

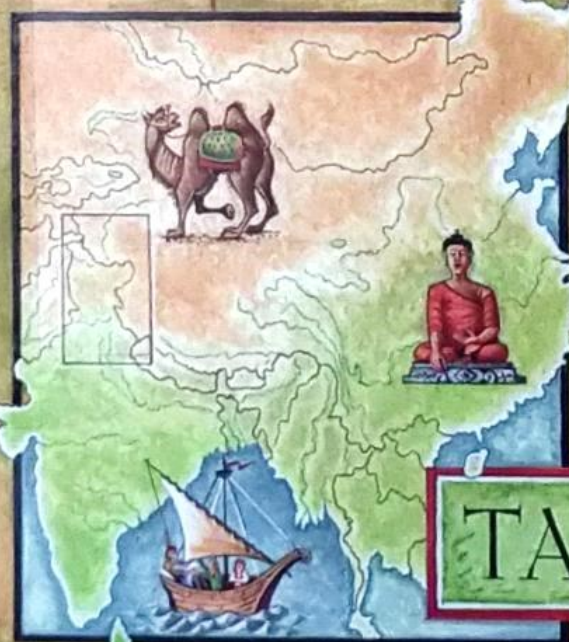


# BILLIONS

## entrepreneurs

How China and India Are Reshaping Their Futures and Yours

With  
A New  
Preface

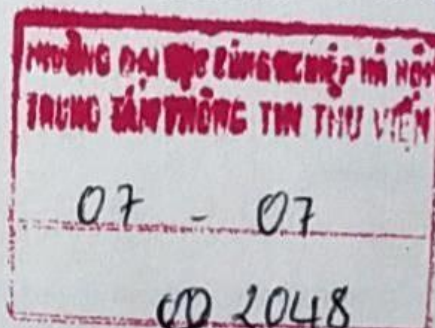


TARUN KHANNA



# BILLIONS OF ENTREPRENEURS

HOW CHINA AND INDIA  
ARE RESHAPING THEIR  
FUTURES—AND YOURS



TARUN KHANNA



GIFT OF THE ASIA FOUNDATION  
NOT FOR RE-SALE

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KHÔNG ĐƯỢC BÁN LẠI

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## PREFACE

The barrage of news of China and India is, by now, commonplace in all forms of media, and even in popular discourse. My metric for the latter is the frequent conversations I have in car services to and from various airports all over the world. Chauffeurs in Brazil, Canada, the United Kingdom—and, indeed, China and India—have, in just the past few months of my travels, had strong views about the happenings in these two large nations. If I revert to the more systematic benchmark used in this book's introduction earlier—the fraction of major articles on the front page of the *New York Times*, to use one bellwether publication—that metric is higher than it has ever been in the past quarter century; indeed, by a rough and ready analysis it is higher than it has ever been in the past century (other than the brief years corresponding to the birth of modern Chinese and Indian nation states).

So it is useful to take stock of the thesis I laid out in *Billions of Entrepreneurs*, first published in 2008, and the antecedent argument in a coauthored article in *Foreign Policy* magazine in 2003. The thesis, to my mind, remains rock-solid. It was, simply, that the strength of China was a strong, indeed entrepreneurial, government; and the strength of India was an increasingly and justifiably confident private sector.

Each country had corresponding Achilles' heels, though. The Chinese indigenous private sector remained emasculated; despite some successes, these were too few successful enterprises for an economy of China's size, and the line between public and private was increasingly blurred. Meanwhile, the Indian state struggled to get its house in order, even though it now recognized the need for change. Indians will recall the cartoonist R. K. Laxman's creation, *The Common Man*, a silent and ubiquitous testimonial to the absurdity of everyday life in India, often featuring the antics of the country's political classes. Laxman serves, to my mind, a purpose as cathartic as that of the American cartoonist Scott Adams, creator of the *Dilbert* comic strip that parodies the futility of corporate life.



The muscle of China's government is most evident in the overflowing coffers of its sovereign wealth funds, for example those of the China Investment Corporation (CIC), whose lucre is being dispensed liberally around the world as China buys access to scarce raw materials, among other things, with nary a concern for price. As of 2010, tens of billions of dollars had been invested just in the United States, not to mention in Chinese holdings of U.S. treasury bills.

The sinews of India's private sector can be seen dramatically in the grass-roots entrepreneurial efforts that have landed numerous entities on the *Forbes* Global 2000 list. In 2003, there were twenty firms on this list; today there are thirty. These have been created without conventional state-led activism—indeed, often in the face of a state characterized if not by intransigence, then at least by benign neglect.

Also in a category similar to the private sector—to the extent it remains driven by private, nonstate initiative—is the strength of civil society. Here India leads China handily. While Western nongovernment organizations continue to be active in China, they must tread warily for fear of antagonizing the state and having their activities constrained. And the oxymoron popular in China, GONGO (government-owned nongovernment organization), says it all. You can only be an NGO if you are not one! Indian civil society, with its rambunctious chaos, could not be more different than that of China.

Of course, there have been changes in both countries in the past few years. For example, in the wake of a dramatic financial slowdown in the developed world, the confidence of the Chinese has risen, and they have been less solicitous of Western investment than before. This has not gone down too well with the captains of Western industry, who claim that life is not as easy as it used to be for foreign investors in China. Notwithstanding this, perhaps some good will result if China genuinely supports indigenous private enterprise (as opposed to foreign private enterprise). Meanwhile, the appointment of a leading Indian entrepreneur to a cabinet-level position in the highest echelons of India's government has given India-watchers hope that change in the sclerotic state is nigh. But these changes are noteworthy because they are somewhat exceptional, not because they are yet the norm.

In the first edition of *Billions of Entrepreneurs*, I commented on the potential for symbiosis between China and India. There are plenty of skeptics of this view, and they are usually focused on trade statistics. As it turns out, bilateral trade has skyrocketed. China's exports to India in 2009 were \$30 billion, and India's to China were just over half that, making each country a significant partner for the other. This, however, overstates the symbiosis, since India mostly exports raw materials, and is not nearly as important to China as vice versa. So indeed it is a work-in-progress, particularly given continued



border tensions. But I aver that it is a mistake to read progress toward this view, or lack thereof, in annual changes in trade statistics. Rather, so-called game-changing events are likelier to herald substantive shifts. Consider the recent attempt to revitalize Nalanda University, center of Buddhist learning in the fourth to seventh centuries, by a global group of mentors, chaired by Professor Amartya Sen. It is worth restating the obvious, that the symbiosis that I spoke of then has been in evidence for most of the past two thousand years.

Since the writing of *Billions of Entrepreneurs*, so-called South-South trade has multiplied as well. I spent a week in Brazil last month, which included launching the Portuguese edition of this book, and encountered growing interest in China (as Brazil is a source of much raw material for China—iron ore, soybeans, and the like) and in India (these two countries face a number of common challenges having to do with health, education, and urbanization, among others). And this is just an example of the South-South interaction playing out daily.

As I remind my students, it is now almost commonplace to imagine that one could build a billion-dollar corporation from scratch without having to visit the erstwhile temples of high finance—New York or London—whereas, in my student days at Harvard, one could not make this claim. Entrepreneurship has truly gone global, and China and India are leading this charge, each in their own way, each with verve and enthusiasm, in a process that by and large ought to be celebrated.

—Tarun Khanna  
Harvard Business School  
Boston, Massachusetts  
August 2010



## Chapter One

# Reimagining China *and* India

The educations of most Americans, even graduates of prestigious Ivy League schools, barely acknowledge China and India. In his 2001 commencement speech, Yale University's president, Richard C. Levin, lamented, "The Mayor of Shanghai asked me why . . . every schoolchild in China can identify the author and date of our Declaration of Independence and so few of ours can identify when the Qing Dynasty fell, when the Long March occurred, and when the Communists took power."<sup>1</sup>

How could the 2001 graduating class of this prestigious Ivy League school not know more about China? After all, the Yale-China connection has proved resilient over several decades. Yung Wing, a member of the Class of 1854 at Yale College and the first Chinese to receive an American degree, returned home and established educational missions that sent 100 Chinese boys to preparatory schools and colleges throughout New England. These missions were built on the foundation of a fortune made in India. Elihu Yale, one of Yale's earliest benefactors, was for some twenty years a member of the British East India Company and had served as the second governor of a settlement in Madras (present-day Chennai in southern India) in 1687. In 1718, Cotton Mather, who represented a small institution of learning, the Collegiate School of Connecticut, approached Yale. Mather needed money for a new building in New Haven. Yale obliged by sending him a carton of goods that the school subsequently sold for 560 pounds sterling, a huge sum in those days, and named the new building after its benefactor.<sup>2</sup> Thus, Yankee-India trade facilitated Yale, and Yale facilitated US-China bonhomie. So why did Yale's students seemingly pay so little attention to China and India?