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Building on the BRICs

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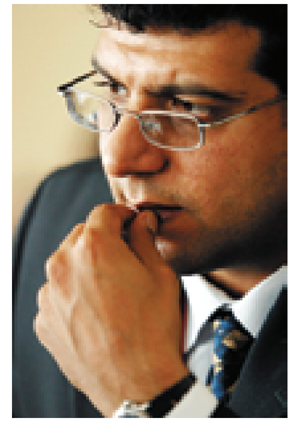

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Ever since the Goldman Sachs "Dreaming with the BRICs"[1] report in 2003, the BRIC (Brazil, Russia, India and China) countries have become an attraction for researchers, investors, and practitioners of international business. The report suggested that BRICs will economically overtake the G7 countries, and China, in particular, will overtake the US as the largest economy in the world. The whitepaper concluded that by 2025, the BRICs will account for over half the size of the G6.

While the economic growth rates of these countries remain high, in comparison to the developed world, improvements in governance have lagged. According to the World Bank's governance indicators, political risk, rule of law, control of corruption, voice and accountability, regulatory quality, and government effectiveness remain dismal. The lack of significant progress in governance raises important questions for IB educators and researchers. What will the future of the BRICs be? What should we teach our students about BRICs? Is the BRIC growth model sustainable? Can the BRICs be usefully analyzed monolithically? While these questions will remain contested for some time, this issue provides some thought-provoking insight into practices in the BRIC nations and, in particular, in China and India.

In the first article, Asta Salmi and Joanna Scott-Kennel suggest that the rise of BRIC requires a change in mindset by international business educators: theories of competitiveness, growth, multinational companies, and consumers need to be re-examined in light of the changes in the global arena. While in the past, knowledge and capital flows started in the West, the new global reality is one of multi-polarity, where the periphery is becoming more central. The authors discuss how that may affect IB scholars' creation and diffusion of new knowledge, including research and teaching about BRICs.

In the second article, Ben Simpfendorfer attempts to change the global mindset of readers by highlighting the relationship between China and the Middle East, particularly the Arab world. The Arab world is increasingly inspired by China, and the center of influence is slowly moving from the West-dominated Washington consensus to the more culturally-relevant Beijing consensus over governance and economic development. Simpfendorfer shows the historical connections between the Arab world and China and its new manifestations in the modern world. As trade continues to grow beyond only oil, and as linguistic and cultural connections solidify, China's influence in the Middle East will eventually dwarf that of the West.

In the third article, Victor Zitian Chen discusses the "Puzzles and Truths about Indian Outward FDI." Why do poor countries invest abroad? On the surface, it seems contradictory to the investment development path (IDP) developed in the 1970s and 1980s. However, if the large domestic market of BRIC is divided into sub-national markets, different institutional environments and levels of development may account for such outward investment. More specific to the Indian market, Chen explains why Indian firms invested earlier than their BRIC counterparts in R&D and skill-related businesses and in developed markets. A multi-theoretic approach and a more nuanced analysis at the sub-national and city levels may explain the differences among BRIC emerging market multinationals' investments abroad.

The final article in this issue, P.J. Lavakare discusses the internationalization of higher education in India. Lavakare rejects the notion that education is simply a "business" and suggests that universities viewing India as only a place to recruit for revenues will face opposition, both political and social. Internationalization of higher education is looked at in India as a means of improving the quality of higher education in India and a process for enhancing national research capabilities through international collaboration of mutual interest. India struggles to define "internationalization" for its universities and is slow to implement effective policies. Unlike private businesses, described in the article by Chen, Indian universities and regulatory bodies need a more global perspective but lack the funding, institutional support, and ability to implement world standards in higher education internationalization.

1 See: http://www.goldmansachs.com/our-thinking/topics/brics/brics-dream.html

Just Another BRIC in the Wall? The Rise of the BRICs and Educating Tomorrow's Global Managers

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The BRIC countries (Brazil, Russia, India, and China) comprise 40 percent of the world's population (approximately 2.8 billion people), cover more than a quarter of the world's land area over three continents, and account for more than 25 percent of global GDP (by purchasing power parity). In the ten years since the term BRICs was first coined by Jim O'Neill, chief economist of the investment bank Goldman Sachs, all economies (except Brazil) have exceeded their predicted growth rates (Müller, 2011). Integration into the global economy coupled with rising spending power prompts flows of students (and expatriates) to, and from, the BRICs—positioning international business educators at the helm of this sea-change. In this article, we reflect on the implications of the rise of the BRICs for educating the next generation of business managers and leaders. We argue that rather than just another "brick in the wall," educating tomorrow's managers requires adoption of a global mindset by international business educators. This enables them to build on, or indeed begin to dismantle, existing theoretical and pedagogical foundations, brick by brick.

Global Mindset in a Multi-polar World

In the multi-polar world, the BRIC economies (closely followed by Indonesia) will be major contributors to global growth, key players in financial markets (three quarters of official foreign exchange reserves are already held in emerging markets), and active participants in international institutions (World Bank, 2011). Integration of the BRICs into international economic groupings and institutions through trade, investment, and political engagement will increasingly shape the macro-environment of international business. Such changes herald new rules of the game (e.g., business practices, inter-company and -country alliances), new players (e.g., BRIC managers, MNEs, NGOs, and governments), and rising competition for global resources and markets.

Multi-polarity will also influence the institutional, cultural, and technological landscape of international business. Today, the onus for learning falls on firms from BRIC countries as they seek access to developed markets by integrating into the existing institutional and cultural foundations of Western-style business. As the influence of the BRICs grows, however, today's approach of accommodation and assimilation into the Western-oriented system of business will shift further toward integration and inclusion of business practice approaches from emerging markets. Indeed, in countries where business infrastructure is less well established and investment by BRIC MNEs is high (such as Chinese investment in extractive industries in parts of Africa and Latin America; Gugler & Fetscherin, 2010), such business practices may become the norm — and may even provide an advantage. BRIC companies, having developed in emerging markets for labor, products, and capital, are often adept at operating in such institutional voids.

In business, as well as education, cultural influence has been unidirectional – from the US center to the UK and European semi-periphery, and then to the peripheries (i.e., the rest of the world). With the rise of the BRIC economies we expect the span and direction of such influence to be more complex in the future. For example, despite the semblance of widespread adoption of Western culture in BRICs, Behrman (2006: 515) suggests that deeply rooted value-sets (such as the importance of family, belief systems, and social class) will endure, bringing about a "complex hybrid" model of society. Such a model is already emerging in advanced nations that are attractive to waves of immigrants and students seeking better opportunities.

The multi-polar world is also changing the nature of innovation. Corporate imperialism, or the view of emerging markets as locations to extend margins for existing products and exploit technology rapidly obsolescing in Western markets (Prahalad & Lieberthal, 2003), is not only dead but being buried by companies that adopt a global mindset from the outset. Take the recent reinvention of the "reverse innovation" concept as a case in point (Govindarajan & Trimble, 2012). Citing such examples as Gatorade (inspired by a rehydration formula used to treat cholera patients in Bangladesh) and Indian company Mahindra & Mahindra (whose low-cost tractors compete for John Deere's hobby farmer customers in the US), the authors argue established companies risk losing markets at home and abroad to competitors using technologies developed in emerging markets.

What becomes clear from such examples is that the rise of the BRICs is fueling a shift toward a multi-polar world where cooperation, inclusion, and integration are needed on multiple levels (e.g., countries, companies, cultures, institutions, and individuals) to confront the controversies and challenges that arise. Integral to incorporating these institutional shifts into teaching approaches is an explicit adoption of a global mindset. For this to be achieved, a combination of knowledge, behavior, and critical acculturation and reflexivity is needed (Witte, 2010). Both educators and global managers need a global mindset

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in order to tackle the heterogeneous business world of the future: to understand not only differences between the Western world and the BRICs but also those among the BRIC countries themselves (Ardichvili, Jondle, Kowske, Cornachione, Li, & Thakadipuram, 2012).

> *"The rise of the BRICs is fueling a shift toward a multi-polar world where cooperation, inclusion, and integration are needed on multiple levels to confront the controversies and challenges that arise."*

The first step toward a global mindset is to reject the expectation that the world should conform to norms, values, and business models of the West. With this in mind, two key challenges for IB educators we focus on in the remainder of this paper are: (1) optimizing teaching experiences and ensuring learning outcomes of diverse student groups (including students from BRIC countries as well as those who will work in, or alongside others from, the BRIC countries) and (2) keeping up with theoretical and empirical developments to inform research and teaching.

The Challenge of Diversity

International integration of the BRICs means that classes are increasingly diverse in terms of the educational background, culture, age, and experience of the students. The major issues for teaching and learning quality in the multicultural classroom concern language problems, effective participation of international students in discussion-based activities, and integration of local and international students.

Successful integration of BRIC students into the classroom is the first step toward global awareness (Witte, 2010). Yet, in many instances, opportunities for cross-cultural integration and learning are missed with all students tending, naturally, to gravitate towards their own culturally similar peers. It is therefore important that educators carefully plan for and support the work of mixed student groups (Violet & Ang, 2012). Teachers must be sensitive to learners' needs, for instance how receptive and comfortable they are with different teaching mediums (e.g., interaction, web-based education, and case analysis). Variation among different audiences, languages, and cultures calls for different approaches (e.g., an American way of encouraging discussion vs. an Asian way of high-context communication vs. a Russian respect for hierarchical authority of the teacher) or at least awareness of which approach is being used and why. Educators need to pay attention to different ways of evaluating learning outcomes (e.g., some students still perform better in traditional written exams than orally in the classroom discussions).

The challenges that the rise of the BRIC economies create lead us to advocate active use of problem-based learning and interactive teaching methods. Inclusion of teaching materials and cases developed around experiences in BRICs and BRIC companies rather than focus solely on trials for Western firms doing business abroad is important (Sexty, 1998; Whitla, 2012). Understanding of new situations can be created jointly if multiple participants (e.g., teachers, students, outside experts) are actively involved and alert to new developments but aware of the influence of historical and institutional contexts. IB educators can actively extend existing mental frames and better understand the realities of the BRICs by drawing on a wider set of human resources in the classroom and by encouraging inquiry-based learning and relational linkages between participants. For example, using multicultural teaching teams, facilitating knowledge sharing amongst participants, and promoting open dialogue with those who can provide insights on alternative perspectives fosters curiosity, visibility, and flexibility of deeply rooted cultural values and worldviews. Students can be encouraged to bring to the classroom their own experiences to enrich the discussions.

One such discussion, for example, might be centered on ethics. Ethics remains at the core of international business, but being culturally, historically, and religiously bound is interpreted very differently across different countries (Ardichvili et al., 2012; Sexty, 1998). Thus, incorporating ethics into the curriculum is a critical challenge for IB educators (Whitla, 2012). Sexty (1998: 1316) argues, however, that educators should "avoid being ethics missionaries with preconceived ideals." Rather, renewed emphasis on ethics in business from a broader socio-cultural perspective and fostering a better appreciation of the role of key values in societies is critical. Finally, it may be instructive to point out that the need to instill guiding principles in corporate behavior and governance is underscored by the recent examples of fraud and corruption in the emerging BRICs and in developed economies.

In a multi-polar world, teaching in international business will remain a moving target; thus, less emphasis should be placed on content and more on developing skills and capabilities that enable future managers to deal with such complexities. These include research and analytical skills, which shape the ability to monitor change and to act with foresight and flexibility; interpretation and an appreciation of context, which shape understanding of current events from a historical lens; and skills in dialogue, discussion, and debate, which foster open-mindedness, argumentation, and an ability to see others' perspectives. Perhaps the most important skill given the turbulence anticipated in the global economy, however, is critical thinking and reflection, which shapes students' ability to question existing theories and ideas. The curriculum must be flexible enough to incorporate shifts in trends and knowledge in several areas while simultaneously honing the skills to deal with such change.

The Challenge for Theory

The multidisciplinary aspect of international business calls for education at the meta-cognitive level – to compare and contrast different viewpoints in order to reveal the foundations of knowledge as well as to advance knowledge. This also provides opportunities for theoretical development. The rise of the BRICs to the helm of a multi-polar world calls for theoretical advances that not only incorporate but also extrapolate the dynamics and turbulence evident in both spatial and temporal contexts; that embrace exploratory rather than explanatory approaches; and that seek to build on and adapt, rather than to apply Western theories indiscriminately or inappropriately. Certainly there is also scope for new theory.

Contemporary scientific logic, language, and theory shared and replicated by Western-based managers and researchers remains largely representative of Anglo-American institutions and capitalist systems. Yet differences in experiences of BRIC companies may reaffirm or call extant theories into question. For instance, asset-seeking investment by BRIC companies reinforces the importance of foreign direct investment for firm-specific advantage rather than the other way around; different competitive dynamics, involving network structures, social and political ties, encourage diversity in business models; and political embeddedness of economic transactions (such as the dominant role of government driving international investment by Chinese SOEs, for example) is a feature that cannot be ignored in the BRIC countries (Gugler & Fetscherin, 2010). Such differences suggest a need for the development of both locally-relevant theories and holistic paradigms.

Scholarly frameworks that transcend national, cultural, and economic boundaries help IB researchers and educators to adopt wider perspectives for understanding the key changes which are occurring as a result of the growing presence of the BRICs on the global stage. Alternative and complementary theoretical perspectives should inform curricula and teaching and underscore the need not only to draw on past theories and events, but also to simultaneously encourage a critical and constructivist approach to capturing the turbulence that will characterize future business.

BRICs and the Global Mindset

The increasing role of BRICs in the world economy is in our view challenging education of global managers in a fundamental way. International business curricula and teaching must reflect current trends, accepted and emerging models for company and managerial behavior, leading-edge research, and evolving company experiences. We argue it is inadequate to merely integrate the BRIC phenomenon into theories based on Western experiences; rather there is a more critical task of changing the focus to an integrative, multi-polar paradigm that builds in the divergent approaches of BRIC firms and BRIC economies. Education of tomorrow's global managers should be based on, and promote, global awareness and global mindset (Kedia & Englis, 2011; Scott-Kennel & Salmi, 2008; Witte, 2010). Adopting a global mindset presents "a way to cope with increasing cultural diversity and environmental complexity of the global arena" beyond reliance on Western perspectives (Levy, Beechler, Taylor, & Boyacigiller, 2007: 248). The nexus of change toward new ways of thinking in international business will be tomorrow's entrepreneurs and managers, operating in and coming from the BRICs, thus learning and skill development of the students of today is crucial.

Educators in international business play an important role in this development but face the dual challenges of optimizing learning outcomes of diverse student groups whilst working from predominantly Western theoretical foundations. Addressing these challenges, however, provides opportunities for IB educators. The key building blocks of educating tomorrow's global managers can be summarized as follows:

- drawing more heavily on those involved in the "action at the front" and actively incorporating their experiences and new knowledge into teaching;
- using interactive teaching methods based on problem-based learning as preparation for the continuously changing international business environment;
- cultivating a willingness to question existing business models and established theory; and
- fostering a global mindset that encourages inclusion of a diverse set of economic, cultural, institutional and technological starting points and solutions.

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The Rise of a New Silk Road

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In June 2006, a convoy of Chinese-made cars entered the old city of Damascus. It was part of a roadshow organized by the Chinese Machinery Industry Federation. All the major Chinese auto manufacturers were represented, and during the next few weeks they toured Syria's major cities, Damascus, Homs, Hama, and Aleppo, in a bid to establish their brand name. The Silk Road was back. But this time the traders were driving cars rather than riding camels.

The old Silk Road still holds a grip over the world's imagination. The new Silk Road is no different. Its rise has come to symbolize the growing economic might of the developing world. It includes China's booming economy, Dubai's soaring skyline, and India's expanding middle class. The economic crisis has no doubt left the global economy battered, but the new Silk Road has sturdier roots than this and its rise will continue unabated.

For three years I travelled across the old Silk Road countries speaking with traders, officials, and academics to understand what the new Silk Road was about. I discovered that it was about more than fast economic growth, high commodity prices, and dazzling skylines. Indeed, the term itself is increasingly hostage to stock brokers trying to sell a fund of Chinese and Indian stocks, or companies establishing offices in Dubai and Shanghai.

To understand the origins of the new Silk Road it is important to look beyond the economic data and marketing material and instead focus on a series of events that began in 2001 and were focused on a small Chinese city called Yiwu.

The Arab World Turns to China

On September 11 nineteen men attacked the World Trade Center. The attack was to set in train a series of events that would change the way America, and later Europe, viewed its relationship with the Arab world. Not surprisingly, it was little noticed that just six days later, on September 17, China finally completed its seemingly endless negotiations to join the World Trade Organization, officially joining in December 2001. The two events appeared to be isolated – in fact, they were part of the same story that was soon to shake the world.

China's economy, in part fuelled by WTO entry, rapidly accelerated to a near 10 percent rate of growth in the following years. Its exports and trade surplus surged as North Asian electronics manufacturers, in particular, responded to the earlier bursting of the high-tech bubble by outsourcing huge amounts of production to mainland China. It was not long before China emerged as the world's manufacturing hub and "made-in-China" goods were on shelves everywhere.

Its oil imports surged around this time and contributed to the rise in oil prices after 2004. Of course, China was not the only reason for the rise in oil prices, but it was an important reason. The Middle East's oil-dominated economies grew rapidly as oil prices rose rapidly from \$20 per barrel to \$60 per barrel. The region's governments started to invest in large capital projects and domestic consumption surged in response to government spending.

Arab traders set off in search of consumer goods to supply their hungry domestic markets. Not surprisingly, many turned to China, but not always through choice. America and Europe had tightened visa restrictions on Arab nationals after the events of 2001. The number of Arab nationals visiting the United States fell from 251,000 to 232,000 between 2000 and 2010. Arrivals to Europe also slowed during the same period.

It was around this time that China unofficially relaxed its visa policy. Indeed, Arab traders talk of applying and receiving for their visas to China in less than two days. Many felt more comfortable travelling to China, worried their name might match that of a wanted terrorist in America or Europe. While China does not provide complete data on visitor arrivals, my own estimates suggest that the number of Arab nationals visiting the country doubled to near 500,000 by 2010.

Many ended up in Yiwu, a small coastal town a four-drive from Shanghai. The city had lagged behind its wealthier neighbor Wenzhou throughout the 1990s but had more recently grown rapidly into the world's largest small consumer goods market, selling the type of cheap gifts and hardware that fill the world's bargain stores. It was ideal for developing world traders, in particular Arab traders who were supplying not just wealthy Gulf Arabs but also the region's less well-off consumers.

Not surprisingly, China's total trade with the Silk Road countries has surged in the past five years from less to \$1.1 trillion to nearly \$1.9 trillion. Amid the turbulence of global crisis it has passed largely unrecognized that China has overtaken the United States as the world's largest exporter to the Middle East, after overtaking the United Kingdom in 2002 and Germany in 2006. Moreover, it has achieved this by selling clothing and DVD players rather than big-ticket SUVs and Boeing aircraft.

The story of Yiwu is only a small part of the Silk Road story, but it helps to underscore that the story itself is more complex than simple economic figures often imply.

A Shift in the World's Center of Economic Gravity

The economic figures are nonetheless impressive. The Silk Road's share

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of the global economy has risen from 14 percent in 1980 to 37 percent in 2010, on a purchasing power parity basis. This is still far below its peak of nearly 70 percent in 1600, according to statistics produced by the economic historian Angus Maddison. But the rise is substantive enough to underscore that we are indeed witnessing a shift in the world's center of economic gravity to the East after a long period of dominance by the West.

The trade data illustrate the change. In 1990s, trade between America and Europe accounted for 7 percent of the world's total. It made the Atlantic one of the world's busiest sea routes. But, in 2010, the share had dropped to 4 percent. The Silk Road's share had meanwhile risen from 19 percent to 37 percent. Indeed, China alone sold more goods to East and West Asia than it did to the United States in 2010, meaning that the focus of its exporters was also shifting east.

> *"China alone sold more goods to East and West Asia than it did to the United States in 2010"*

To be fair, the rise is partly explained by the growing integration of East Asia's manufacturing base: factories shipped component parts between two countries for assembly and re-export to a third country. But this process was already well in place for more than a decade and cannot fully account for the sudden explosion in trade after 2004. It is the growing purchasing power of the Silk Road's own consumers that provides the more important explanation.

Of course, the rise of the new Silk Road about more than trade flows. It is also about capital flows. The number of East-East investment projects is growing: such as the Saudi Arabian oil company Aramco's $3.6 billion joint-venture investment in an oil refinery in the Chinese city of Quanzhou; the Malaysian bank Maybank's purchase of a stake in a Islamic finance company in Pakistan; or the Dubai Investment Group's purchase of a stake in an Indian wind turbine manufacturer.

Indeed, the financial crisis has also left the world's sovereign wealth funds as among the few investors with the liquidity to make large acquisition. No surprise, but eight out of the top ten funds are found in the Silk Road. The region's large current account surpluses, whether as a result of oil or consumer goods exports, have produced a considerable war chest of foreign assets. And the Kuwait Investment Authority and Singapore's Temasek made their presence known in 2008 when they helped to bail-out Merrill Lynch

Islamic Ties Are Powerful

The Silk Road has not escaped the economic crisis. The region's trade and capital inflows have fallen just as they have elsewhere in the world. However, it is wrong to focus on the economic crisis at the expense of other equally important links between the Silk Road countries, in particular religious links, which are unaffected by large economic and financial disruption.

Buddhism was one of the trading route's most important exports over a thousand years ago. Indeed, Japan's historical capital, Nara, still hosts a permanent exhibition to the Silk Road located just a short walk the city's famous shrines: the exhibition is in part a celebration of the impact Buddhism has had on Japan. It also underscores just how far the Silk Road's influence was felt in the East, and continues to be felt.

However, it is Islam that is the Silk Road's more influential export. Eighty percent of the world's Islamic population lives in Silk Road countries. Indonesia, Pakistan, and Turkey claim world's largest Muslim populations. Yet, even non-Muslim countries such as China and India claim large Muslim populations. China officially estimates its Muslim population at 20 million. (The unofficial figure is significantly higher.) And mosques are still being constructed across the country.

It is possible to hire Arabic-speaking translators in China partly as result of the country's Islamic heritage. The country's Muslim minority, or Huizu, have used their linguistic talents as a means to lift themselves out of the grinding poverty in the country's northeast. Today, they help to facilitate trade between China and the Middle East by serving the Arab traders in cities such as Yiwu in the same way their ancestors did centuries ago.

The region's sovereign wealth funds, especially in the Arab Gulf countries, are also looking more closely at other Islamic countries. Try scanning a list of their recent investments. It makes for compelling reading. Target countries include Malaysia, Morocco, Pakistan, and Guinea. The countries share many similar characteristics. They are all in the developing world. But most importantly they all have large Muslim populations and are sympathetic to Muslim investors.

I call this the "Islamic Corridor." It stretches from Africa to China. It isn't built purely on religion. But the events after 2001 have left many Muslim investors, especially in the Arab world, more cautious of their investments in Western countries. This will not produce a major shift in capital flows or the sudden sale of United States government debt by Muslim investors. But it is important evidence of a gradual rebalancing in the global economy towards the East, in particular the Muslim East.

The Attraction of the China Growth Model

The rise of the new Silk Road is also about the search for new economic growth models. China has demonstrated that economic reform does not have to result in regime change, and that it is possible to target both rapid growth and social stability. This is a powerful message for many Silk Road governments, in particular those dealing with growing sectarian differences, an influx of refugees, rising food prices, and, recently, an economic crisis.

The Arab world's recent revolutions have put more emphasis on democratic reform that did previous regimes, especially in Egypt, Libya, and Tunisia. And yet the attraction of China's growth model will remain strong. Egypt's newly elected government will be forced to concentrate on job creation and living standards if the country hopes to sustain its peaceful transition: the Muslim Brotherhood has certainly stated as much in recent months.

In this context, the China economic model will remain relevant to the experience of many Silk Road governments. Its attention to rapid growth and social stability is a powerful message for the early steps of economic reform are often the hardest for a developing country as subsidies on daily goods like bread and gasoline are removed. It is not easy for governments to think of more ambitious steps, such as financial liberalization or the elimination of capital controls.

Yet China's economy is struggling as a result of the economic crisis. Growth rates slowed in 2009 and are forecast to slow again in 2012. Doesn't this challenge the country's growth model?

Not so. It has only helped to highlight the relevance of China's economic experience for developing world economies. The collapse in export demand will put millions of Chinese out of work and Chinese officials have already publicly warned about the risks of rising social tensions. Their experience is more relevant to officials in Cairo and Jakarta than is attempts by officials in Brussels and Washington to recapitalize the developed world's failing banks.

If so, it is a change that shouldn't be resisted. China's economic reforms are based on advice from the multilateral institutions, like the International Monetary Fund. Trade tariffs were cut 30 percent to 10 percent in a decade. The services sector was gradually opened up to foreign competition. Critics may argue that economic reforms have not gone far enough, but it's important to underscore that the China growth model doesn't necessarily stand in opposition to growth models in America and Europe.

The appointment of Lin Yifu as the World Bank's Chief Economist is a useful step forward. Lin was a former academic at Beijing University and is intimately familiar with the China growth model. He might help to bridge the two models over time, merging academic theory and practical expertise. His appointment, at the very least, is timely recognition that China might just have something to offer the rest of the developing world.

Low Oil Prices Don't Kill the Silk Road Story

There is a temptation to link the fate of the Silk Road economies to the price of oil. High oil prices are good news, while low oil prices are bad news.

This is not an unreasonable assumption. The Silk Road, after all, accounts for many of the world's largest oil producers, including Iran and Saudi Arabia. It accounts for 38 percent of the world's oil production and, according to the Energy Information Agency, its share will rise to 45 percent by 2030. The Silk Road also accounts for 8 of the OPEC's 12 members whose oil price targets directly influence the economic health of the developed world.

The rise in oil prices was also one of the most visible signs of the region's booming economic growth. After averaging a low $20 for over a decade, oil prices started to jump in 2004. Oil reached $40 during the year and continued to rise to near $150 by 2008. Analysts were quick to tie China's rising demand to the rise in prices. Indeed, China accounted for a remarkable 40 percent of the increase in the world's oil demand during the next four years.

Yet the Silk Road is made of up both oil consumers and oil producers. In fact, a majority of the Silk Road economies, accounting for 80 percent of the region's total output, consume more oil than they produce. India and China alone account for a large share of the region's consumption. Saudi Arabia, by contrast, might be the world's largest oil producer, but it still only ranks between Taiwan and Thailand in terms of its dollar-based GDP.

Oil prices at over $100 are thus damaging to the region's overall economic health. The rise threatened to bankrupt Chinese factories and spur Indian inflation as the government struggled to fully subsidize the increase. Neither was it entirely good news for the Arab Gulf economies as the construction of chemical plants and luxury apartments threatened to spark economic overheating. In short, high oil prices are bad news for the Silk Road.

Now, there is an oil price that ideally benefits both the region's oil consumers and producers. Oil at $70, for instance, is arguably low enough to permit Chinese shoe manufacturers to make a profit, yet it is still high enough to fund Saudi Arabia's infrastructure projects. It is no surprise that Saudi Arabia's oil minister, Ali Al Naimi, has argued in favor of OPEC targeting near this price.

There is also good reason for OPEC to pay more attention to the Silk Road's rising middle class. Passenger car sales in Emerging Asia rose from a total 6 million to 18 million between 2005 and 2010 as the middle class discovered a love for cars; in fact, more cars are now sold in the region annually than are sold in the United States. Yet if OPEC raises the price of gasoline too high it will deter this new middle class from buying their first car.

Looking East for a Solution

The economic crisis is the most recent installment in the Silk Road story. It has already changed the global economy in ways unimaginable a few years ago. It is increasingly popular to worry about war, instability, and protectionism, and Silk Road countries, such as Pakistan, are a popular target of these fears. I have argued that the rise of the Silk Road is built

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on more than just economics. But there is no doubt that the crisis will have a powerful impact on the story.

The East Asian economies, for instance, have relied heavily on exports, benefiting from outsourcing and buoyant developed world demand. Dubai, Hong Kong, and Singapore have meanwhile profited by intermediating this trade. Trade flows will slow either through weaker global demand or politicians imposing barriers to trade in order to protect jobs at home. Trade between the Silk Road countries has indeed already slowed in the past year.

But the story is more complex than this. There are two phenomena at work. The first is self-reliance. The Silk Road is having to rely on internal resources to offset the collapse in foreign demand for either oil or consumer goods. This is easier for some countries than others. China and the Arab Gulf countries are far better positioned enjoying fiscal surpluses prior to the economic crisis and able to lean on a large pool of foreign assets to offset any worsening of capital accounts or financial stress.

China is already looking for "home-grown" solutions. Its recent fiscal stimulus package included measures intended to spur consumption: for instance, more money will be spent on expanding medical coverage to rural areas. It is an important step forward in terms of trying to raise consumer contribution to GDP growth for the economy remains imbalanced and too heavily dependent on exports and fixed investment demand.

The Arab Gulf countries are meanwhile looking to their sovereign wealth funds to provide the liquidity that is no longer available from abroad. Abu Dhabi has provided financial support to Dubai directly through the country's central bank and most likely indirectly through other channels. Developers of Saudi Arabia's King Abdullah Economic City talk of replacing foreign investors with domestic investors in order to keep the concrete pouring and, more importantly, employment opportunities for the country's youth growing.

The second phenomenon is a tendency to look to the other Silk Road countries as a new source of growth. This is best characterized by Chinese traders who increasingly distinguish between America and Europe on the one hand, and the emerging markets and China's own domestic market on the other. Indeed, they increasingly refer to America and Europe as Ou Mei, joining together the first Chinese character in each country's name, as it is no longer possible to distinguish between their overleveraged consumers and collapsing demand.

Take for instance Yang Linshan. He is the manager of a fabrics manufacturer in Zhejiang, a coastal Chinese province dubbed the country's entrepreneurial heartland. His orders to America and Europe have plummeted during the crisis. But Yang has watched his sales to the Middle East grow to 20 percent of the total. He plans to open a representative office in Dubai. Indeed, I have met a number of manufacturers in recent months who, like Yang, also have big plans for the Middle East.

Yang will face protectionism. Syria's government has already raised tariffs on textile imports in response to local manufacturers' claims that cheap Chinese imports are flooding the market. But Chinese manufactures, always pragmatic, are taking an alternative route and looking for opportunities to build factories in the Middle East itself. It is in part a response to protectionist interests, but it is also a response to rising costs in China itself as a result of new labor laws, tightening land supply, and a stronger currency.

It is still too early to tell what impact the economic crisis will have on the region. The tendency to turn away from the West and look for solutions at home or in neighboring countries will produce disruption, even friction, but it will also unleash new source of domestic growth and help to forge new links between countries. If so, then the Silk Road will find itself an increasingly important feature of the global economy, albeit one transformed by the economic crisis.

It is China's economy that will have the largest influence on the outcome. The country is in the midst of a major structural transformation, as the government tries to raise the importance of the interior provinces and domestic demand to the country's overall growth. If successful, China's economic gravitational pull on the rest of the region will grow even more powerful and act as a flag-bearer for the rise of the new Silk Road. If not, then the East is more likely to again turn to the West in search of an answer.

A Major Global Shift

We are living in momentous times. The economic crisis has made it difficult to predict what the world might look like in a few months let alone a few years time. However, it is important to view the rise of the Silk Road as more than just rapid economic growth rates and headline grabbing acquisitions and investments. It is also about the events of 2001, the role of Islam, the attraction of new growth models, and the search for alternative sources of demand in the face of economic crisis.

It is a change that should be welcomed. The West's dominance in the past few centuries has been more the exception than the rule and it is no surprise that the global economy is rebalancing. It is important for the West to remain engaged with the Silk Road's rise whether bilaterally or through multilateral institutions, rather than lose focus entirely as a result of the economic, and social, upheaval at home, for the rise of the Silk Road is a long awaited change.

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Puzzles and Truths about Indian Outward FDI: Toward a More Relevant and Nuanced Research Agenda on Emerging Market MNEs

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As the late John H. Dunning (2006) points out in his article in *AIB Insights*, one important feature for a new trajectory in international business (IB) research is the rise of new global contender MNEs from large emerging markets (EMs). Their global activities are leading to significant structural transformation of global industries, international institutions, and global power (re)arrangement. Outward FDI undertaken by these EM multinational enterprises is growing fast as they are on a buying spree of assets and companies abroad. The share of EMs in global FDI outflows increased to 19 percent in 2008 and further to 25 percent in 2009 (UNCTAD, 2010). Further increases are expected in years to come.

Indian Outward FDI Outpaced Other BRIC Nations

Among relatively large EMs, India's annual compound growth of 176 percent during 2000–2008 had been unprecedented, ahead of its counterparts such as China (165 percent), Brazil (123 percent), and Russia (151 percent), although from a relatively lower base (UNCTAD, 2010). India's outward FDI position is much more active than its comparator economy China, which received about $500 billion in inward FDI before its firms began to substantially invest abroad and maintained its inward FDI five times its outward FDI as late as 2007. Substantial inward FDI and outward FDI started almost at the same time in India, and India's total outward FDI (e.g., $25 billion in 2007) is almost as large as total inward FDI (e.g., $17 billion in 2007) (Ramamurti, 2010). These noticeable, interesting observations have triggered a few major special issues and book volumes focusing on Indian MNEs, notably Transnational Corporations Review (Vol. 3, No. 2), Pradhan (2008), and Sauvant and Pradhan (2010).

Why Does Such a Poor Country Spawn So Much Outward FDI?

This article takes steps further and examines two myths and potential explanations about Indian outward FDI that lead us to a more relevant and nuanced research agenda on EM MNEs. One puzzle is why such a poor developing country with only $1000 per capita income in 2008 is so active in outward FDI, a phenomenon that seems unexplained by the existing investment development path (IDP). Traditional IDP theory based on extensive observations of triad industrialized economies in the 1970s–1980s posits that outward FDI is supposed to rise only after per capita income exceeds $10,000, after which home countries will have rich enough capital to be a financial exporter (Dunning & Narula, 1998).

This seeming surprise is largely due to people's misuse of nations as their geographic focal unit in IB research. In reality, almost any country, whether developing or developed, is a mix of both under-developed and developed sub-national markets. In large developing countries like India (and others like China and Brazil), sub-national markets are relatively disconnected and disintegrated partially due to an under-developed and uneven national network of infrastructure and transportation. As a consequence, most domestic firms in EMs are competing sub-nationally as opposed to nationally (Chang & Xu, 2008).

The sub-national nature of domestic institutions can further support the view of using the sub-national unit as the geographic focal of EMs. First, according to the resource-based view (e.g., Barney, 1991; Baron, 1995; Penrose, 1959) and the environmental contingency argument in biology (Ostrom, 2010; Pfennig & Ledón-Rettig, 2009), organizing systems, like organisms, are initially structured and developed partially as a way to adapt to the available resource endowment of the region. Even when certain formal rules can be designed to apply nationally, the initial institutional framework of informal institutions (e.g., measurement and standards) and enforcement characteristics diverge as different local institutional carriers (e.g., local administrators) confront different problems with different geographic assets (e.g., proximity to raw materials and seaports), different human capital, and different climates (North, 1990). A large geographic area of a country will exaggerate the regional differences in these resources. Second, according to the path-dependence theory of institutional change (North, 1990), once an initial institutional framework is chosen by local administrators, increasing returns characteristic of initial institutionalization will tend to maintain the directions of their divergent paths. Third, because of the imperfect nature of markets (e.g., incomplete information), local administrators tend to have varying perceptions of common formal rules set by a higher hierarchical body, as their decision choice models and the resulting enforcement characteristics are influenced by their local historical experiences and their cultures and beliefs (Ostrom, 1998, 2005). It is very much unlike developed countries, where sub-national institutional heterogeneity can be mitigated by an integrated national infrastructure network, active mobility of people, information, and capital, and national competition.

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Viewed this way, Indian active outward FDI does not present substantial challenge to conventional theory. The country has developed pockets in which the institutional environment is as liberal and business friendly as developed countries, and its firms are sophisticated in terms of technology, operations, and management. Therefore, it should be no surprise if these developed regions spawn global investors. This is actually in line with various observations. According to the Fortune Global 500 List in 2011, six out of eight Indian MNEs were headquartered in Mumbai, where the per capita income was $10,692 in 2009, several times of the nation's average and close to those of mid-income developed countries like Portugal ($11,588). In the meantime, according to Mastercard Worldwide Centers of Commerce Index 2008, which documents city-level institutional quality integrating legal and political framework, economic stability, ease of doing business, financial flow, business center, knowledge creation and information flow, and liveability, Mumbai is among the top list in the world: 48th overall, following Lisbon and Rome, and 7th in terms of financial flow, slightly behind Chicago and Tokyo.

Why Do Indian MNEs Act Like Established MNEs from the West?

The other puzzle is why Indian MNEs act like established MNEs from the West as so much of Indian outward FDI is directed at developed, rich countries and knowledge-intensive industries, and mostly via wholly-owned acquisitions. Pradhan and Sauvant (2010) note that during 1990–2007 almost 62 percent of Indian outward FDI went to developed countries, a pattern much different from its comparator economy China, of which the number is only 8 percent.[1] For instance, 17 out of the 20 largest Indian M&A deals abroad during 2007–2009 were through 100 percent equity acquisition, and all happened in knowledge-intensive sectors such as IT and pharmaceuticals in developed countries, except only one in Indonesia (Satyanand & Raghavendran, 2010). The majority of attempts to answer this puzzle centers at the strategic-asset seeking perspective, including the view that Indian firms have greater entrepreneurial orientation or strategic agility to venture into developed countries, particularly through a high-risk mode such as full acquisition, in search of technologies, ideas, brands, and markets.

However, the existing literature has overlooked where such entrepreneurial orientation comes from. I believe that there are two major sources. The first source is private ownership. Being private-owned, Indian firms raise fewer red flags among Western policy makers and the public, and thus are perceived with higher legitimacy in developed countries compared to Chinese firms (Ramamurti, 2010). Ease of getting legitimacy in developed countries empowers firms to behave more boldly and swiftly, in other words, more entrepreneurially.

The second source is relevant firm capacity that can be utilized in developed countries. The literature has emphasized that the strategic asset-seeking perspective does not contradict traditional theories of asset exploitation or ownership advantage arguments (Makino & Inkpen, 2003; Narula & Nguyen, 2011). To engage in asset-seeking outward FDI, EM MNEs still need to possess some degrees of relevant firm capacity that can be leveraged and exploited in a host market, so that they can absorb new resources found and thus stay sustainable. Makino and Inkpen (2003), for example, argue that firms engage in knowledge-seeking FDI when they possess absorptive capacity that involves related business activities and know-how. Narula and Nguyen (2011) similarly suggest that MNEs with greater initial relevant ownership advantages have the greater absorptive capacity needed to benefit from new resources found in foreign countries.

Jain (2011) studies Indian outward FDI into the US in the 2000s and finds that Indian MNEs tend to focus on acquiring high-technology, knowledge-intensive manufacturing industries, such as pharmaceuticals and software, in which Indian acquirers already possess extensive experiences in indigenous R&D. For example, the most active Indian acquirers in pharmaceutical industries all spend hugely in R&D: R&D spending in 2009 is $99 million by Ranbaxy, $89 million by Dr. Reddy's, and $67 million by Sun Pharma, although still much less than comparable firms of similar scale in developed countries (Bruche, 2011). Most Indian firms built these capacities during the era of import-substituting industrialization, often starting with licensed technology from Western leaders as early as the 1970s (Ramamurti & Singh, 2009). Those relevant firm capacities make Indian firms confident to venture into developed countries. In the meantime, hoping to protect their proprietary technological resources, Indian firms tend to seek full ownership.

More deeply, both private ownership and relevant firm capacity are to a large extent shaped by India's unique domestic institutional environment. On one hand, unlike China, an authoritarian polity, India has a democratic and decentralized political regime, ensuring fair competition, freeing citizens' pursuit for private profit, and thus spawning active private entrepreneurs. In China, the state is capable of suppressing highly successful private firms to ensure the political interest in major industries. I am inclined to agree with Ramamurti's (2008: 1) statement that "while it is true that China's reforms preceded India's by at least a decade, observers overlook the fact that China's indigenous private sector lags India's by a decade or two." On the other hand, the democratic and decentralized political system in such a populous economy makes it very difficult for the domestic government to support efficient and fast natural-resource exploration and physical infrastructure development because, for instance, it may take hundreds of rounds of meetings to relocate residents (Huang, 2011). Therefore, firms in industries less reliant on physical infrastructures such as pharmaceuticals, IT, and software are more likely to grow. A quality English educational system also equips these industries with a large pool of R&D talents. This may explain why India's revealed firm capacity was not principally in natural resource–based industries as in Brazil and Russia, nor in labour-intensive industries as China, but skill-intensive products and services.

1 Based on Chinese outward FDI stock as of 2009 (Davies, 2010).

Implications for a More Relevant and Nuanced Research Agenda

Combining the explanations for both puzzles discussed above, scholars focusing on EM MNEs need to develop a theoretical framework that can explain the relationships among domestic institutional environment, particularly at sub-national levels, firm characteristics, and internationalization in a more relevant and nuanced way. The first direction for a research agenda on EM MNEs is to sub-nationalize the geographic scope of EM home countries. In other words, firms from the same EM may possess different characteristics and behaviours shaped by different sub-national environment. The second direction is to study how different dimensions of the institutional environment determine EM MNEs' international behaviours through the development and evolvement of firm characteristics (e.g., entrepreneurship orientation, relevant firm capacity). The nature of a firm's characteristics (e.g., private vs. state ownership) may be endogenous as it can be determined by the nature of its surrounding institutional environment (e.g., democracy vs. authoritarianism). Therefore, scholars should not simply treat firm characteristics as exogenous factors if the focal firms come from different environments. Some empirical attempts have validated the rationality of developing such as an integrated framework in the context of EMs. For example, using provincial-level measures of institutions for India, China, and Mexico, Chen (2012) finds that domestic firms in provinces with more developed market-oriented institutions are more likely to have stronger firm capacity measured as numbers of patents per employee, and in turn are more likely to venture into developed countries through wholly-owned acquisitions. However, more detailed constructs and measures to qualify institutional environment, particularly at sub-national levels, need to be developed, and more nuanced relationships between institutional environment and firm characteristics need to be identified.

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The Internationalization of Education: An Indian Perspective

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Over the years, the globalization of the economy has slowly led to the compulsion of internationalizing (or globalizing) higher education as well. This movement is very strong in Western countries, but a country like India has also now come in the fold of this new mantra for higher education. Questions are being raised as to what exactly one means by internationalization of higher education. How does one assess the extent of internationalization and its impact on the stakeholders of higher education? In India, the stakeholders range from the students, the parents, the faculty, the educational institutions and most importantly the governmental framework that guides the policies of higher education in the country. Educational institutions in the West are slowly expanding their outreach for seeking students from other countries to be enrolled on their campuses. Partly this is also suits the needs of the students from India who are seeking to go abroad for higher education, as it gives them opportunities to expand their job market in the global economy. Educational institutions in the developed countries of North America and Europe are making efforts to enhance the "diversity" of their student population – one of the several parameters that define the extent of internationalization of an institute. Unfortunately, in India, this "need" of the Western world for internationalization is sometimes looked at as a "greed" for more revenues to be earned from international students, in the context of financial crunch being faced by many universities in the West.

According to the Open Doors 2011 report from the Institute of International Education (IIE, 2012), "International students contribute over $21 billion to the U.S. economy, through their expenditures on tuition and living expenses, according to the U.S. Department of Commerce. Higher education is among the United States' top service sector exports, as international students provide revenue to the U.S. economy and individual host states for living expenses, including room and board, books and supplies, transportation, health insurance, support for accompanying family members, and other miscellaneous items." This approach of looking at international students as a source of revenue has already raised the question in the minds of many academicians as to whether international education is being looked at as "international business." Then there is another "business" approach of opening university branch campuses outside the host country, selecting countries where there is a student market available. In recent years universities from developed countries are proactively looking for academic partnerships with countries like India and China (the largest contributors to the international student population in the US). In the language of international business, these countries have the emerging markets. Such initiatives often raise doubts, perhaps unfairly, in the minds of the Indian academicians, about the genuine effort of some of the US universities to internationalize their higher education, through partnership with India. Notwithstanding such negative thoughts on the part of the Indian educationists, the need for internationalization of higher education has drawn the attention of the government of India that sets the policy guidelines for higher education.

What Does Internationalization of Education Mean?

First and foremost, there have been extensive debates on understanding the meaning of internationalization of higher education – what it is, and what it is not! There have been several misconceptions amongst the academic community across the world about the meaning of "internationalization." Merely having a large number of international students or international faculty on the campus without analyzing the academic changes that need to be brought about in the curriculum is not what a true internationalized education institution stands for. In India, and perhaps in many other countries as well, universities are very often driven by individual scholars to sign documents expressing interests of joint collaboration with a foreign university. These documents express laudable "wish list" of exchanging students and faculty for joint teaching and research. These documents, commonly known as a memorandum of understanding (MoU) between the partnering institutions very often remain unimplemented due to various reasons, primarily due to lack of follow up, focus, and non-availability of funds. International collaborations are expensive activities, involving travelling abroad, hosting foreign scholars, and the logistics of international travel and complicated travel regulation formalities – all these need dedicated set up of international offices in the overall university administrative framework. Further, unlike student recruitment, these activities of exchange and research do not generate financial resources – in fact they need additional resources. These partial efforts of international collaborations do not therefore end up in the overall internationalization of higher education—the objective that started it all!

India is therefore systematically trying to understand what internationalization of higher education really implies. India has looked at the pioneering work done in the field of international education by Professor Jane Knight of Canada. She has tried to define international education briefly and to explain its implications in various facets of education vis-à-vis teaching and research and see how it is understood by the stakeholders, comprised of students, the teachers,

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the employers, the education providing institutions, and by the governments in general. Jane Knight's pioneering work stems from the time when education came under the purview of industry under the regime of the General Agreement on Trade and Services (GATS). GATS is a subsidiary of the international body of the World Trading Organization (WTO). It therefore became necessary for a body of UN like the UNESCO to look at the phenomenon of international education and to see how its member states have perceived it. It provided the umbrella arrangement to the International Association of Universities (IAU) and prepared a report based on the survey carried out in different regions of the world. For the purpose of the survey, Jane Knight defined the term "internationalization of education" as follows: "Internationalization of Higher Education is defined as the process of integrating an international, intercultural and/or global dimension into the goals, functions (teaching/learning, research, services) and delivery of higher education" (Knight, 2006).

This is the broadest and all-encompassing concept that integrates many different activities such as, all forms of academic mobility, research collaboration, international development projects in higher education, curricular aspects in terms of the scope of programs and courses (area studies) offered or changes in curriculum of specific disciplines, acceptance of credits across national borders, etc. Recognizing the economic and developmental implications of this activity, the Organization for Economic Co-operation and Development (OECD) described international education as: "The complex of processes whose combined effect, whether planned or not, is to enhance the international dimension of the experience of higher education in universities and similar educational institutions" (OECD, 2010).

In India, the main driving force for the process of internationalization is the demand placed by the students on the higher education system as they looked for global opportunities for their education and eventual global employment. The globalized economy has opened up opportunities for employment of global talent in different locations of the world where economic opportunities have opened up. The corporate world has also, in a sense, triggered this demand for international education in the business schools from which they recruit their managers. Alon and McAllaster (2009), based on an extensive survey among business schools, have critically looked at the way the business schools have to integrate six primary dimensions such as the core curriculum, language study, student and faculty diversity, and student and faculty global experience, in justifying what could be called a "global business program." They have called this multidimensional model "the Global Footprint" of management education (Alon & McAllaster, 2009). As a result of this demand from the corporate world and the students' aspirations for global employment, the educational institutions have felt the pressure for preparing "global citizens" who will be prepared for, and attracted to, opportunities across national borders. Even local employers in India, looking for export markets, prefer to employ students who are well versed in an international and multicultural environment. This has resulted in increased student mobility with students crossing national borders for higher education or employment. It is therefore important to see the nature and the magnitude of the student mobility that is driving the engine of internationalization of higher education across the world.

Student Mobility Is Driving Internationalization of Education

It is observed that the students form the most important group of stakeholders that have triggered the process of internationalization. In a recent paper presented at the NAFSA conference, Belyavinam analyzed some global trends and new directions in student mobility that are worth highlighting to demonstrate and understand the impact of internationalization of education (Belyavinam, 2011). Cross border movement of students leaving their homes for studying outside their country is increasing very rapidly. Students studying abroad add to the local economy of the universities and the country where they study. Some of the recent data are reproduced in Table 1.

Table 1: Growth of International Students Studying outside Their Home Country

Year	1975	1980	1985	1990	1995	2000	2005	2008	2025 (projected)
No. in Millions	0.8	1.1	1.1	1.3	1.7	2.0	2.6	3.3	8 (?)

This growth is primarily due to the mobility of students from developing countries to developed countries; in particular the "emerging market" of students lies in developing countries of Asia. This trend of students increasingly wanting to study abroad has encouraged countries to market their education in a competitive manner resulting in changing market shares over the years. This trend is seen in Table 2, where one sees that countries like Australia, Canada, and even a developing country like China have started attracting more students; a dominant host country like the US has actually shrunk its market share (Belyavinam, 2011).

Recognizing this student mobility trend as a potential marketing opportunity, a healthy competition has started across the developed part of the world to attract international students and increase market share, as can be seen from the Table 2. Between 2001 and 2009, the US market share decreased by 8 percent while Canada and China have entered the market in a significant way. It is particularly important to note that China, in spite being a developing country with non-English medium, is gaining market share, presumably because of its growing economy.

To promote the marketability and attractiveness of the host educational institutions, the process of "ranking" of universities at a global level has been taken by different groups. In this ranking process, the institutions

Table 2: Changing Market Share of Countries Hosting International Students

Country	Year 2001 (worldwide 2 million) % share	Year 2009 (worldwide 3.3 million) % share
US	28	20
UK	11	13
Germany	9	7
France	7	8
Australia	4	7
Japan	3	4
Spain	2	-
Belgium	2	-
China	-	7
Canada	-	4
All Others	34	30

from the developing world do not figure in any significant manner. This further pushes the students from these countries to cross their national borders and try to get admitted to what are now being called the "world class" universities, with their rankings being displayed prominently in their marketing material. The ranking parameter has become an important factor in the process of internationalization of education.

The student mobility process and internationalization have now attracted the attention of number of higher educational institutions (HEI) across the world. The world body of UNESCO has given the major task of surveying the process and impact of internationalization in different regions of the world to the International Association of Universities (IAU). IAU has been periodically carrying out a survey on internationalization of HEI in six regions of the world including Africa, Asia and Pacific, Europe, Latin America and Caribbean, Middle East, and North America. In 2009, IAU contacted 4500 HEI but only the small sample of 745 that responded was used to arrive at the findings. The preliminary findings of these surveys were published in Knight (2006) and IAU (2010).[1]

Why Internationalize Education? Rationale and Associated Risks

Using the definition of internationalization given earlier, the IAU survey was sent to 4500 higher educational institutions that were requested to respond to questions relating to select parameters and the conclusions drawn from the latest survey (IAU, 2010) are as follows:

(a) Importance to Internationalization

1. Over 95 percent of HEIs have given medium to high priority for internationalization.
2. In Africa, the priority of internationalization is first restricted to countries within Africa.
3. European countries, apart from internationalization within Europe, are looking to the Asia Pacific and Latin American region. Europeans give a much lower priority to internationalization focus on North America.
4. North American institutions are looking to the Middle East and the Asia Pacific region for their internationalization process.

(b) Rationalization and Reasons

1. 88 percent of the worldwide institutions' rationale for internationalization is primarily the need for providing mobility to students – both incoming and outgoing. There is however diverse perception amongst regions.
2. In Asia Pacific and African countries, promoting research through internationalization is given a high priority. Many Asia Pacific countries are also giving high priority to attracting international students – a rather difficult task.
3. North American institutions are giving priority to internationalizing the curriculum and to sending their students abroad through internationalization processes. They are already attracting a large number of students from outside and that rationalization continues.
4. European institutions are keen to move their students within Europe and also attract students from across the world.

(c) Benefits Expected and Risks Perceived

1. Worldwide agreement is that internationalization helps to enhance the international awareness of students and faculty; internationalization of the curriculum is also considered a benefit.
2. Most of the developing countries see the greatest benefit in terms of their enhancing their research capability.
3. Most of the developing countries perceive the risk of "brain drain" as the most important concern.
4. The Middle Eastern countries feel that this process will lead to dilution of their cultural identity.
5. The North American countries feel that their institutions are focusing too much on getting international students which, unfortunately, also brings in the commercial angle to internationalization.

1 For a detail study of these surveys, the reader is referred to the website http://www.unesco.org/iau/internationalization/index.html.

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The above findings have had a net effect on the general increase in the process of internationalization. Education systems across the world have to adjust their higher education policies to take care of this impact of globalization on the process of higher education. Analysts have started looking at mechanisms that can measure the extent of internationalization in individual institutions. The idea of measuring this qualitative change in the character of higher education has thrown up several misconceptions about internationalization. Merely having certain numbers of international students on the campus will not necessarily bring in better understanding among different cultures. The social environment should also be changed to ensure that international students truly mix with local students, live together, and both sides make special efforts to understand each other's cultures outside the classroom. Similarly by merely having a large number of memorandums of understanding (MOU) signed with a number of countries does not imply that you are internationalized. In a mad rush to sign the MOUs, some institutions do not take further academic and administrative measures to implement these MOUs to bring the true understanding with meaningful exchanges of academics and by pursuing joint research work. The true spirit of internationalization, as given in the original definition of achieving in the delivery of our education system, a truly intercultural and global dimension, is not achieved in many cases. The means for doing so (viz. the increased number of international students and faculty) are not properly utilized and these "means" end up becoming the "goals" of internationalization with the proud declaration of the number of international students as a sign of internationalization. Hans De Wit has given a detailed understanding of these issues in his recent book (De Wit, 2011).

India is also struggling to truly understand the meaning of internationalization, and many institutions are still focusing on these external factors relating to presence of international students as a goal for internationalization, also enhancing their revenue generation in the process.

The Internationalization Process in India—Do We Want It?

Polychroniou (2008) has rightly raised the question of globalization in the context of existing asymmetries between the developed and the developing countries. The concept of internationalization of education is acceptable and perhaps inevitable in the long run, but the question of how to get there has been rightly raised. In India, education is considered a "social good," and to consider it as a "business commodity" in the context of GATS is not easily acceptable. Privatization of higher education is being accepted in principle, during the last decade, but the socio-political control over the higher education system is still with the government. Private initiatives to connect with foreign educational institutions, in terms of joint degrees and setting up campuses abroad, are controlled by the government. Having accepted education services as a tradable commodity under the WTO/GATS agreement, India has still not openly accepted the fact that foreign education providers can operate in India without its approval. Legislation allowing the entry and regulation of foreign education providers (viz. foreign universities) for setting up branch campus in the country is still to be approved by the parliament. In the meantime operators wanting to use the loopholes in the legal system have faced strong public protests, as they set up unauthorized educational institutions in some parts of the country.

India has an ancient tradition of internationalization of education, with the first world university, the Nalanda University, set up in northern India in 5th century AD. It attracted scholars from all over the world to study India's rich heritage and culture. Unfortunately, during the colonial era, India was under the yolk of the British and followed their English system and replicated their Oxford-Cambridge pattern of education. Even after national independence in 1947, India continued the British system by accepting the University Grants Commission (UGC) model of the Commonwealth that controls all the universities—both public and private. In the era of globalization, these Western systems have changed in their countries of origin, but India continues to have a plethora of universities under the umbrage and control of the UGC. There is still no truly international "Indian University" brand like that of the ancient Nalanda. The only exception may be Rabindranath Tagore's initiative of the Vishwa Bharati University at Shantiniketan in West Bengal. Some of the recent private universities like Symbiosis, Vellore Institute of Technology, D Y Patil University have also tried to attract international students as part of their program of internationalization. However the curriculum of courses does not show the element of internationalism as expected. Indian higher education system has now entered a highly professional realm with streams like engineering, technology, pharmacy, medicine and management and a string of small colleges and institutions not really representing the "meaning of a University," as outlined in the recent Yash Pal Committee report elaborating on the real meaning and purpose of university education (Pal, 2009), including the meaning of "a complete education," harmonizing humanities and social sciences with technical education.

With the wave of globalization, India is not quite sure what to do with the higher education system as far as the concept of internationalization is concerned. The government is very much focused on increasing the access to higher education for our own students. The Gross Enrolment Ratio (GER), depicting the percentage of students actually pursuing higher education against those in the relevant age group that should, is dismally low, pegged at about 13 percent. Access to higher education is constrained due to various social, economic, and geographical reasons. The system is further getting all tied up with multiple regulatory agencies trying to ensure the quality of the education system while increasing access through opening more universities.

Notwithstanding these hurdles, there have been some efforts at internationalization of Indian higher education that must be mentioned here. In 2001, the Association of Indian Universities (AIU) organized a round table conference on internationalization of Indian higher education, and several new approaches were discussed (Powar, 2001). In August 2002, University Grants Commission (UGC) identified internationalization of higher education institutions as a thrust area during the Tenth Five Year (2002–07) plan of the government. The UGC Chairman set up an expert committee to evolve a policy and approach for promotion of higher education in countries outside India by utilizing the strengths of the Indian universities. To operationalize the various recommendations of this committee, the UGC came up with the scheme of Promoting Indian Higher Education Abroad (PIHEAD, 2003). Unfortunately, the Ministry of Human Resources Development, with the change of the Minister, shifted its attention to the major concern of providing access to higher education as a national priority. The Prime Minister appointed the National Knowledge Commission (NKC) to make a total review of the entire education system in India (National Knowledge Commission Reports, 2009). The NKC did not give priority to internationalization, but focused on improving the access to, and quality of, the higher education system within India.

The Indian system is now more concerned with misusing the "commercialization" aspect of internationalization and is enacting a special regulatory framework for the entry of foreign education providers into India. Indian higher educational institutions, also enamored by the commercial opportunities of higher education, are setting up branch campuses in other developing countries. The principles of international education, as defined in the surveys of the International Association of University (IAU), are nowhere to be seen in the Indian Higher Education system today. It is not clear whether the national planners have indeed felt the need for the real internationalization of education in India. On a brighter side, it is understood that the Twelfth Five Year Plan for Education (2012–17) will include internationalization as one of the important areas in higher education. The future is yet to be seen.

In conclusion, with the globalization phenomenon encompassing the education sector, the process of internationalizing higher education is increasingly being analyzed, understood, and promoted worldwide. The Indian economy entered the realm of globalization in the early nineties, but the education sector is still far from being globalized. The government control over higher education, associated with an over-regulated education system, has created barriers for internationalization of higher education. The student community in India is aspiring to join the band of international students who are on the move for seeking global employment. To capture this student market, foreign universities are planning to open branch campuses in India, but the legislation required for this act of globalization is not yet approved and is looked at with suspicion by the Indian stakeholders.

The need for the internationalization of higher education is being accepted slowly but how to go about it is still an enigma. The need for internationalization is felt more from the requirements of the student community, but the risk of losing talent is also a concern. India feels the need for bringing in foreign educator providers into India, but its proposed policies are not very attractive for foreign educators to enter this business in India. Most of the developing countries, including India, accept the fact that the process of internationalization can also enhance the capacity for doing research and for generating new knowledge. With these conflicting directions toward internationalization, India is once again at a crossroads and has no clear academic policy on internationalization of higher education.

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