Y2K and the rise of India as a global player

India’s commitment to education important to its growth

Richard F. Celeste

**RICHARD F. CELESTE** is president of Colorado College. Prior to that he was US Ambassador to India and prior to that served two terms as governor of Ohio, one term as lieutenant governor of Ohio, and in between was director of the Peace Corps. He was also a managing partner of Celeste and Sabety Ltd., an economic development consultancy. A Rhodes Scholar and Yale graduate, he taught urban economics at John Carroll University and was a visiting fellow in public policy at Case Western University. He is chair of the board of trustees of the Health Effects Institute, Boston; an advisory board member of Stonebridge International; a member of the Council on Foreign Relations, and a lifetime National Associate of the National Academies.

Richard Celeste took the Global Executive Forum back in time, to the period prior to 2000 and what was thought to be an impending Y2K crisis. He called this “a single phenomenon” that launched India as a serious player in the world economy.

“There was a huge demand for software engineers and programmers to fix Y2K glitches that threatened to disrupt flights on the eve of the millennium and send vital computer data into the dark reaches of cyber space,” said Celeste. The supply of local professionals fell short of meeting the demand and Indian talent rushed in to fill the void. As it turned out, “there was no crisis and the reason was probably because people anticipated there might be a crisis and real work got done.”

Y2K served as “an extended audition for Indian software capabilities and allowed companies like TCS and Wipro to introduce themselves to major American firms. Indian companies realized there were other services they could sell in the US market.” According to Celeste, “In 1997 Indian exports in software were $125 million. By 2001 exports were $2 billion; $13 billion is what they anticipate in 2006. Fifty percent of India’s exports are in the service sector. It’s a stunning phenomenon and it will only grow” aided by public policy reforms that have been unfolding since 1991.

The rise of India can be attributed to factors “beyond liberalization and Y2K,” said Celeste. “The Indian diaspora – the dispersion of Indians into the US – has been the single most important driver in expanding the US-India relationship.” He pointed to the “extraordinary way in which the migration of talent from India to the US has grown. Most return to India but those who stay have become major contributors in virtually every field: engineering, medicine, academic faculties, business and the investment community plus others. “By 2001 India had surpassed China in the number of students coming to study in this country. In 2004, 80,000 students from India came to the US; 62,000 from China.”

The best and brightest are flocking to US universities but will new immigration restrictions reverse the flow? “I think it’s a serious concern,” said Celeste. “We have foreign students who have to wait three months before they get an interview to be granted a visa and they’re going to miss the first months of class here. The result is that thousands of young people are discouraged from coming here.”

**US-India relationship**

Celeste cited the results of a yearlong study conducted by the Pacific Council on International Policy in conjunction with the Observer Research Foundation. The study, launched in March 2004, looked at the relationship between the United States and India and the direction in which it’s headed.
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“The study made a series of recommendations relating to barriers in the government-to-government relationship, particularly the constraints on nuclear technology instituted by the US in 1998 following India’s testing of nuclear weapons. President Bush in July 2005 reversed these constraints,” said Celeste, clearing the way for the transfer of civilian nuclear reactors to India to meet its energy needs as a growing economic power.

Celeste predicted that “the dynamism of the intellectual ties between our two countries and the 24/7 nature of the collaborative work that goes on” will help the relationship flourish. He referred to India’s software development programs and the growing research capabilities in the country. A GE research center in Bangalore had 52 patent applications pending in the US even before it was officially dedicated. The center is tied in to all GE research facilities around the world.

“I think there are opportunities for collaborative research between our two countries and people are going to be investing in them. Biochemistry and stem cell research will benefit. More and more of this research is going to be migrating from the US to Japan, Korea, the UK and also to India where researchers will have a major capacity to undertake it.

“There’s an agreement in India to conduct collaborative pharmaceutical tests for new medicines that will accelerate the testing schedule and lead to earlier FDA approvals,” said Celeste. “Indian researchers are involved in everything from nanotechnology to energy alternatives.”

With so much data being communicated via the Internet, information security has become very critical. “The Pacific Council report identified this category as a great opportunity for business investment. US companies interested in doing this kind of work should be investing deeply with Indian talent.”

Celeste noted that in India there is no problem in repatriating funds. “You can invest a lot of money and you can take it out. That’s the reason why more and more people are paying attention to India. Last week the Indian government opened telecommunications firms to Foreign Direct Investment of up to 74 percent.”

What sets India apart from countries like China, Japan, the US and most European countries is that more than 50 percent of its population is under the age of 25, said Celeste. “And out of a population of more than a billion people, 630 million are gainfully employed. Some of them may not be making more than a dollar or two a day but all of them are working and working hard at whatever they get and looking for opportunities to get more. So you have a tremendously young and ambitious population.”

The ambition is fueled by the value Indians place on education. “Indians have a commitment to education that drives virtually every family, every village and every part of India today,” said Celeste. “It’s one reason why it’s important that in the US we take education – from preschool through college – very seriously because the education system and especially higher education has been one of the few clear-cut comparative advantages we’ve had globally.”