment (Douthwaite, Keating and Park, 2001), testing the theory of lead-users with the objective of developing commercially viable new

products (Franke, Hippel & Schreier, 2005) and developing an assessment of these lead users such as could lead to newer products for the firm (Lilian, et al., 2002).

While firms intend to capitalize on the innovativeness of the users, the context is important. So we need to have a brief overview of the kind of industries or products where such research could be applicable. In this regard, we may try and identify some research studies and their environments – the case of the users of OPAC, an online library search software has the theme of study in Morrison, Roberts and Hippel (2000), the identification of the needs of the user community of mountain biking (Luthje, Herstatt and Hippel, 2006), sharing the user innovation practices with the manufacturers in a high technology intensive environment (de Jong and Hippel, 2009), obtaining rare, yet interesting insights on customer innovation from the extreme sport of kite-surfing (Franke, et al., 2005) and the impact of local, critical information on the technology-heavy integrated chip manufacturing industry (Hippel, 1998)

By now, we have a bird's-eye view of the work in this field. The research has typically been present in high technology intensive industries where the users or customers tend to be highly involved and articulate and the larger applications could be simply stated as conforming to the realm of management of technology. Other characteristics feature the role of the lead-user in the innovation process, the diffusion of open source software due to the zeal shown by the user community and the inter-connectedness of functional disciplines that arise due to research which spans across firm boundaries and silos within the firm. What is interesting as we build up our three-stage argument is that in all these research areas there is less information on the process that is used to capture the information about customer-defined innovation. Whether there is a formal process or whether there is a “over-a-cup-of-tea” atmosphere in which some knowledge is transferred to the firms is a question that has not been addressed by academicians studying this field.

## **Customer Feedback Process: Insights from Marketing Discipline**

The phenomenon is not new. It has been prevalent since time immemorial. This involves understanding a customer's views and opinion after the product or service has been consumed. The process can also be targeted at a potential customer of a new product which is yet to be launched, in which case, it can be taken as a test marketing case or a dip stick survey intended to gauge consumer responses.

However, before proceeding further, let us also take an overview of insights from literature. Customer feedback or the feedback loop has usually addressed a diverse range of subjects such as benchmarking using the customer feedback information to identify and plug performance gaps (Zairi, 1992), classification of customer feedback information using computational linguistics – a field which has been of tremendous assistance in the e-commerce industry - (Gamon, 2004), importance of passive feedback mechanisms in understanding classifications of customers (Sampson, 1996), institutionalizing the customer feedback mechanism in such a way that the process is well structured and suited to enable greater organizational learning (Wirtz and Tomlin, 2000) and viewing the customer feedback or complaint system as a complement which could be converted into a strategic tool (Barlow and Moller, 1996).

In the marketing discipline, there have been concerted efforts to identify if customer feedback can be positioned to generate insights that could drive firm performance (Morgan and Rego, 2006), using customer satisfaction measurements through a simple process to predict growth potential of firms (Reichheld, 2003), affixing a brand value through customer ratings on brand attributes (Lassar, Mittal and Sharma, 1995), giving due regard to customer equity and incorporating it into the financial reporting formats (Wiesel, Skiera and Villanueva, 2007) and identifying and tracking relationship between customer metrics and the firm's performance (Gupta and Zeithaml, 2006).

Hence, we have literature that essentially argues and discusses the role of the customer feedback mechanism, its various forms, efficacy and efficiency; in addition, we also have literature from the marketing discipline that tries to establish relationships

between customer metrics and firm performance. At an aggregate level, we have research that looks at the process aspects and research which identifies linkages with more short term, yet vital metrics such as financial performance. The only marked difference that we can observe with studies from the innovation discipline is that marketing literature addressing customer feedback also tries to incorporate measures and metrics that relate to assessing firm valuation or firm performance. Now this point could be taken up by researchers in management of technology or innovation as an area of future research. Such directions would ideally be able to predict firm valuation and performance based on certain processes that are adopted to understand and implement vital areas of user innovation.

### **Organizational Science: Impact of Single & Double Loop Learning**

In our third section, we outline some of the common areas of popular research with regard to organizational learning. We take up this topic since it has implications for the iterative mechanism which we have been studying through a literature review across various disciplines. In short, organizational science helps tackle the topic of learning through the use of single loop learning and double loop learning methods. Single loop learning is a reactive method whereby a firm learns through an iterative process. Double loop learning is a proactive process where the organization is able to look far ahead into the future and plan for the right mix of products or services that would enable it to compete effectively. The other point of distinction is that double loop learning can be considered a proactive approach by management to stay one step ahead of the competition.

Academicians keen on understanding the evolution of learning in an organizational context may perceive it to be new insights or knowledge capture (Argyris & Schon, 1978; Hedberg, 1981), adaptation (Chakravathy, 1982) or change (Dutton & Duncan, 1983). In the context of this paper, the last two points are of interest and relevance. Adaptation and change are elements that can be related to each other. An adaptive attitude could help an organization embrace change. Embracing change is a vital part of the learning process. The fundamental, implicit assumption is that learning could lead to better performance for the organization. Such organizational learning is a point of interest which we cover in the next section.

How does learning occur in an organization? Is there a way to define methods or processes involved? One approach is to look at learning from well established theory: single loop learning, where the organizational actors are encouraged to learn and act without changing the fundamental tenets, goals and activities (Argyris, 1976); the second one, termed as double loop learning expects the members of the organization to question and challenge the established, implicit principles which serve as the foundation. Even the top management in many organizations are apprehensive about changing the so called grounded realities and principles of the organization much as they urgently call for a review in the face of mounting competitive pressures (Argyris, 1982). Besides, any firm faced with pressures of the marketplace needs to be capable of both single loop learning and double loop learning. As an example, we can take the case of Apple. Not only was it necessary to create advances in its i-Mac based on customer feedback (single loop learning), but it was also a fact that a futuristic product such as the i-phone or the i-pad was essential for the company's sustained growth and profitability. The second case could be considered as an instance of double-loop learning. With no specific information from the market, Apple was still able to create a product that launched the firm on its way to glory. A decade later, despite various mimetic approaches by other organizations such as Samsung, Google, etc, Apple continues to hold the reins in the technology sphere.

### **Towards Convergence**

In the first section, we essentially looked at user innovations. These innovations which are basically worked-upon modifications or additions to the product sold by the firm are points of learning for the organization. We argued that there are less formal mechanisms which are being used to capture this important facet of organizational learning. Despite the abundant availability of research papers in this field, there is considerable scope for enhancing the learning by firms which can be used as the enhanced platform for launching newer, futuristic products or new, yet with 'advanced-features' nature of products.

In the second part, we identified points of similarity noticed from the feedback processes which were studied as part of the marketing discipline. To reiterate

briefly, the customer feedback helps firms to correct a defect; it could help them use feedback as a benchmarking tool or the feedback can be positioned as a strategic tool to drive firm performance. In effect, the crux of our argument is that the customer feedback process can also be used as a form of organizational learning. It could help firms adopt a tactical stance, where they are merely informed about complaints and they adopt corrective action or it could also help firms take a proactive approach, leading to the development of new-to-market, innovative products.

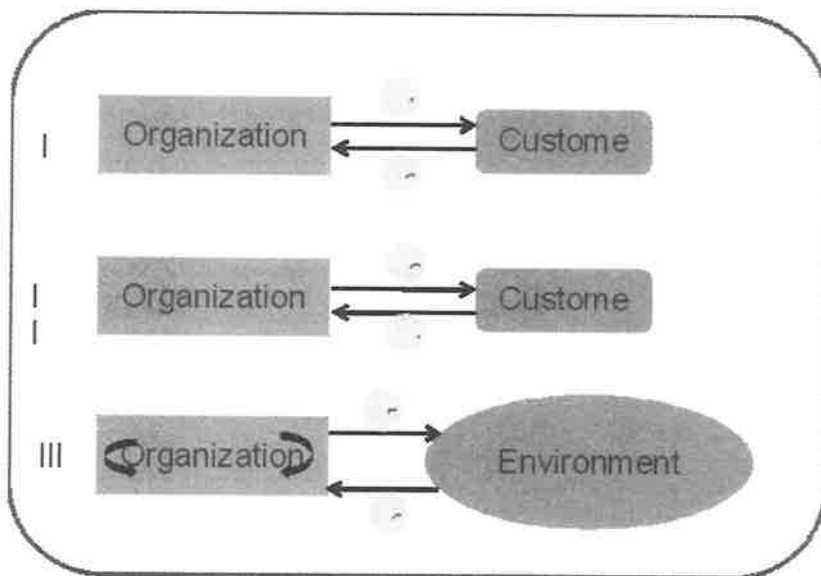
In our third section, we looked at the ways in which organizations learn. This learning has been viewed mainly from the perspective of reactive or iterative learning, which is termed as single loop learning and proactive, future-sense learning which has been accepted as double loop learning. In most literature, these learning processes are viewed from the perspective of adaptation and facilitating change processes within the organization. There is less literature on whether these learning processes can be construed as a contribution to the business performance of the organization. The point of departure here which is markedly different from the first two sections is the role of the external agent, the customer. In organization studies, researchers have not considered the source of learning in granular detail. For example, researchers typically describe organizational learning that stems from an adaptation to the environment. Change within an organization is also ascribed to the subtle influence of the environment in addition to the forces acting from within the boundaries of the organization. The possible reason is that the unit of study is the organization and therefore the unit of focus from the external environment has not been specifically studied. In the earlier two sections, the unit of study was the customer – this customer could be an individual or a firm.

### **Integration: Towards a Multi-Dimensional Perspective**

As we approach an understanding where the parallels across different functional disciplines have been established, we can summarize and put our insights together in an integrated framework. In this section, we attempt to synthesize our insights; this will lead us to identifying potential multi-disciplinary areas for future research.

An integrative framework can be best illustrated through an understanding of the figure below:

**FIGURE 1: An Integrated Framework**



- I. This corresponds to our first argument of understanding innovation from the perspective of user contribution to the firms' learning and future product development efforts. In this respect, the dyadic interaction can be described thus. For the firm, it develops and sells a product or service to the customer. There could be an information dissemination device or toolkit along with the product or service. Besides, the sale could possibly involve an annual service or maintenance contract since these are typically high technology, high value products that are being sold to a customer with specific needs. Examples could be a special educational software package, an i-pad, an air-conditioner or a speedboat. Customer involvement in this process has started even before the purchase of the product. Possibly, the customer could be involved in the pre-sales process, even a year or more preceding the actual time when he takes possession of the product.

In the reverse loop, the firm is in a position to learn (if it so chooses) about whether the customer further innovated on the delivered product. As we have seen from the literature, most firms dealing with high technology products routinely involve their users and lead-users in the product development process. Hence, we encounter a specific case of organizational learning. The dyadic interaction has thus facilitated a single loop learning, which could manifest in the case of an incremental innovation or a double loop learning if the firm is able to foresee the market in the long term and delivers a futuristic product.

- II. In our second context, we looked at a similar scenario through the lens of a marketer. In this case, the firm-customer interaction depicts a sale along with toolkits and warranties which could be applicable to specific, high value products. Again, it could be a low-involvement sale such as selling a toothpaste or soap. There could be a variety of products or services which qualify under the all-encompassing function of marketing.

In the reverse loop, we notice the process of customer feedback which is often channeled back to the firm. In the case of volume-driven, mass market, consumer products such as biscuits or soaps, there is scarcely any involvement from the customer except when he / she perceives a defect. In this case, the feedback is routed back to the firm through an e-mail or a hotline number (telephone call). The receiver at the other end, who is a representative of the firm notes the complaint and sends the message to the concerned marketing or quality assurance department depending on the structure of the firm. In a few instances, there could be action taken by the concerned department, which addresses the complaint at first; later on, the feedback could be used constructively to enhance the product or service. For a high involvement product, lead users can be involved in a manner similar to what was set out in our discussion in the first section.

Similar to the first case, we have potential for organizational learning-in this case from one specific point of interaction from the external environment,



the customer. As we argued in the preceding section, this feedback could be taken up as a source of further improvement in the product or service. Again, the industry context matters. For a low involvement product, perhaps, the learning is single loop in nature. For a high technology product, there are chances of double-loop learning, where specific learnings from the user help the firm to bring out a product that is far ahead of the customers' present requirements.

III. In our final section, we looked at the organizational perspective. The interaction of the organization with its environment could be multiple in nature. There could be relationship with a buyer, there could be a sale, and there could be interactions with competitors. In short, there is a plethora of potential relationships and interactions. Out of these, some could result in specific learning for the organization. The second theme is the adaptation of the organization to the environment. The organization adapts through its exposure to the changing dynamics of the environment. Various social, business or personal factors could impinge on the organization's innate response to the external pressures. When we use the symbol of internal cyclic arrows (refer Figure 1) III, we are referring to the adaptation that happens due to the internal characteristics of the firm. These internal factors arise owing to culture, personal interactions and the governing vision of the founders. Again, the legacy could also play an important role. In addition, these cyclic arrows point out the potential for learning that results from the internal processes of the firm. These could be job rotation, learning through the instrumentality of cross functional teams and other similar, yet novel initiatives that are adopted by the organization.

We pose a question: what does the environment give back to the organization? Answers range from revenues to legitimacy. The answers could be classified on a large scale with varying degrees of tangibility. Due to some responses from the environment, the organization could adopt corrective, remedial measures. These measures would possibly lead to enhanced products,

re-structuring within the firm or call for a different direction to the growth trajectory of the firm itself. As before, we have a multitude of possibilities. Without dwelling too much on our prior arguments, we may briefly state that all the dyadic interactions give rise to potential for both single loop learning and double loop learning.

At this juncture, we briefly sum up the circled numbers in the form of a table for brevity and clarity. Despite our prior discussions on all the dyadic interactions, it is worthwhile to put it all together in a more summarized form as in the table below:

**TABLE 1: Interactions – A brief description**

| Field of Study                           | Circled No. | Significance, Implications  |
|--|-------------|---|
| I. Management of Technology, Innovation  | 1           | Selling to customer, could be bundled with other features like a service, maintenance contract, etc.  |
|  | 2           | Capturing user insights: from user-innovation perspective, absence of formal mechanisms   |
| II. Marketing: Customer Feedback Process | 3           | Sales. Could be bundled with other attributes creating a lock-in. Can involve low involvement purchase (such as consumer packaged goods) or high technology goods or services also  |
|  | 4           | Customer feedback process. Capture of insights. Leads to product enhancement or enables creation of innovative products with future orientation. Ultimately results in value creation for the firm, organizational learning |
| III. Organizational Learning             | 5           | Interacts with the environment. Can involve selling, buying and the interacting agent could be buyers, suppliers, competitors, regulatory agencies, consulting companies, etc   |
|  | 6           | Helps the organization adapt, change in line with the dynamism of the environment. Moreover, it helps the organizational learning – can be single loop or double loop learning  |

## **Concluding Discussions**

In this section, we draw upon the insights gleaned from the previous sections and attempt to explore two radically different lenses through which we can view organizations and organizational learning.

Firstly, we can look at the three different disciplines that we have looked at in isolation for the purpose of further research. In this scenario, the disciplines and area of focus would continue to be studied separately. What we would ideally propose for this line of thought is that certain areas need more focus and research:

- 1) the absence of sufficient literature on the capture of insights from user innovation: what kind of methods or processes can firms adopt to capture this elusive aspect of learning which proves to be critical for the firm's success and future growth?
- 2) In the field of customer feedback, which is addressed as part of the functional marketing literature, what mechanisms can be adopted to give greater intensity to capturing customer usage data, customer feedback and complaints, etc.?
- 3) with regard to organizational learning, what industry and firm contexts support single loop learning and double loop learning? – How can firms distinguish and adopt different internal and external structures to facilitate this intangible, yet powerful process?

A second stream of thought looks at just one discipline which is organization science. As we have clearly seen that there are aspects of organizational learning in the way user innovation practices are captured, we can infer that the first section has strong linkages with organization science. Besides, user innovation itself is a narrow, yet focused area of research within the discipline, 'Management of Technology & Innovation'. In addition, what is clearly evident is that technology or innovation is part and parcel any organization. Technology is an enabler and innovation can be viewed to comprise two dimensions – technical novelty and market selection (McKelvey, 1997: 201). In the same vein, innovation is defined by activities. Hence, technology and innovation come under the purview of organization science. Using a similar line of reasoning, marketing is taken as a function within an organization and it falls as a subset of organization science. Hence one needs to study management of technology, user innovation, customer

feedback, feedback loops and mechanisms and single and double loop learning in an integrated fashion. Currently, the research is carried out in silos and while they add to the body of knowledge within functional streams, the greater advantage which could result from a holistic perspective is lost.

Extending the reasoning from the preceding section, we can also emphasize that innovation needs to be an integral characteristic of every functional discipline. In other words, innovation needs to be an activity or a process that is built into marketing, research and development, technology, production and logistics. We might, therefore, do away with functional silos and stress on the need for an inclusive approach. Such an approach would benefit firms as they seek to grow their business and move forward in the competitive marketplace.

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## BOOK REVIEW

### HUBRIS – Why Economists Failed to Predict the Crisis and How to Avoid the Next One-Meghnad Desai

Reviewed by

**Dr. Naseer Mohamed Jaffer**

Xavier Institute of Management & Entrepreneurship

Capitalism has always been a fascinating subject. Its achievements and problems are huge and social scientists, especially economists, have made efforts to understand and explain the expanding capitalist process of economic development over the years. Interest as well as concern has grown after the global financial meltdown of 2007-2009 which later expanded into the Great Recession out of which countries are even now emerging slowly and unevenly. The fundamental imbalances in the global economy after the crisis of 2008 get reflected in issues like the sovereign debt crisis in some European Union countries, the slow and uncertain response to reforms in the Japanese economy, the recent slowdown in China's growth and the questionable sustainability of the supremacy of the American dollar in the international monetary system. Many books have appeared to explain the nature and causes of the global economic crisis and among them a few are outstanding like, Joseph Stieglitz's *Freefall: America, Free markets and the Sinking of the World Economy* (2010), *The Price of Inequality* (2012) David Harvey's *The Engima of Capital and the Crisis of Capitalism* (2011), Anatoll Kaletsky's *Capitalism 4.0 the Birth of a New Economy in the Afterrmath of Crisis* (2010) and Raghuram Rajan's *Fault lines* (2010). Recently a well-known leftist intellectual Meghnad Desai, emeritus professor of economics, London School of Economics has written a book '*Hubris- Why Economists Failed to Predict the Crisis and How to Avoid the Next One*' (2015) which is being reviewed in the following paragraphs.

The author's brief account of the stages in the development of capitalism is appropriate in attempting an explanation of the recent crisis and discussion of the possibility of another crisis appearing in the near future. Adam Smith in his '*Wealth of Nations*' (1776) gave a blueprint of industrial capitalism as it emerged in England. Karl Marx in his *Capital* (1867) explained the evils of capitalist

exploitation and predicted that communism would replace capitalism by means of a workers' revolution. John Maynard Keynes in his "*The General Theory of Employment, Interest and Money* (1936)" explained the nature and causes of the Great Depression of the 1930's and formulated a macroeconomic policy for recovery and sustainable economic growth. It is said that Adam Smith gave the thesis, Karl Marx gave the anti-thesis and Keynes gave the synthesis of capitalism. And students of economics for their part generally identify the different varieties of capitalism, namely industrial capitalism, commercial capitalism, financial capitalism, managerial capitalism, consumer capitalism and casino capitalism which emerged and flourished in different countries at different points of time. In developing countries, especially, crony capitalism has emerged due to lack of good governance at various levels.

Anatole Kaletsky, for example, points out that one variety of global capitalism is replaced by another variety of global capitalism and there is no other alternative because communism has been thrown into the 'dust-bin of history'. Kaletsky says that the first era of modern capitalism prevailed roughly from the British victory over Napoleon in 1815 until the First World War. Then there was a period of instability and uncertainty which witnessed the First World War, the Russian Revolution, the Great Depression and the Second World War. The second era of capitalism which began with the New Deal of the 1930's, made its way to military Keynesianism as the cold war unfolded between the erstwhile USSR and the USA, the emergence of Japan and Germany and the spectacular prosperity which economic historians call the Golden Age of modern capitalism. This ended in the stagflation of the 1970's out of which emerged monetarism and other schools of liberal and ultra-liberal macroeconomic theory and policy. In an interesting book, *Strange Rebels: 1979 and the Birth of the 21<sup>st</sup> Century* (2014) historian Christian Carye points out that in a real sense 21<sup>st</sup> century began in the year 1979, which witnessed economic reforms pursued by Deng Xiaoping in China and Mrs. Margaret Thatcher in the U.K. the Iranian Revolution under the leadership of Ayatollah Khomeini and the emergence of jihadis as Soviet troops entered Afghanistan. In a way, the defining features of 21<sup>st</sup> century so far, namely global economic instability and growing inequalities of income and wealth distribution, emergence of religious fundamentalism of all kinds and turmoil in the Middle East and the resulting refugee problem, all took root in the year 1979.

Meghnad Desai justifies the title of his book in the following passage: “I even participated in the changes in economics that I describe herein. During my 50-plus years as an economist, I was a Keynesian while a student and in the first decades of my career. I battled against monetarism. But I also explored political economy in the works of Marx, Schumpeter and Hayek. As time went on, I witnessed the change in the culture of academic economics. Uncertainty and doubt were replaced by certainty and hubris. I try my best to resist it” (p.xi)

The story begins in the winter of 2008-09 about twenty years after the collapse of communism, when capitalism also seemed to come to the brink of collapse. Karl Marx had predicted that capitalism would be destroyed due to its internal contradictions of the production relations and the bourgeois democracy. As in popular Hindi movies, there is a need for a flashback at this stage of narration of the story. The election of Mrs. Margret Thatcher in 1979 was closely followed by Ronald Reagan’s election in November 1980. Then there was the Thatcher-Reagan revolution of 1979-89. Market fundamentalism emerged and flourished at theory and policy levels. For 25 years after the end of the Second World War there was unprecedented prosperity in developed countries mainly because of the Keynesian macroeconomic policies. Marx’s predictions of the end of capitalism faded as the proletariat became increasingly embourgeoisified. Prominent economists who carried the Keynesian Revolution forward were Alvin Hansen, Paul Samuelson, Joan Robinson, John Hicks, James Tobin and Roy Harrod. The basic equation,  $G=s/v$  where  $G$  is the rate of economic growth,  $v$  the net capital –output ratio and  $s$  the average propensity to save developed by Domar and Harrod extended the essential relationship between macroeconomic variables of the Keynesian system to explain long-term economic growth of market economies. Thus it was that during the 1950’s and 1960’s Keynesian economics was successful in achieving stability and growth in developed economies.

The Achilles heel of macroeconomic policy is inflation. (Ironically the recent trends indicate dangers of deficient demand and deflationary risks. One can recall Alfred Marshall’s famous caution “every short statement in economics is wrong, except the present one.”) Keynesians argued that money did not matter and expansion of public expenditure supported by deficit financing would push the economy forward. The trade-off between the level of unemployment and

the rate of inflation was beautifully and popularly demonstrated through the 'Philips curve' by W.H. Philips. However this relationship broke down under the onslaught of stagflation, a dangerous combination of inflation and stagnation in the early 1970's. This made Keynesian economists uncomfortable and Keynesian policies unpopular. In the meantime, Milton Friedman and other University of Chicago economists who had already made significant inroads into the Keynesian consumption theory, multiplier theory and the Philips curve relationship moved further to build an alternative macroeconomic paradigm. This alternative theory shifted the macroeconomic strategy from fiscal policy to monetary policy and it came to be known as 'monetarism'.

Meghnad Desai continues his narrative and states, "Monetarism undermined the twin pillars of official Keynesianism. Budget deficits were no longer benign and inflation rather than underemployment was the principal problem market economies had to tackle." Significant changes had happened in the field of international finance also. The Bretton Woods system, which replaced the Gold Standard that had been in practice for about 300 years prior to World War II, had kept all exchange rates fixed in relation to the US dollar. On August 15, 1971, US President Nixon announced that the dollar was no longer backed by gold. The problems resulting from the devaluation of dollar, the sudden increase in oil prices owing to the Arab-Israeli war and the huge increase in the size and influence of euro-dollars (US dollars parked in banks outside the US) could not all be immediately explained in terms of the prevailing Keynesian theory and early monetarist analysis. Subsequently, currencies began to float freely in international money markets, on-line trading of stocks expanded due to information technology advances, financial innovations like derivatives expanded and market reforms were increasingly introduced under globalisation. The new reality had to be explained and supported by new theories.

Keynes had already introduced the role of expectations in his theory of investment by explicitly developing the concept of marginal efficiency of capital. Economists of the University of Chicago, under the leadership of Friedman, emphasized the role of expectations to undermine the efficacy of some of the Keynesian policies. They developed the idea of "adaptive expectations" to study consumers' reaction to inflation. This led to the 'policy-ineffectiveness hypothesis' which created enough space for theorists to push forward the liberal agenda to extreme levels. The almost simultaneous arrival of 'efficient market hypothesis' and 'national

expectations theory' was an important turning point in macroeconomic theorizing. Robert Lucas, Friedman's student and colleague at Chicago came out with the assertion, after extensive statistical work, that the 'true' Phillips curve was vertical and that there was no trade-off between inflation and unemployment. The level of unemployment was determined by the market forces in the labour market and inflation was determined by the money supply in the economy. This was the moment of the beginning of the New Classical macroeconomics.

Meghnad Desai explains at length the systematic construction of the new classical critique of the mainstream Keynesian macroeconomic theory and how it undermined faith in government intervention in the macroeconomic management of the economy. The phrases 'sweetwater' economics (that of liberals and ultra-liberals) and 'saltwater' economics (that of Keynesians and interventionists) are used by Meghnad Desai and he laments the rise of the former and retreat of the latter in university economics departments. Macroeconomic models built by the sweetwater economists are highly mathematical and they are built on the basic assumption that markets always clear. Later when the Great Recession did arrive in 2008, they defended their position by claiming that such "extreme" events were by nature unpredictable. In their view, had anyone foreseen a crisis, he would have made a profit from it and would have made the occurrence of the crisis less likely. Robert Lucas made a famous defence of new classical macroeconomic in the following way:

"One thing we are not going to have, now or ever, is a set of models that forecasts sudden falls in the value of financial assets, like the declines that followed the failure of Lehman Brothers in September (2008). This is nothing new. It has been known for more than forty years and is one of the main implications of Eugene Fama's "efficient-market hypothesis"(EMH) which states that the price of a financial asset reflects all relevant, generally available information. If an economist had a formula that could reliably forecast crises a week in advance, say, then that formula would become part of generally available information and prices would fall a week earlier". (Robert Lucas, "In Defence of the Dismal Science" *The Economist*, August 6, 2009)

It amounts to saying that the free market will get the economy back to normalcy as and when it does and there will be no change in outcome if the governments borrow money and spend it. People's actions are always based on rational expectations.

That market is efficient and that prices incorporated all available necessary information became the conventional wisdom in business schools and economics departments of universities. The Glass Steagall Act of 1933, which was a landmark legislation to create a firewall between commercial banks and investment banks was repealed in 1999. New exotic mortgage-backed and asset-backed securities with different names and acronyms emerged and expanded: Collateralised mortgage obligations (CMOs), collateralised debt obligations (CDOs) and collateralised loan obligations (CLOs). Rating agencies played a vital but dishonourable role in the process of this large scale securitization and financial innovation.

It may be pointed out that derivatives in various forms like swaps, options and futures have been in practice for decades, enabling stakeholders to hedge against risk. But in recent years derivatives have grown into something different, potentially destabilizing and possibly lethal. It may be recalled that even in 2002, Warren Buffett characterized derivatives as “financial weapons of mass destruction.” Many economists consider that recent developments in rational expectations theory and efficient market hypothesis have done more harm than good to the economy.

In the last chapter of the book under review, Meghnad Desai makes a few observations which can be topics for further research. The title of the last chapter is “The Search for an answer.” He says that Keynesian mainstream economists could not predict the crisis of 2007-2009 because either they were unable to emphatically foresee and forewarn or they were politically much less powerful than their liberal and ultra-liberal counterparts. He predicts that the problem will be solved but he says “no one can just say how.” It is really surprising that he does not mention the emerging field of behavioural economics as a possible area in which a solution can be found. Or else, it is of a piece with the common tendency of macroeconomists to ignore behavioural economics much as the psychological perspective that it provides is truly valuable. Be that as it may, Desai’s simple, down-to-earth but at the same time passionate narrative of what happened and a cautious explanation of what would happen will appeal to inquisitive readers.

I am sure that students of business management, finance and economics will benefit by reading this book.

\* \* \*

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