

# IE Insights

Vol. 26\_Nov 2015

## India Fever 2.0: Gateways to the New India

Singapore triggered an 'India fever' in the early 1990s during the initial days of India's economic liberalisation. One prominent investment was the establishment of the Bangalore International Tech Park in 1994. Located in Whitefield, Bangalore, this was one of the first technology parks in India. A decade later in 2005, Singapore signed its first comprehensive Free Trade Agreement (FTA) with India. Fast forward to May 2014, the election of a reform-minded government under the leadership of Prime Minister Narendra Modi offered hopes of accelerated economic growth.

Is it now time for a second wave of 'India fever'? In this issue of IE Insights, we make sense of the changes and suggest possible gateways to enter the new India.

By **GOH Keng Phang, Magdalene LOH, Benjamin YAP**  
South Asia Group  
[enquiry@iesingapore.gov.sg](mailto:enquiry@iesingapore.gov.sg)

## 03

### Summary

## 05

### India's reform-minded government

- India before the 2014 Lok Sabha elections
- 2014 Lok Sabha elections and Narendra Modi's victory

## 07

### Rise in optimism one year on

- Economic growth
- Inflation
- Current account
- Business confidence

## 8

### Key initiatives introduced by the BJP government

- Smart cities
- Make in India
- Digital India

## 12

### Policy watch: Key legislative reforms

- Goods and Services Tax (GST)
- Land acquisition

## 14

### Gateways to the new India: Business opportunities for Singapore companies

- Indian states and cities
- Infrastructure and planning
- Manufacturing, design and technology
- Consumer products, services and solutions

## 27

### Building on India-Singapore trade ties

- India-Singapore Comprehensive Economic Cooperation Agreement (CECA)
- ASEAN-India Free Trade Area (AIFTA)
- Regional Comprehensive Economic Partnership (RCEP)

## 29

### Conclusion

---

#### Disclaimer

While every effort is made to ensure that the information in this document is accurate, the information is provided by IE Singapore to you without any representation or warranty. Any reliance on the information in this document is at your own risk. IE Singapore does not accept any liability for any errors, omissions or misleading information. IE Singapore and its employees shall not be held responsible for any consequence arising from your reliance on any information provided by us. You are advised to consult your own professional advisors.

# Summary

---

// In May 2014, the world witnessed Prime Minister (PM) Narendra Modi's rise to leadership as he led the Bharatiya Janata Party (BJP) to win the Lok Sabha (Lower House) Elections in India, forming a majority government for the first time in over 30 years. Given PM Modi's transformative efforts during his tenure as Chief Minister of Gujarat, optimism for the economy spread throughout India and across the international business community.

// In line with his pro-economy election promises, PM Modi has introduced several initiatives to improve the lives of Indians and accelerate economic growth. These initiatives include:

- Smart Cities - on urban solutions;
- Make in India - on manufacturing; and
- Digital India - on Information Technology (IT) and ease of doing business.

// In addition to the above, two notable legislative reforms to reinforce the initiatives are also underway. The key reforms are:

- Goods and Services Tax (GST) – which simplifies the Indian tax regime; and
- Land acquisition – which enables industry to acquire land for development under an equitable framework.

// These legislative reforms will take time to implement. Formally, endorsements from both the Lok Sabha and Rajya Sabha (Upper House) are required under India's political system. However, the BJP does not enjoy a majority in the Rajya Sabha currently, despite its leadership in the Lok Sabha.

// Although it may take time for the initiatives and reforms to permeate the government, the wheels of improving the business environment have been set in motion. Since 2014, India's headline economic numbers have been robust. At current growth rates, India is set to take the lead as the fastest growing major economy in 2015 with GDP growth estimated at 7.5%.<sup>1</sup> Business sentiments towards India on both domestic and international fronts have also improved, with several market leaders (e.g. Foxconn, Toyota) announcing ambitious growth plans and investments into India.

// Due to India's strong economic outlook and supportive political environment, International Enterprise (IE) Singapore recommends that Singapore companies look towards India for growth opportunities. The following areas have been identified:

- Infrastructure and master-planning;
- Manufacturing, design and technology; and
- Consumer products, services and solutions.

// The opportunities are tremendous. However, India should be approached with careful planning as the federal country comprises of 29 states and 7 union territories, each having different sector profiles, culture and dynamics. As part of your company's entry strategy, you should identify the most appropriate entry point, or 'gateway', in terms of the state and sector.

---

<sup>1</sup> Economist Intelligence Unit, 2015

# India's reform-minded government

---

India sees a new dawn with the election of a reform-minded central government. With Prime Minister Narendra Modi at its helm, the BJP wins a historic single majority in the Lok Sabha, the first time in over 30 years.

India is the world's ninth largest economy with a GDP (at current US\$) of US\$2.1 trillion<sup>2</sup> (S\$2.8 trillion). The country is also the world's second most populous country with 1.2 billion people, of which over 420 million are aged 15 to 34.<sup>3</sup> As such, India has one of the youngest populations among major global economies, positioning India well to reap huge demographic dividends in the years ahead.

## India before the 2014 Lok Sabha Elections

Businesses generally found it challenging to operate in India. Firstly, India's infrastructure was inadequate, resulting in inefficiencies. Another common criticism was India's bureaucracy. Businesses often needed to obtain multiple approvals to push projects through, which often resulted in delays. Finally, land acquisition was mired with legal entanglements. The lack of clarity in land titles, coupled with multiple rights accorded to land owners, often prolonged the process of acquiring land that could be legally frustrating and expensive as well.

## 2014 Lok Sabha Elections and Narendra Modi's victory

On the back of the 2014 Lok Sabha Elections, the BJP-led National Democratic Alliance (NDA) projected Narendra Modi as its Prime Ministerial candidate. The BJP highlighted Modi's track record of strong growth during his time as Chief Minister of Gujarat. Subsequently, the BJP won 283 out of 543 seats (52%) in the Lok Sabha, establishing a single majority party rule in the Lok Sabha. This was the first time in over 30 years that one single party had won a majority of seats in the Lok Sabha. Having been given such a strong mandate by the electorate, coupled with PM Modi's track record in Gujarat, hopes were raised for India's economic growth.

---

<sup>2</sup> World Bank, 2014

<sup>3</sup> Census 2011, Office of the Registrar General of India, Ministry of Home Affairs

# Rise in optimism one year on

At the end of 2013, India's financial markets and the Indian Rupee hovered at record lows while business and consumer confidence wavered in lieu of economic uncertainty. Business optimism returned with Prime Minister Modi's victory in 2014. One year later, headline numbers have shown improvement.

**Figure 1: India's headline numbers**

	2013	2014	2015 (forecasts)
Real GDP Growth (%)	6.9	7.3	7.5
Consumer prices (% change)	10.7	6.7	5.9
Producer prices (% change)	6.3	3.8	1.8
Current account balance (% of GDP)	-2.6	-1.3	-1.5

Source:  
Economist Intelligence Unit  
(EIU), 2015

Rise in  
optimism  
one year on

## Economic growth

### **India has exhibited positive economic growth.**

Part of this growth can be attributed to the government's attempts to revitalise the economy, through a combination of past efforts such as FDI liberalisation as well as present reforms and initiatives such as GST, Land Acquisition, Smart Cities, Digital India and Make in India. On the back of further liberalisation and an increased optimism following the BJP's landslide win, India's economy rebounded. Estimated to grow at 7.5% in 2015,<sup>4</sup> India is on its way to becoming the fastest growing major economy globally.

### **India is likely to continue to lead global economic expansion.**

While sluggish growth globally is a potential dampener, we expect that the impact on India will be limited due to India's relatively strong domestic consumption market. A recent Harvard study estimated that India is projected to experience an average annual growth rate of 7.9% in the next eight years.<sup>5</sup>

## Inflation

### **There has been a moderation of India's inflation rates.**

Much of this is primarily attributed to falling oil prices, India being a net importer of oil. Secondly, the Reserve Bank of India (RBI) has been cautiously lowering interest rates to spur growth while prudently keeping inflationary pressures in check. These two reasons combined resulted in a stable, non-inflationary growth in India.

### **Inflation in India will continue to slow.**

Global energy prices are expected to remain low in the short to medium term. India is also building better transport infrastructure and reforming its GST policy. With these initiatives in place, it will result in lower structural inflation, when goods are able to flow freely across state borders.

---

4 Economist Intelligence Unit, 2015

5 "India's economic revival confirmed by new Harvard University study", Forbes, May 2015

Rise in  
optimism  
one year on

### Current account

**India's current account deficit has stabilised and is expected to remain stable.**

This has largely been helped by falling oil prices as India is a large consumer of electricity. Another factor is the growth of services and goods exports from India.

The necessity to import capital goods to support India's Make in India and Smart Cities initiatives will likely place pressure on the Indian current account. However, we expect that this will be balanced by India's manufacturing drive in the longer term, which can potentially increase exports.

### Business confidence

We observe that **business optimism in India has improved**. In RBI's quarterly survey on consumer confidence, both the Current Situation Index (CSI)<sup>6</sup> and Future Expectations Index (FEI)<sup>7</sup> have consistently stayed above 100. This suggests that compared to a year ago, businesses view the overall economic conditions and their financial positions to be comparatively better today. Also, most are optimistic about the year ahead.

**Figure 2: India's Consumer Confidence Indices<sup>8</sup>**

	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015
Current Situation Index (CSI)	91.6	98.6	98.6	103.1	105.5	108.6	107.7
Future Expectations Index (FEI)	96.9	109.7	117.7	118.6	118.3	126.7	124.2

Source:  
RBI, June 2015

In addition to this, we observe that several **multinational corporations (MNCs) have taken the lead to expand in India**. Automobile companies like General Motors, Toyota and Volkswagen are reported to be investing in manufacturing and expanding their product offerings in India.<sup>9 10 11</sup> Handsets manufacturers, such as Lenovo and Xiaomi, have similarly announced plans to establish sizeable manufacturing units in India.<sup>12</sup>

6 The CSI analyses respondents' current situation as compared with a year ago. A score above 100 reflects an improved situation

7 The FEI analyses respondents' current situation as compared with expectations for the year ahead. A score above 100 reflects an expectation that the situation will improve

8 RBI conducts the Consumer Confidence Survey across six metropolis viz. Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi. The survey captures responses on the perceptions on general economic conditions and respondents' own financial situation on a 3-point scale viz. improve, remain the same or worsen

9 "General Motors ploughs \$1bn into India to reverse sales decline", Financial Times, July 2015

10 "Toyota to invest over INR 1000 crore in India, doesn't rule out Daihatsu's entry", The Economic Times, September 2015

11 "Volkswagen betting big on emerging markets like India, China & Brazil with new architecture", The Economic Times, August 2015

12 "Lenovo follows Xiaomi in setting up India smartphone manufacturing unit", Reuters, August 2015

# Key initiatives introduced by the BJP government

---

Several strategic initiatives were introduced by the BJP government to advance India's economic fortunes. These initiatives point to a clear direction that India is taking to revitalise growth and address the needs of stakeholders and businesses.

## Smart Cities<sup>13</sup>

India is rapidly urbanising. The proportion of India's population living in urban areas is expected to grow from 31% in 2011 to 40% by 2030.<sup>14</sup> This rapid growth will place immense pressure on existing urban infrastructure and will require an expansion of urban areas. To plan for the coming demand, PM Modi announced the development of 100 Smart Cities across India to improve the quality of life and spur economic growth. The Ministry of Urban Development (MoUD) has been tasked to undertake the Smart Cities initiative and the central government will invest INR 48,000 crores (\$10 billion) over the next five years to develop 100 Smart Cities.

In the absence of a universal definition of a 'smart city', the MoUD has outlined a list of services and solutions that are present in 'smart cities' as shown in Figure 3 below. The list serves to outline areas where companies and industries could make a difference when developing solutions to address the urban space.

---

<sup>13</sup> <http://smartcities.gov.in/>, MoUD, 2015

<sup>14</sup> Ministry of Urban Development, Government of India, June 2015

**Figure 3: MoUD's broad outline of solutions for Smart Cities**

E-governance and citizen services	Energy management
<ul style="list-style-type: none"> <li>// Public information, grievance redressal</li> <li>// Electronic service delivery</li> <li>// Citizen engagement</li> <li>// Citizens – City's eyes and ears</li> <li>// Video crime monitoring</li> </ul>	<ul style="list-style-type: none"> <li>// Smart meters and management</li> <li>// Renewable sources of energy</li> <li>// Energy efficient and green buildings</li> </ul>
Waste management	Urban mobility
<ul style="list-style-type: none"> <li>// Waste to energy and fuel</li> <li>// Waste to compost</li> <li>// Waste water to be treated</li> <li>// Recycling and reduction of construction &amp; demolition waste</li> </ul>	<ul style="list-style-type: none"> <li>// Smart parking</li> <li>// Intelligent traffic management</li> <li>// Integrated multi-modal transport</li> </ul>
Water management	Others
<ul style="list-style-type: none"> <li>// Smart meters and management</li> <li>// Leakage identification, preventive management</li> <li>// Water quality monitoring</li> </ul>	<ul style="list-style-type: none"> <li>// Tele-medicine and Tele-education</li> <li>// Incubation/Trade facilitation centre</li> <li>// Skill development centres</li> </ul>

Source:  
MoUD, 2015

In September 2015, MoUD unveiled a list of 98 nominated Smart Cities.<sup>15</sup> (The full list can be accessed from <http://smartcitieschallenge.in/>.) Based on the list, companies could consider exploring opportunities in Andhra Pradesh (Visakhapatnam), New Delhi, Gujarat (Ahmedabad), Maharashtra (Mumbai and Navi Mumbai), Rajasthan (Jaipur and Udaipur), Tamil Nadu (Chennai), Telangana (Hyderabad) and West Bengal (Kolkata and Durgapur). These states and cities are recommended based on its population size, presence of industries and relative wealth, amongst other indicators. These will be discussed in the subsequent section on Gateways to the New India (Page 14).

With MoUD's announcement, each city is encouraged to prepare its own development proposals centred on a chosen geographical area. These development proposals can take the form of a redevelopment or retrofitting project, or an entirely greenfield project. To ensure that city residents outside the selected area benefit from the scheme, the proposal must also include an application of Smart City solutions across the entire city.

The second stage of the selection involves identifying the first 20 cities to receive central government funding for the first year of the initiative and 40 cities in each of the next two years. A selected city will receive approximately INR 96 crores (\$20 million) per year for five years to implement its proposal.

**Consequently, if the states focus on operationalising their plans, companies can expect an increase in demand for Smart City solutions.** In the short term, the nominated cities will require Smart City consultancy services to firm up their proposals for submission to the MoUD. Following that, cities will require companies to deliver the solutions stated in their proposals. In the long run, the Smart City solutions successfully implemented under the initiative could be scaled across India.

<sup>15</sup> MoUD is awaiting one more nomination from Jammu & Kashmir and one more nomination from Uttar Pradesh

### Make in India<sup>16</sup>

India's manufacturing sector represents 17% of its GDP compared to 53% for the services sector.<sup>17</sup> This could be attributed to a lack of infrastructure and connectivity which has resulted in investments shifting away from manufacturing activities and going into the more asset-light services sector.

Nevertheless, India holds much potential given its large, young and growing population, which will be both a huge market (in terms of domestic consumption) and a source of skilled labour. In September 2014, PM Modi launched Make in India, a national campaign promoting growth of manufacturing for both domestic and international markets. According to the Department of Industrial Policy and Planning (DIPP), the agency leading this initiative, Make in India aims to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure.

**Make in India has the potential to shift the manufacturing landscape in India.** The DIPP has drawn up plans to facilitate manufacturing in the 25 sectors (Figure 4). These plans can be found on <http://www.makeinindia.com>. While reforms differ across sectors, they generally include:

1. De-licensing and de-regulation to reduce complexities;
2. Building links to industrial corridors and Smart Cities;
3. Creating manufacturing clusters;
4. Reducing customs duties for capital equipment; and
5. Allowing for corporate tax relief.

**Figure 4: 25 Sectors included in Make in India**

Automobiles	Automobile components	Aviation	Biotechnology	Chemicals
Construction	Defence manufacturing	Electrical machinery	Electronic systems	Food processing
IT and business process management	Leather	Media and entertainment	Mining	Oil and gas
Pharmaceuticals	Ports and shipping	Railways	Renewable energy	Roads and highways
Space	Textiles and garments	Thermal power	Tourism and hospitality	Wellness

Source: DIPP, 2015

Of the 25 sectors, Singapore companies having a competitive edge in sectors such as automobile components, electrical machinery, electronic systems and food processing may wish to consider entering India. These sectors will be covered in detail under the section entitled Gateways to the New India (Page 14).

<sup>16</sup> <http://www.makeinindia.com/>, DIPP, 2015

<sup>17</sup> World Bank, 2014

### Digital India<sup>18</sup>

To ride on India's existing strengths in IT, PM Modi also launched Digital India. This initiative involves tapping on India's IT capabilities and promoting investments into IT and mobile infrastructure as well as provision of e-services to promote inclusive growth across all segments of the population.

Covering both hardware and software, Digital India aims to:

1. Improve electronic infrastructure including fibre optic cables, mobile coverage and broadband coverage;
2. Promote electronics manufacturing; and
3. Encourage the use of more e-governance solutions by the various government authorities to address business and civilian needs.

The Department of Electronics and Information Technology (DeitY) spearheads the Digital India initiative. The DeitY is drawing up essential standards and guidelines to support e-governance initiatives, as well as to ensure the inter-operability of IT infrastructure and e-services.

**Digital India will bring about commercial opportunities for mobile, IT and electronic goods and services in India.** In terms of hardware, companies will find an increase in demand for mobile handsets and electronics, creating opportunities for brand owners and trading companies to supply and grow with the market. Software companies with expertise in mobile and e-governance solutions will also find India a market with tremendous opportunity, as government initiatives drive expenditure and growth in the sector. In both hardware and software, companies will need to tailor their products and suite of applications and products for the Indian market if they plan to ride on this trend.

**With Digital India, companies will find opportunities in both the public and private sectors.** In the public sector, companies can watch out for e-Governance tenders from state entities, educational institutions and judiciary institutions. Projects in the public domain will serve to enhance your company's track record as well as develop local expertise. From the private sector, the opportunities to provide digital solutions are more varied, ranging from hospital management systems, power management systems, payment solutions, e-Learning modules and e-commerce related services among others.

---

<sup>18</sup> <http://digitalindia.gov.in/>, DeitY, 2015

# Policy watch:

## Key legislative reforms

---

Policy reforms, in particular regarding the Goods & Services Tax (GST) and land acquisition reforms will potentially catalyse growth and investments. GST will unite India into a single market improving manufacturing and logistic efficiency. Also, reforms in land acquisition will have a wide-reaching impact on expediting growth in industrial, commercial and residential sectors.

### Goods and Services Tax (GST)

Reforming India's indirect tax system is important for Make in India to take off. Currently, state governments levy different types of indirect taxes and at different rates. This, combined with different types of central government taxes (e.g. octroi, cess), at times causes a lack of consistency in the amount of taxes companies have to pay, especially when goods move across state borders.

The BJP government has tabled a bill to create a comprehensive and unified GST across states to simplify the tax regime. This pro-business reform will increase tax certainty for businesses.

On the surface, the GST reform should enjoy bi-partisan support as the previous Congress government has tried to pass a similar bill during its term. However, the bill has yet to clear Parliament. After the bill passes through the Rajya Sabha, it will need to be ratified by at least half of the states before coming into effect. This might stall the execution of the bill, as several states have concerns about the loss of state revenues with this reform.

In response, the central government has been working on a package that compensates the states for lost revenues. In the longer term, reforming the GST remains critical to improving India's business environment. This will significantly add to manufacturing and logistical efficiency as well as ease of doing business in India.

### **Land acquisition**

Land acquisition is a key challenge for many businesses in India. Land titles are often unclear, making it difficult for investors to obtain a contiguous piece of land. Furthermore, having to conduct mandatory social impact studies further hinders the land acquisition process. This cumbersome process has delayed many land-intensive infrastructure and manufacturing projects.

To address this problem, the Modi government has tabled a bill to make land acquisition more viable for developers. The bill initially faced stiff opposition from farmers, but PM Modi has since responded with a directive to protect farmers from suffering any financial losses. This is expected to help PM Modi obtain sufficient political support to pass the reform. The reforms in land acquisition will have a wide reaching impact on expediting growth in industrial, commercial and residential sectors.

Meanwhile, companies can look at business-friendly states in which the state government has accumulated contiguous pieces of land. Such states can release lands for selected investments and projects, offering greater transparency and speeding up development.

# Gateways to the new India:

## Business opportunities for Singapore companies

---

India adopts a federal constitution, comprising of 29 states and 7 union territories, each possessing varied strengths across different sectors profiles and cultures. We recommend that companies identify and carefully plan appropriate entry points and engagement strategies.

### Approaching geographical opportunities:

#### Indian states and cities

Given India's diverse nature, we advise that Singapore companies focus on specific states and cities that will best complement business interests. For example, India's political centre, Delhi National Capital Region (NCR) has a large and growing middle class. As a result, the city is one of the key metropolises for companies targeting the consumer sector. Furthermore, the NCR is now home to many e-commerce companies which further add diversity to the retail sector.

Some states have developed themselves into hubs. For example, Karnataka and Telangana are IT hubs. The strong IT sectors in these two states, supported by a local talent pool, has also allowed both cities to attract other clusters such as MNCs (Bangalore) and pharmaceuticals (Hyderabad). Gujarat and Tamil Nadu have established themselves as manufacturing hubs in the North and the South respectively, with a particular focus in automotive manufacturing. Singapore companies looking to support the automotive cluster can start off in these states.

Other states serve as business gateways. On the Western coast, Maharashtra is one of India's commercial gateways through Mumbai, while Tamil Nadu provides a natural point of entry as a manufacturing and technical gateway for Singapore companies due to its geographical proximity to Singapore. Companies looking to kick-start business operations in India may wish to consider these two states as an initial landing point. In addition, West Bengal acts as a consumer trading gateway into north-eastern India.

Gateways to  
the new India:  
Business opportunities  
for Singapore  
companies

At the state level, Singapore also enjoys close relationships with various state governments. Tamil Nadu for example, is home to the largest industrial park developed by Singapore company- Ascendas-Singbridge. In Maharashtra, the Singapore Manufacturing Federation has identified manufacturing as a specific area of cooperation with the Maharashtra Industrial Development Corporation (MIDC) to assist Singapore companies in establishing manufacturing in the state. In the areas of capacity building and efforts for urban solutions, tourism, ease of doing business and connectivity, Singapore has also established close relations with key states such as Andhra Pradesh, Karnataka and Rajasthan.

A summary of the engagement areas with select Indian states and cities is found in Figure 6.

**Figure 5: Map of India - selected Indian states**



Source:  
India's Ministry of External  
Affairs, 2015

Figure 6: Assessment of selected Indian states

	Cities to consider	Assessment	Sectors to consider
Andhra Pradesh	<p>// <b>Amaravati</b> Greenfield capital city.</p> <p>// <b>Visakhapatnam</b> Largest city in the state. Home to the largest port in the state.</p>	<p>// <b>Focus on economic development</b> There is a strong push to develop the state economically after bifurcation.</p> <p>// <b>Port connectivity</b> Has key ports such as Visakhapatnam and Krishnapatnam along its 972km coast.</p> <p>// <b>Resource rich</b> Holds significant hydrocarbons and mineral reserves.</p>	<p>// <b>IT</b> Proximity to Hyderabad, a key IT hub in India. Large talent pool to tap on.</p> <p>// <b>Manufacturing</b> The state is home to pharmaceuticals players. Food processing is also suitable as the state has large agricultural reserves.</p> <p>// <b>Connectivity</b> The state is enhancing connectivity via air, sea and land.</p>
Delhi National Capital Region (NCR)	<p>// <b>Delhi</b> // <b>Gurgaon</b> Political centre of India. Growing in economic weight and a huge consumer market.</p>	<p>// <b>Developed industries</b> HQs of major Indian and international companies in IT, manufacturing and service sectors.</p> <p>// <b>E-commerce hub</b> Hub for e-fulfilment and online retail with almost 80% of India's e-commerce companies headquartered here.</p> <p>// <b>Growing retail opportunities</b> Presence of a growing middle class.</p>	<p>// <b>Electronics</b> The presence of emerging consumer electronic clusters presents an opportunity for semiconductors and electronic component suppliers.</p> <p>// <b>Consumer</b> Growing e-commerce, F&amp;B and retail sectors.</p> <p>// <b>Hospitality and Tourism</b> Increase in business and leisure tourists to the NCR. Delhi is also the tourist gateway to North India.</p>
Gujarat	<p>// <b>Ahmedabad</b> Economic centre of the state.</p>	<p>// <b>Business-friendly</b> Topped World Bank's rankings for Indian states on improving 'ease of doing business'.</p> <p>// <b>Power surplus</b></p> <p>// <b>Port connectivity</b> Presence of good ports viz. Mundra, Kandla and Pipavav. Access point to hinterland in the North.</p>	<p>// <b>Energy</b> The state has developed gas pipelines making it a key entry point for LNG imports.</p> <p>// <b>Manufacturing</b> Presence of affordable industrial zones with good trunk infrastructure and stable power supply.</p>

Gateways to  
the new India:  
Business opportunities  
for Singapore  
companies

	Cities to consider	Assessment	Sectors to consider
Karnataka	<p>// <b>Bengaluru</b> Existing hub and situated along main development corridors viz. Mumbai-Bengaluru and Bengaluru-Chennai corridors.</p>	<p>// <b>Availability of talent pool</b></p> <p>// <b>Existing hub</b> For e-commerce and IT.</p> <p>// <b>Good telecommunications infrastructure</b></p>	<p>// <b>IT</b> Karnataka contributes 40% of India's IT and electronic exports.</p> <p>// <b>Urban solutions</b> Renewable energy forms 31% of Karnataka's installed capacity. There is scope for waste-to-energy and renewable energy plants.</p> <p>// <b>Consumer</b> Opportunities in the F&amp;B and retail sector due to the growing middle income group.</p>
Maharashtra	<p>// <b>Mumbai</b> Commercial capital, located at the end node of the Delhi-Mumbai Industrial Corridor with a gateway port.</p> <p>// <b>Pune</b> Major industrial cluster for automotive and electronics with close proximity to Mumbai.</p>	<p>// <b>Commercial hub</b> Economically developed with highest state GDP in India. Many MNCs and Indian conglomerates are based here.</p> <p>// <b>Developed industrial base</b> Presence of industrial clusters including automotive, food and pharmaceuticals.</p> <p>// <b>Good connectivity</b> Has the largest port in India (JNPT). One of the key airport nodes in India.</p>	<p>// <b>Manufacturing</b> Components manufacturing for existing automotive and electronics clusters.</p> <p>// <b>Consumer</b> Opportunities in the F&amp;B and retail sector due to growing middle income group.</p> <p>// <b>Engineering R&amp;D</b> Presence of skilled labour in the state. Possible site for R&amp;D and engineering offices.</p>
Rajasthan	<p>// <b>Jaipur</b> Commercial capital of Rajasthan.</p> <p>// <b>Neemrana</b> Rajasthan's automotive and electronics manufacturing zone.</p> <p>// <b>Udaipur</b> Rich heritage with tourism potential.</p>	<p>// <b>Focus on economic development</b> Strong economic focus to develop Jaipur as the twin city of Delhi and Neemrana as the state's economic hub.</p> <p>// <b>Availability of skilled labour and land</b></p> <p>// <b>Rich cultural heritage</b> Allows Rajasthan to attract many international tourists.</p>	<p>// <b>Tourism</b> Opportunities to restore existing forts, palaces and museums for tourism purposes.</p> <p>// <b>Urban Solutions</b> Scope for master-planning, development and utilities as the state develops its urban infrastructure, particularly in Jaipur.</p>

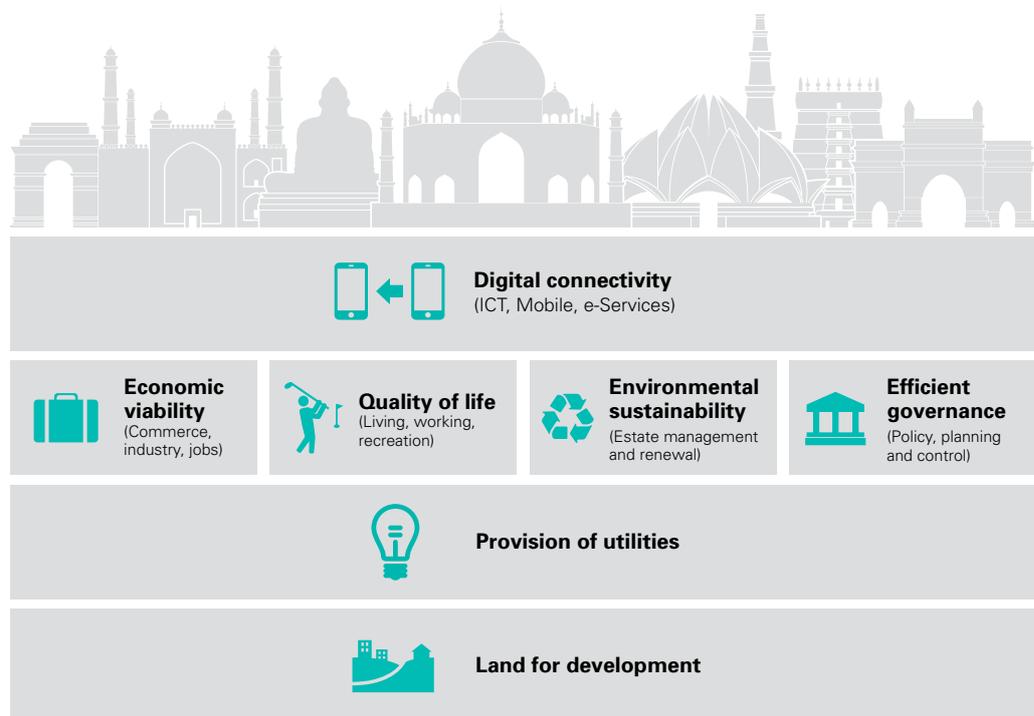
Gateways to  
the new India:  
Business opportunities  
for Singapore  
companies

	Cities to consider	Assessment	Sectors to consider
Tamil Nadu	<p>// <b>Chennai</b> Capital city of Tamil Nadu with most developed infrastructure. It also connects the Chennai-Bangalore and Chennai-Visakhapatnam corridors.</p> <p>// <b>Tiruppati</b> Presence of existing textiles and garments manufacturing activities.</p>	<p>// <b>Good connectivity</b> Chennai and Ennore Ports provide landing areas for capital goods, imports and exports.</p> <p>// <b>Developed industrial base</b> One of the most industrialised states in India with manufacturing contributing to 26% of economic activity in the state. Presence of industrial clusters including automotive and electronics.</p>	<p>// <b>Manufacturing</b> There are opportunities to supply components and provide solutions to existing large manufacturers.</p> <p>// <b>Water management</b> Chennai faces a water deficit. Lakes and water bodies such as the Cooum River also require environmental management.</p>
Telangana	<p>// <b>Hyderabad</b> Currently the shared capital of Telangana and Andhra Pradesh but will belong to Telangana after ten years.</p>	<p>// <b>Resource-rich</b> For example, granite, coal, lime stone, bauxite and mica.</p> <p>// <b>Developed industries</b> Hyderabad is the alternative IT Hub in India to Bangalore. There are also strong bioscience and pharmaceutical clusters.</p>	<p>// <b>Logistics</b> In particular, for high end pharmaceuticals since Hyderabad accounts for about one-fifth of India's pharmaceutical exports.</p> <p>// <b>Urban solutions</b> Infrastructure is needed to support urbanisation.</p>
West Bengal	<p>// <b>Durgapur</b> 3<sup>rd</sup> largest city in West Bengal. Home to the Durgapur Steel Plant and witnessing rapid development in sectors like real estate, IT and education.</p> <p>// <b>Kolkata</b> Principal commercial, financial and cultural centre of East India.</p>	<p>// <b>Good connectivity</b> With three airports viz. Bagdogra, Durgapur and Kolkata, and two sea ports viz. Haldia and Kolkata, West Bengal serves as the gateway to the landlocked north-eastern states which also serve as bridges to India's eastern neighbours.</p> <p>// <b>Low cost of doing business</b></p> <p>// <b>Power and water surplus</b></p>	<p>// <b>Logistics</b> Opportunities for master-planning for greenfield port developments on Sagar Island, Kolkata as well as around the Durgapur Aerotropolis.</p>

## Approaching sectorial opportunities: Infrastructure and planning

PM Modi's Smart Cities is expected to drive demand for smart solutions across India. Such cities require development across multiple sectors as seen in Figure 7 below.

**Figure 7: Building blocks of Smart Cities**



Arising from the above, we see opportunities for Singapore companies in the following areas:

- // Water solutions
- // Power generation and transmission, including decentralised and off-grid solutions
- // Waste segregation and recycling
- // Waste-to-energy
- // Waste management
- // Pollution control
- // Intelligent systems for city services (e.g. security and traffic)

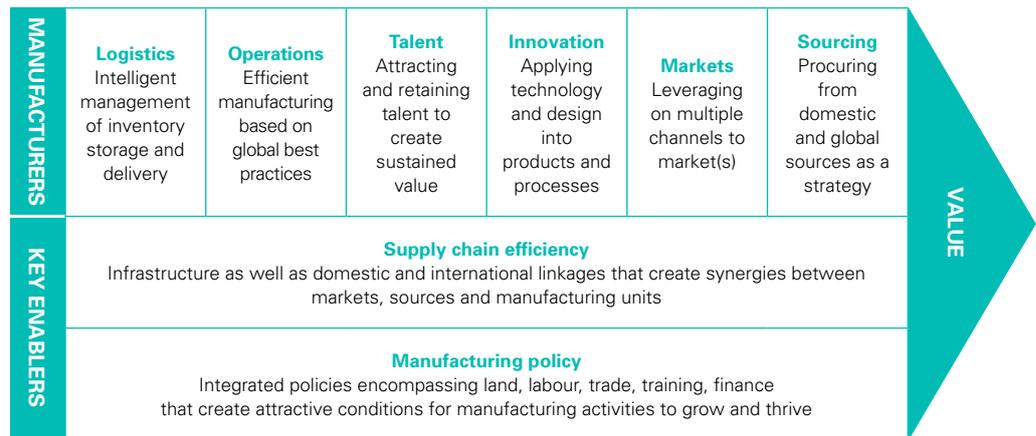
However, there may be challenges ahead and companies should be aware of three main challenges in this sector as illustrated in Figure 8 below.

**Figure 8: Challenges in infrastructure and planning**

Challenges	Recommended solutions
Asset-intensive nature of sector	<ul style="list-style-type: none"> <li>// Carefully determine an appropriate business model when entering India.</li> <li>// Aim to start small then scale up over time. Test bedding or pilot projects are a way to minimise exposure while gaining confidence.</li> <li>// Export know-how through licensing technology to complementary partners such as asset owners.</li> <li>// Leverage on larger projects/platforms by setting up alongside Singapore companies or reputable players.</li> </ul>
Extended land acquisition and approval process	<ul style="list-style-type: none"> <li>// Seek reliable local partners who are familiar with the land acquisition and approval processes.</li> <li>// Provide clear details in submissions noting the common terminology that is regularly used by the authorities.</li> <li>// Spend time meeting with the relevant authorities to build understanding and gain support.</li> </ul>
Long gestation period	<ul style="list-style-type: none"> <li>// Explore acquisition strategies.</li> </ul>

**Approaching sectorial opportunities:  
Manufacturing, design and technology**

**Figure 9: Opportunities in manufacturing, design and technology**



India’s relatively untapped talent pool, coupled with its large domestic market, makes it a highly desirable location for manufacturing. However, the supporting infrastructure remains underdeveloped, posing a fundamental challenge to the growth of the manufacturing sector.

To catalyse growth, it is vital to address key areas of India’s manufacturing policy and supply chain efficiency. On manufacturing policies, an integrated approach is necessary to address the multifaceted shortfalls encompassing land, labour, trade, training and finance among other areas. Concurrently, there is a need to focus on bringing investments into the development of infrastructure to enhance manufacturing and its related activities.

IE Singapore sees complementary strengths in the following areas for Singapore companies:

### **1. Automotive components**

Automotive manufacturing continues to be one of India's most established manufacturing sectors. Recently, companies like General Motors, Ford, Toyota and Volkswagen have announced growth plans in India for the coming decade. Such recent moves add to the diverse landscape in which established manufacturers such as Maruti-Suzuki, Hero, Tata Motors, Mahindra and Bajaj currently operate. This growth arises as manufacturers seek to minimise costs from imports as they begin to source and produce locally.

Consequently the turnover of automotive components sector is expected to more than double from US\$38.5 billion (S\$50.9 billion) in 2014 to US\$100 billion (S\$132.1 billion) by 2020.<sup>19</sup> Following this trend, Singapore companies producing automotive components can similarly set up a manufacturing presence in India to better serve the needs of Tier 1/OEM manufacturers.

### **2. Electrical machinery and electronic systems**

The electronics manufacturing sector in India seems set to take off as market leaders like Panasonic, Sony, Lenovo, Foxconn, and Xiao Mi have recently announced plans to expand their presence in India. Such announcements range from setting up assembly units to full-fledged manufacturing operations. Further up along the value chain, there is also an emerging potential in the semiconductor manufacturing industry in which the Indian government is looking to attract investments to jumpstart this sector.

As MNCs move into India, Singapore companies may also consider entering India to offer manufacturing services to MNCs and the broader Indian market before considering to expand further into local production.

Apart from manufacturing services, Singapore brand owners may also capture value through trade by sourcing or exporting electronic products and components for distribution in India. Such activities are increasingly popular due to the growth of e-commerce.

### **3. Food processing**

A rise in income levels and growing affluence will increase India's preference for higher quality food products. These trends will translate into opportunities for the food processing industry. Indeed, the food processing industry almost doubled from US\$156.6 billion (S\$206.9 billion), in 2012, to US\$258 billion (S\$340.9 billion) in 2015.<sup>20</sup>

The emergence of organised retail in the form of supermarkets have also added to changing consumption patterns and growth of the food industry. In this evolving space, Singapore food brands can begin establishing themselves in India through exports to build a customer base and gain market share. Companies may consider expanding to local manufacturing for greater efficiency and to broaden market share.

---

<sup>19</sup> "Indian automotive component industry emerging as a global market leader", The Economic Times, 2015

<sup>20</sup> India Brand Equity Foundation, 2015

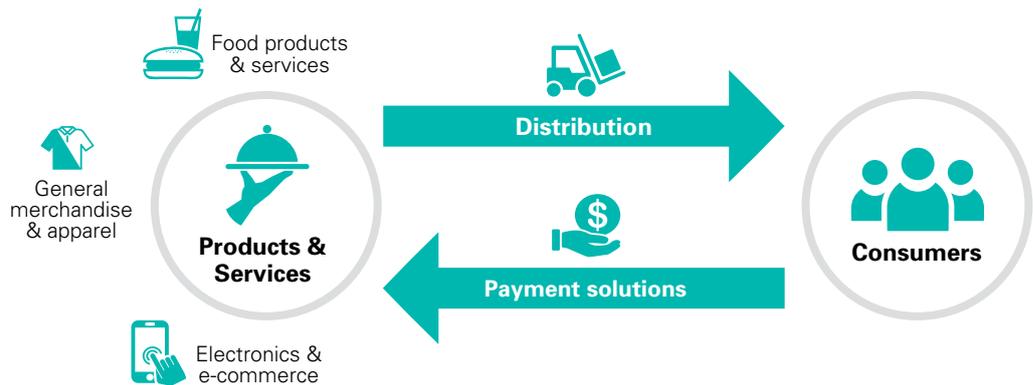
On the supply side, Singapore companies will do well to take advantage of the low labour costs in India. On the demand side, India's large, young and growing population will be a ready market for the manufactured products. Figure 10 below shows the challenges and possible solutions to manufacturing in India.

**Figure 10: Challenges in manufacturing**

Challenges	Recommended solutions
High initial capital outlay for setting up manufacturing units	<ul style="list-style-type: none"> <li>// Secure commitments from the customers in the market ahead of market entry.</li> <li>// Establish base load through exports before setting up manufacturing units.</li> <li>// Tie up with local partners for contract manufacturing at the onset.</li> </ul>
Extended process to establish a manufacturing facility in India	<ul style="list-style-type: none"> <li>// Locate and develop manufacturing units within reputable industrial parks.</li> <li>// Plan ahead, factor in longer lead times in the set-up process.</li> <li>// Prepare comprehensive mitigation plans to address areas where regulations are stringent (e.g. effluent discharge and pollution control).</li> <li>// Spend time meeting with the relevant authorities and accelerators (e.g. single-window facilitation units) for support in the set-up process.</li> </ul>

## Approaching sectorial opportunities: Consumer products, services and solutions

**Figure 11: Opportunities in consumer products, services and solutions**



IE Singapore sees huge opportunities for Singapore businesses in India's consumer market. A driving force behind India's consumer market is its growing middle class which is estimated to reach 475 million by 2027.<sup>21</sup> Furthermore, projections by McKinsey suggests that India's total private consumption will grow four-fold from US\$370 billion (S\$488.9 billion) to over US\$1.5 trillion (S\$2.0 trillion) by 2025 due to rising incomes. In this growth scenario, we see opportunities below:

### 1. Food products & services

With rising income and growth of the middle class, consumer products and services will correspondingly see demand growth, pricing power and preference for imported products. Companies seeking to introduce new food brands and food retail concepts will find opportunities here. Studies show that food services including cafés, quick service restaurants as well as casual and fine dining are estimated to double and reach US\$95 billion (S\$125.5 billion) by 2020, up from the US\$48 billion (S\$63.4 billion) in 2013.<sup>22</sup>

<sup>21</sup> "Hitting the sweet spot - Middle class growth in emerging markets", Ernst & Young, 2013

<sup>22</sup> "Food services landscape and opportunities in India", Franchise India, 2015

## **2. Electronics & e-commerce**

India's Digital India initiative is expected to increase connectivity and drive internet usage, giving an unprecedented number of domestic consumers access to online marketplaces. This will consequently increase demand for communication and electronic products. A joint study by Internet and Mobile Association of India (IAMAI) and KPMG estimates that there will be a total of 500 million internet users (out of a total population of 1.25 billion) in India by 2017, up from a current number of about 350 million.<sup>23</sup> Also, Cisco's Visual Networking Index (VNI)'s global mobile data traffic study reported that in India, the number of smartphones grew 54% to reach 140 million during 2014. It is estimated that the number of smartphones will grow more than fourfold between 2014 and 2019 to reach 651 million.<sup>24</sup>

## **3. General merchandise & apparel**

Increase in demand for general merchandise across all categories is expected. These could range from Fast Moving Consumer Goods (FMCGs) such as apparel, cosmetics and hygiene products to durable goods such as toys, furniture and sports equipment. In particular, the retail segment for apparel is expected to grow at a CAGR exceeding 13% (over a 10-year period).<sup>25</sup> The growing popularity of this sector is evident with the entry of global apparel and retail brands such as Zara, Mango, Marks & Spencer's and Charles & Keith.

## **4. Spinoffs in distribution**

In addition to the above three categories, spinoffs from rising demand for goods and services is expected to lead to a growth of associated horizontals in distribution and logistics. The rapid growth in scale and complexity is expected to lead to increased automation and use of tracking technology in the area of distribution.

The trends for India's increased consumerism are visible. Singapore brands are likely to be well-received as Singapore is known for quality and consistency in India. Companies should, however, be prepared for operational challenges on the ground when entering the market. Figure 12 outlines steps which can help Singapore companies navigate some of the possible challenges.

---

23 "India will have 500 million internet users by 2017, says new report", TechCrunch, July 2015

24 "India to have 651 million smartphones, 18.7 million tablets by 2019", The Economic Times, February 2015

25 "Textiles and Apparel", India Brand Equity Foundation, 2015

**Figure 12: Challenges in the consumer products and services sector**

Challenges	Recommended solutions
Lack of familiarity with domestic consumer preferences	<ul style="list-style-type: none"> <li>// Explore market through exports to gain insights into consumer preferences.</li> <li>// Conduct focus group surveys by tapping on the Non-Resident Indian (NRI) community in Singapore.</li> </ul>
Lack of clarity on approval process	<ul style="list-style-type: none"> <li>// Draw reference from existing approvals of similar products or services as a basis for preparing submissions.</li> <li>// Seek advice of functional experts to better interpret and navigate complex approval requirements.</li> </ul>
Fragmented and unreliable distribution network	<ul style="list-style-type: none"> <li>// Tap on the network of established distribution partners.</li> <li>// Partner other complementary brands to achieve economies in distribution.</li> <li>// Focus initial distribution into a key territory before expanding across India.</li> <li>// Leverage on technology-based solutions for monitoring and control to enhance efficiency.</li> </ul>

# Building on India-Singapore trade ties

---

India and Singapore share a trade history that spans centuries. Before the arrival of the British, trade links were already well-established between the two regions. In the 1800s, when both territories were colonised by the British, trade accelerated. Post-independence, India and Singapore continue to enjoy close economic ties, which has been strengthened by several agreements that facilitate business interests since 2005.

IE Singapore recommends that Singapore companies looking to export to or expand in India can utilise the India-Singapore Comprehensive Economic Agreement (CECA) and ASEAN-India Free Trade Area (AIFTA) Trade in Goods Agreement. Two other agreements are still underway. The four agreements are summarised below. For further information on the Agreements, please visit <http://www.fta.gov.sg/>.

## **India-Singapore Comprehensive Economic Cooperation Agreement (CECA)**

The CECA is a landmark agreement as India's first comprehensive FTA. The Agreement reduces tariffs, liberalises services sectors and protects investment. For example, with the CECA, India has eliminated or reduced import tariffs for 60% of all tariff lines (this is approximately 75% of Singapore's domestic exports to India). Another example applies to products that come under the Rules of Origins (RoO), in which products which have a valued-added content of at least 40% in Singapore or India will qualify for the reduced tariff, should there be a change in tariff heading (CTH) during the final manufacturing process.

## **ASEAN-India Free Trade Area (AIFTA)**

### **Trade in Goods Agreement**

The Agreement's tariff elimination and reduction covers 90% of India's tariff lines. Goods that have a value-added content of at least 35% in ASEAN or India with a change in tariff sub-heading during the final manufacturing process qualify for the preferential tariffs. Notably, inputs to manufacturing that are sourced from ASEAN and India can be cumulated as part of the 35% value-add. This is a major plus for companies with supply chains that span across ASEAN.

### **Investment Agreement and Trade in Services Agreement**

The AIFTA Investment Agreement and Trade in Services Agreement represent an upgrade to the earlier Trade in Goods Agreement. The Investment and Trade in Services Agreement is currently awaiting ratification by all parties to AIFTA. When entered into force, companies can expect greater protection for their investments into India as well as more certainty on the supply of services in India.

## **Regional Comprehensive Economic Partnership (RCEP)**

Recognising that supply chains stretch beyond ASEAN, ASEAN is currently negotiating the RCEP which will cover Australia, China, India, Japan, Korea and New Zealand, in addition to the ten ASEAN countries. When concluded, companies can look forward to greater market access to an expanded region of almost 3 billion people. During a meeting of the trade ministers from the above-mentioned countries in Kuala Lumpur, Malaysia in 2015, it was announced that the RCEP will cover 80% of all tariff lines.<sup>26</sup>

---

<sup>26</sup> Asia-Pacific nations to cut 80% of import duties in 10 years", Today, August 2015

# Conclusion

---

IE Singapore sees India as a large and fast-growing market poised for further growth, which makes it ripe with opportunities for investment and cooperation. Inherent challenges remain and will require time and effort before reforms are implemented on the ground. Companies seeking growth opportunities, particularly in India's consumer, infrastructure and manufacturing sectors are therefore advised to take a longer-term view in their approach.

IE Singapore can help you navigate India – a market that is well on its way to becoming the world's leading growth economy.

## **So, how should companies ride the second wave of the 'India fever'?**

### **Study the market in great detail.**

We have highlighted some possible gateways into India both geographically and via the various sectors. Companies should embark on a detailed market study, and we highly recommend that you embark on trips to India for an in-depth assessment of how best to penetrate the market.

### **Work with reputable partners.**

India is a challenging market with varied nuances in its laws and policies. It is therefore critical for companies to have good ground knowledge before embarking on any venture. For companies that are unfamiliar with the market, we recommend that you tie up with a reliable reputable partner who can advise on how best to establish your business in India.

### **Stay patient and persistent.**

India's economic rise and the government's political will have ignited a climate of hope for growth and investment. Demonstrative of its commitment, India's central government has instituted policy reforms to improve the ease of doing business. However, reforms do take time to implement. We therefore advise companies to take a mid to long-term perspective when doing business in India, on the back on its strong fundamentals and stable political environment.

For more information, please contact IE Singapore at [enquiry@iesingapore.gov.sg](mailto:enquiry@iesingapore.gov.sg).

---

## International Enterprise Singapore

International Enterprise (IE) Singapore is the government agency driving Singapore's external economy. We spearhead the overseas growth of Singapore-based companies and promote international trade. Our vision is a thriving business hub in Singapore with Globally Competitive Companies (GCCs) and leading international traders.

Trade has always been the backbone of Singapore's economy. In addition to promoting export of goods and services, IE Singapore also attracts global commodities traders to establish their global or Asian home base in Singapore. Today, Singapore is a thriving trading hub with a complete ecosystem for the energy, agri-commodities and metals & minerals trading clusters.

GCCs are a critical growth engine for the next phase of Singapore's development. GCCs compete on the global stage against the very best in their industries. They contribute to Singapore's economic resilience, develop Singaporeans into global business leaders and strengthen the Singapore brand. Through our Global Company Partnership, we work with Singapore-based companies in their various stages of growth towards being globally competitive. We customise total solutions in capability building, market access and financing for these companies as they internationalise.

Our global network of overseas centres in over 35 locations provides the necessary connections in many developed and emerging markets. In India, we are present in three locations namely Chennai, Mumbai and New Delhi.

Visit [www.iesingapore.com](http://www.iesingapore.com) for more information.

## Our Offices in India

### Chennai

International Enterprise Singapore  
Unit #401, Omega Wing,  
Annexe Building  
Raheja Towers,  
177 Anna Salai  
Chennai 600002, India  
T +91 44 2860 3738

### New Delhi

International Enterprise Singapore  
Unit 403, 4th Floor,  
Eros Corporate Tower, Nehru Place,  
New Delhi - 110019, India  
T +91 11 4102 2415

### Mumbai

International Enterprise Singapore  
Singapore Centre  
216/217, Plot No. C-70,  
Block 'G', The Capital,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400051, India  
T +91 22 6608 3200

## Our Past Issues

// Vol.1_Jul 2012	China's Twin Paradigm Shifts - Beacons in a Sea of Change
// Vol.2_Jul 2012	Myanmar: Opportunities in Asia's Last Frontier Economy
// Vol.3_Sep 2012	Thailand: Resilience and Economic Revival
// Vol.4_Oct 2012	A Win-Wind Situation: Opportunities in the European Offshore Wind Industry
// Vol.5_Nov 2012	Indonesia: Partnering the Private Sector for Growth
// Vol.6_Jan 2013	Malaysia: State of Transformation
// Vol.7_Mar 2013	Forging Ahead in China: A Survey of Singapore Companies
// Vol.8_Apr 2013	Japan: Opportunities Amid Change and Recovery
// Vol.9_Jun 2013	Central China: A Growth Story
// Vol.10_Sep 2013	Driving Singapore's External Economy Beyond 30 Years
// Vol.11_Sep 2013	Vietnam: Prospects Amidst Challenges
// Vol.12_Oct 2013	Brazil: Beyond the World Cup and Olympics
// Vol.13_Nov 2013	Indonesia's Consumer Sector: Tapping the Consumer Dollar in Food and Retail
// Vol.14_Jan 2014	Myanmar: Navigating the Risks and Opportunities
// Vol.15_Feb 2014	China's Third Plenum: Decisive Shifts towards a Market-Oriented Economy and People-Centric Urbanisation
// Vol.16_Oct 2014	Mexico: The Aztec Tiger
// Vol.17_Oct 2014	Recipe for Success in the London Food Services Market
// Vol.18_Oct 2014	Making Inroads: Capturing Infrastructure Opportunities in Asia
// Vol.19_Nov 2014	The Philippines: A New Awakening
// Vol.20_Nov 2014	Turkey: Stepping into A New Era
// Vol.21_Apr 2015	Indonesia's New Administration: Infrastructure and Manufacturing Opportunities
// Vol.22_May 2015	ASEAN Economic Community: Opportunities through Economic Integration in Southeast Asia
// Vol.23_Jun 2015	M&A Opportunities: Guide to Successful M&A in Germany
// Vol.24_Sep 2015	Thailand: Opportunities Amidst Changes
// Vol.25_Oct 2015	Russia rebalances its economic focus: Opportunities and strategies to enter the market

Scan for past  
issues of  
IE Insights



## Our Global Network

Abu Dhabi  
Accra  
Bangkok  
Beijing  
Chengdu  
Chennai  
Chongqing  
Dalian  
Doha  
Dubai  
Frankfurt  
Guangzhou  
Hanoi  
Ho Chi Minh City  
Istanbul  
Jakarta  
Jeddah  
Johannesburg  
Kuala Lumpur  
London  
Los Angeles  
Manila  
Mexico City  
Moscow  
Mumbai  
New Delhi  
New York  
Qingdao  
Riyadh  
São Paulo  
Seoul  
Shanghai  
Surabaya  
Sydney  
Taipei  
Tokyo  
Wuhan  
Xi'an  
Yangon



This brochure is printed using  
soy ink on recycled paper.

V1/04 2015

## International Enterprise Singapore

230 Victoria Street #10-00  
Bugis Junction Office Tower  
Singapore 188024

1800-IESPORE (1800-4377673) local toll-free

**T** +65 6337 6628

**F** +65 6337 6898

**[www.iesingapore.com](http://www.iesingapore.com)**



Driving  
Singapore's  
External  
Economy