

Interview with Sunil Parekh, Industry Expert, Sunil Parekh

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With the recent event “Vibrant Gujarat”, the state of Gujarat aimed to showcase the region’s opportunities and advanced infrastructure, hosting 1,400 delegates from 101 countries as well as several presentations from the Indian Institutes of Technology Graduates which you chair. In your view, what are Gujarat’s unique strengths?

The one thing that distinguishes Gujarat from the rest of the country in a very significant way is its people and their approach to work and business ethics. As these people travel extensively in the country, it is very easy to aspire a young Gujarati to get into business. This whole state is all about doing business. People here have no problem with the rich, and instead admire the wealth and success they have achieved. In other states, where some people do not receive the same opportunities and henceforth feel left out, jealousy may exist. Gujarat hosts an extremely positive mindset towards growth, partnership, economic development and business.

People in the State of Gujarat also donate a lot, and by and large are vegetarians. The amount of alcohol consumed in this state is also significantly lower. It is a very religious state, hosting the highest number of temples in the country. People here also look after their workers, which reflects in the fact that Gujarat has the minimum number of loss days in the factory in the entire country. Mutual discussion is possible in the workplace, which is why strikes and violence rarely occurs. This mindset has historical roots, as Gujarati have always been peace-loving and pragmatic people.

How do you assess the role of the advanced infrastructure?

The Gujarati Infrastructure Development Board (GIDB) was set up in 1990. The underlying principle was that infrastructure precedes development. What generally happens is that states develop until they reach the limits of infrastructure, which is then followed by expansions. The Gujarati approach was a very planned and pro-active approach to future developments. Secondly, there was funding for these plans available. A third important factor consisted of the fact that Gujarat was the pioneer in involving private capital for public assets, through public-private partnerships (PPP). The first Greenfield Port Project that had never been done in the country before, was done in Gujarat. Various models were developed to soothe the requirements of every investor. People here have accepted these models of development which is why the development of advanced infrastructure followed along.

Gujarat is a state that generally has been first in many projects for infrastructure development. The first 3 LNG terminals as well as the first chemical port are all located in Gujarat.

What are the limitations you still see for Gujarat, in order to fully capitalize on these investment opportunities and infrastructure?

The state of Gujarat brings in the largest amount of investment in the country. Yet, in terms of added value, Gujarat is only fifth in the country. In terms of employment, performance is also very low. In this way, 11 issues of investors' development in Gujarat were drawn up. These need to be addressed in order to absorb the incoming flow of investments, in a manner that it benefits the people of the State. For example, all the hospitals and all the nurses are from outside of Gujarat. The same accounts for a very large part of the hotel staff. It is thus quite amazing that we have that much investment coming in, while our people are not -mentally or physically, in terms of capabilities and skills- ready for these jobs.

The Indian Institutes of Technology and the Indian Institute of Management of Ahmedabad are very well known. Do you think the strong entrepreneurial aspirations of the people here prevents these positions from being filled by locals?

The problem is that everyone cannot be an entrepreneur. In this office alone, we have 60 to 70% of Gujarati which are not entrepreneurs. These people need jobs. The proportion of entrepreneurs to the total population, in any society, is generally around 2 to 3%. In the USA, this is 2.5%, while Gujarat has around 3 to 3.5%. India as a whole hosts 1.5%.

What is the State doing to address these limitations?

For each of the issues that have been raised, there is now a policy framework and a group of people to work on them. We are finding ways for the path of industrialization to continue, while ensuring that the people and the environment can all benefit.

What role do you see the pharmaceutical industry playing in Gujarat?

I see Gujarat developing as a hub of generic manufacturing to a much larger extent than what we have seen to date. Clinical research should be done on a very large scale. The bulk of biosimilar development work as well as the manufacturing of complex molecules, both at the API and formulation levels, is expected to take place soon. We also hope to see 4 to 5 molecules coming from Gujarati industries. For a proven good quality drug to become successful, there are several necessary steps to take. It is therefore difficult to comment, but it is clear that some of the areas where Gujarati companies are working in can be transformative.

How do you compete with other hubs such as Bangalore, and how do you differentiate yourself in attracting pharmaceutical companies to this region?

In any place, the principle of clusters continues to work. Once you have a cluster that can give you education and research institutions, manpower, etc. this creates certain durable, sustainable, long-term traits. This competitive advantage stays even when you leave behind what you were doing initially. When you for example leave behind generic manufacturing and move on to innovative molecules, the infrastructure is going to be very useful. While you can find broader aspects of biotechnology in Bangalore, a very large part of pharmaceutical biotechnology, in terms of formulations and R&D, takes place here in Gujarat.

When you say pharmaceutical companies need their resources, administering and support, as well as space to operate, what is the government specifically doing to stimulate pharmaceutical development in this region?

Government has spent tremendous efforts on this development. In the beginning these efforts were mainly directed towards the creation of a regulatory framework. It also changed the patent law in 1970 and allowed process patents to take priority over product patents, which helped the development of the entire sector. Before that, all our medicines were imported which, with our income levels, was very hard to manage.

Subsequently, Gujarati Government has helped the industry through beneficial customs duties, productions taxes, and so on. A second important step was the framework for export-oriented (EO) rules that encouraged the growth of the export of pharmaceuticals.

How do you see the pharmaceutical industry within the future of the State of Gujarat?

The State of Gujarat is planning some 8 or 9 modern cities of 500 square kilometers each. The partnerships we have are with the two Japanese companies, including the Mitsubishi Corporation. They are seeking to construct entirely green cities, without any carbon footprint.

I think the Gujarati pharmaceutical industry will also become increasingly global. The aim is to be the home of at least 5 Gujarat-headquartered MNCs within the next 10 years.

What lessons can the rest of India learn from the Gujarat success story?

There are three things. The first is good strong leadership that delivers on promise. The second thing is greater involvement of people in decision-making. It sounds unnecessary in a democracy, but nothing is more important than engaging the people as much as you can. The third lesson is that one cannot be too ideological in today's modern world. It is better to be pragmatic.

Do you have a final message for our readers?

Gujarat, come to the capital of the future!

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