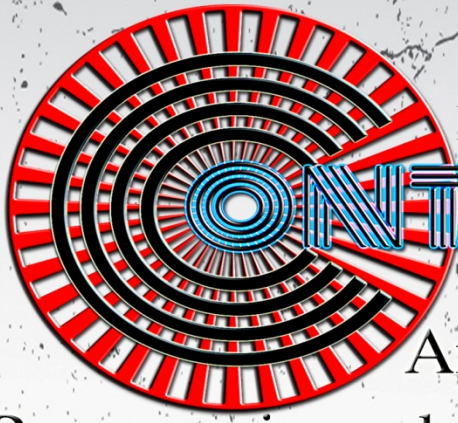


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**Cover Designing & Formatting
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**Publisher
Dr. Susanta Kumar Bardhan
Suri Vidyasagar College
Suri, Birbhum, 731101, W. B.
Contact: +919434945037
Email: susantab_ciefl@rediffmail.com**

International Competitiveness & Knowledge –based Industries in India
Edited by –Nagesh Kumar and K.J. Joseph, Oxford University Press, New
Delhi, Pages 349, Price: Rs 675.

– Reviewed by Labanya Pal, Research Scholar, Dept of Economics, University of Kalyani

The focus of this book is on understanding the firm level determinants of international competitiveness, the factors impinging on the export competitiveness of Indian knowledge-based industries and hence to draw lessons for policy.

The first section presents an overview of the current status of exports from India in various sectors. After a review of the relevant literature it discusses the current trends and patterns that are seen in exports from India. Exports are disaggregated and studied as exports in high, medium and low technology industries with some in-between categories to provide a more meaningful understanding of the knowledge dimension.

This is followed up with an econometric aggregate firm level analysis covering a sample of nearly 4,500 Indian companies across a wide spectrum of industries, different size classes, ownership patterns. A more detailed qualitative analysis was conducted to understand the determinants of international competitiveness for knowledge based industries and certain policy prescriptions follow from this.

The second section of the book follows this up with a similar overview and aggregate firm level analyses of a few selected sectors which include electronics, pharmaceuticals, especially chemicals, automotive and non-electrical machinery. This section is expected to complement and supplement the findings of the overview presented in the first section.

Pharmaceutical sector

The data and analyses are good and rigorous. However, one of the consequences of the aggregation into sectors is that the specific domestic and global contexts within which Indian firms are competing tends to get blurred. Separation into smaller sectors or even into more specific industries would have helped though such separation is not without its share of problems if an econometric approach is used. One way to redress this balance is through some case studies of individual companies operating in specific industries within the larger sectors. Some company level analyses are there in the book but these do not completely bridge the gap between sector, the industry and the firm.

In the case of the pharmaceutical sector, for example, it can be argued that the major turning point came about when Indian companies could use the paragraph four filings under the Waxman-Hatch Act to enter the U.S. market. This required not only technology and R&D knowledge which were available because of domestic competition but also the business and legal domain knowledge that Indian pharmaceutical companies had to access and acquire. The strong domestic highly competitive pharmaceutical industry combined with the easing of the U.S. regulatory regime provided a toehold for Indian companies to enter the lucrative U.S. market. It is also quite obvious when we look at individual companies operating in the global pharmaceutical industry that the population of companies inhabiting the generics space is quite different from the population

of companies inhabiting the new drug discovery space. Indian pharmaceutical companies are ostensibly trying to do both at the same time. Will they be successful? What can we do to make them successful? Are the determinants for success the same in both categories? In the case of the automotive forging components industry, in which Bharat Forge is a global leader, the path to global presence is different and maybe even riskier.

Determinants

Detailed case studies carried out by J. Ramachandran at the Indian Institute of Management, Bangalore on companies like Dr. Reddy's, Ranbaxy and Bharat Forge bring in some specific industry and company level contexts that are important in understanding the determinants of what it takes for a global player to emerge out of India. In the strategy literature this is termed overcoming "liabilities of origin". An understanding of what companies did to get over this hump is crucial for understanding "international competitiveness" of Indian based knowledge industries.

The book implicitly equates knowledge with technology and R&D. The assumption seems to be that if the knowledge base of production, technology and R&D associated with a sector is strong then the basis for exports and international competitiveness is strong and a company can be successful. In a globalising world knowledge on the marketing and business domains of different global markets could be equally if not more important. To be fair to the authors they have captured whatever they can in an econometric analysis through the variables they have used. However, without a company level detailed understanding of these factors our understanding would still be limited.

The debate about whether policy formulation should be top down or bottom up has been with us and will continue to be with us for a long time. There are merits and demerits in both points of view. If they can be combined together then we would in principle have a stronger analytical base for policy making. These comments however should not detract from the value of the book. It is the first attempt of its kind in the Indian context and in that sense it is a pioneering effort. It will add significant value to the domains of technology, R&D and knowledge management.
