

GLOBAL FINANCIAL POWERHOUSE
@ INDIA INC. MUMBAI ON 3rd APRIL 2004
at MET Complex

"Despite occasional manifestations of disappointment and distrust, the globalization of economic life is now almost taken for granted. Nowhere has this trend been more pervasive than in the global financial markets in the past few decades."

Circa. 1904 – Alan M. Taylor

Many as a phenomenon whose time has come have viewed globalization. For almost a century it has continued its long march through communities, civilizations and nations often leaving behind a trail of disputed benefits. Historically it has been called many a names with economic dominance leading to political subjugation in a world divided vertically and horizontally. One has witnessed its journey through periods of free movement, interrupted by barriers of legislation and statute – only to continue its onward march, linking scarcity with plenty, poverty with affluence and ignorance with knowledge, sharing and caring the stakeholders along.

Now with a networked global economy working relentlessly on real time basis across the globe, the barriers have been breached by free flow of information and technology. Despite nations and institutions indulging in erecting safety nets and barriers to suit their ends, e-convergence and globalization have now become inseparable building blocks of the world economy. The world of finance is the growth engine of this process and fund flows and investment indices reflect the economic pulse of the nation. Thus development of global financial powerhouse (GFP) is not only an infrastructural requirement but it is central to the survival and growth of the modern economy. The collapse of the Asian economies of the 90s and the perennially precariously perched South American economies could be partially attributed to their inability to build critical institutional infrastructure necessary to attract and nurture global financial hubs.

In this context we must critically examine the emergence of India Inc. as a candidate for hosting international financial hubs. The decade long process of economic liberalization has extended an open invitation to global players in the finance market attracting almost every major financial institution of repute to enrich the market place. The emergence of smart and committed domestic financial institutions fine tuning foreign fund investments by priming the domestic market, have demonstrated the inherent strengths of the investor and the economy. The Indian finance market has received positive statutory support and the regulatory institutions and processes have been universally acclaimed as market friendly. With the forex kitty exceeding 20% of GDP and attainment of 8% plus growth rate accompanied by tight control of fiscal deficits/ inflationary pressures, our economy seems to have attained the 'Take off' stage. With higher returns and vast opportunities for low risk investments, we are undoubtedly the destination of universal inflow of funds.

As we search scan the globe we find concentration of financial power centers at select locations starting with New York and ending with Hong Kong and Tokyo. All these hubs have number of similarities and common features. Based on their strength new hubs have sprung up at Hamberg, Dubai and Shanghai. However with the exception of Shanghai all other financial hubs primarily act as conduits channeling investments into developing economies. Mumbai the prime mover of India Inc. is a singular exception with vast untapped investment generation and deployment potential. The burgeoning Indian middle class with big appetite for consumption and investment, India Inc. offers a unique platform for building GFP.

Undoubtedly, the process of developing a vibrant and dynamic GFP is more complex and elusive than one can visualize. Its not merely a question of hardware and software or the degree of freedom enjoyed by the institutional and statutory players. But it is a matter of development of proactive mindset among all the stakeholders, which needs to be nurtured consistently. Only through a series of confidence building measures backed up by sustained follow-up action by all the regulators and players one may send positive signals to the ever watchful world financial markets. There is also an increasing awareness that too much of capital market liberalization may lead to economic disasters and "balanced perspectives on taxation, forex, TRIPS, etc." are emerging, thus giving rise to economic realism rather than a free run of the markets. But even such measures and messages need to be fine tuned so as to ensure that they do not spread negativity in the market place.

Thus, it is time that if our economy has to take-off and attain the 'commanding heights', we must build not merely international financial hubs or software development enclaves but take courage in building a grand vision of developing GFP at the financial capital of our country, Mumbai. We have history and tradition to back us, which we must leverage; we have strategic location of being the SAARC nerve center, we must harness it for geopolitical dominance. We have an opportunity to erect a citadel of financial power, which will act a nuclei for building India as a super power in the next decade and this has to be achieved.

The workshop is an attempt to visualize what it takes to build a global financial powerhouse. In the first part we shall take look at the existing global financial hubs across the continents and examine the development of India Inc. Mumbai in this context. Then we shall attempt to draw up the contours of GFP and try and fit Mumbai in that perspective. We seek contributions and directions from experts in the world of finance in this task.

There is no doubt in our minds that if India Inc. does not put its act together now to forge an alliance, seeking synergistic input of their strengths to build the **GFP India Inc. Mumbai**, then some other place may steal the thunder and we shall continue to be the reluctant beneficiaries queuing up for goodies at foreign windows.

A century ago Gurdev Rabindranth Tagore in his poetic fancy rhymed:-

Pearl fishers dive for pearls, merchants' sail in their ships,
while children gather pebbles and scatter them again...
they know not how to cast nets.

Gitanajali – 60

Let us all resolve that we shall not wait on the seashore and let others collect the pearls.

WORKSHOP ON

GLOBAL FINANCIAL POWER HOUSE @INDIA INC. MUMBAI

Panel Discussion - Main forecast on Mumbai, additional learnings

Students Discussion – Essential ingredients of Financial power house

How to build Mumbai as a financial hub – infrastructure, L&, BMC, MSRDC