

Synergising to the New Globalisation

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Main points adapted from the article for competitive exams:

1. The international business environment in early 2018 is witnessing the simultaneous **rise of economic nationalism** and **redefining of the rules** of business by digital integration.
 - 1.1. In his Economic Forum speech at Davos, Prime Minister Modi made a powerful case that **India is now 'open for business'** saying that red tape that used to stifle businesses is being replaced by a red carpet welcoming enterprise, and that comment really struck home.
 - 1.2. The overhaul of India's corporate law and business environment is delivering noticeable improvements. The international CEOs have first-hand examples of the positive impacts these reforms are delivering.
2. The Indian economy is at a unique vantage point in 2018 with significant leaps that have made the country one of the world's fastest-growing markets.

Key factors:

 - 2.1. Increasing urbanisation,
 - 2.2. A huge rising middle class
 - 2.3. A free-spending younger or 'Millennial' generation,
 - 2.4. Business-friendly government reforms. The government's commitment to take 7,000 deregulatory steps at national and state levels is vital.
 - 2.5. Creating a simpler, unified, national tax regime is a positive step
3. On the other hand, factors such as complex federal and state regulations and tax regimes have created friction and inefficiency within the economy, slowing down economic growth. The country has delivered GST as one of the biggest tax reforms in its history. The importance of making India 'one country, one market' by eliminating multiple layers of taxation, cost and complexity, cannot be understated. The benefits of GST will be felt not just

in the tax take, but in the stimulus this reform will provide to the underlying economy. It **reduces uncertainty** for international and Indian businesses and has the double benefit of **reducing compliance costs** for business and **the tax take** for government.

4. The advent of globalisation has led to **a digitally integrated world**. In that sense, the growth spurt of fin tech start-ups in India is a welcome development and needs to be harnessed to its full potential.
 - a) Most of these firms are bringing in technologies like artificial intelligence, big data, psychometric analysis and social media behaviour analytics to evaluate credit-worthiness. Though **at a nascent stage**, in view of its potential, fin tech companies should be provided with a conducive environment and given due opportunities to develop further. **Building regulatory frameworks governing new technologies** such as cryptocurrencies and strengthening cyber-security around those technologies should receive adequate focus.
 - b) Next, a fine balance should be struck between **the need to push public investment** on the one hand and **keep the fiscal deficit under check**.
 - c) Consumer spending could use a boost with a wise mix of public spending and other fiscal reforms to spur demand in the country.
 - d) The government also needs to facilitate increased exports and streamline the GST ecosystem.
5. The Indian economy is moving in the right direction with initiatives taken towards stepping up infrastructure investment, labour market reforms and measures to boost manufacturing growth.
6. However, more reforms will be vital for sustainable growth. While all of this is still an ‘unfinished agenda,’ a combination of supportive global growth, improving capex, fiscal spending, a buoyant consumer and concerted policy will be crucial in strengthening India’s growth outlook. While the rest of the world evaluates India, the country must continue to recalibrate to take its seat at the top table for global business.

(The author is Global Chairman, KPMG International. He was a speaker at the ET Global Business Summit held in New Delhi on February 23 and 24, 2018. Source: The Economic Times Delhi February 2018)