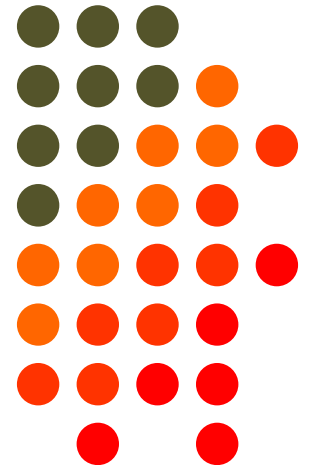


# Trading with Asia's giants: India

## Practical Challenges

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# The Economist

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## **How India's growth will outpace China's**

The country's state may be weak, but its private companies are strong: **leader**



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# Some numbers

- United Kingdom
  - 2009 trade dropped by 8.7% over 2008
  - Of \$18.5B of trade, India imports \$7.6B of goods and services including
  - Non-metallic minerals, gold, power generation equipment, telecom equipment, industrial machinery
- Germany
  - Of \$15.7B of trade, India imports \$10.3B of
  - Engineering and industrial goods, electrical equipment, chemicals and pharmaceuticals, automobiles
- France
  - Of \$8.9B of trade (2008), India imports \$6.3B of
  - Nuclear reactors, mechanical appliances, boilers, food processing technology and clean tech
- **We need to export more of what India needs to India**



# Complexity of Indian demand

- Complex, diverse market
- Will the Indian price dynamic stump your cost model?
- Are you competitive in demonstrably high value adding niches or sectors?
- Does your business align with the political imperative?
  - Infrastructure including construction and clean tech
  - Skills and training
  - Retail, logistics and agri-business
  - Technology - digital, gaming, creative
  - Advanced manufacturing
  - Healthcare and life sciences



# The Brief

- Legislation
- Bureaucracy
- Intellectual Property
- Custom duties
- Trading standards



# Legislation

- Union (97), State (66) and Concurrent (47) lists
- Union list includes defence, armaments, railways, ports, telecoms, BFSI, public interest sectors
- State list includes most taxes hence most tax breaks and other incentives for inward investment
- Concurrent list includes contracts, most property transfer, trade and commerce in foodstuff and commercial crops
- Dynamic situation seeking harmonisation and uniformity
- Practical tips:
  - Research to understand regulations affecting your specific context
  - Know which states offer special incentives including for locating in special economic zones; use their competition to your advantage
  - UK strengths are in highly-regulated sectors so keep an eye



# Bureaucracy

- Known burden on cost and time
- No excuses but inevitable in free, democratic, pluralistic societies
- Also where a myriad of production, procedural, craft, and coping agencies exists
- Practical tips
  - Know the tools available but focus on business goals
  - Identify & use available incentives to further business
  - Use the delays to build the foundations of the business
  - Local partners can help navigate bureaucracy



# Intellectual Property

- IP = innovation appropriated
- Signatory to
  - Berne Convention (copyright) since 1928
  - WTO/TRIPS (IPR in general) since 1995
  - Paris Convention (priority rights) & Patent Cooperation Treaty (patents) since 1998
  - Madrid Protocol (trade marks): accession expected
  - Hague Agreement/Geneva Act (designs): non-member
- On the ground
  - No state-sponsored IP violation
  - Awareness growing as India innovates apace
  - Trade bodies & industry associations are key allies



# Intellectual Property

- On the ground (contd.)
  - International image less than ideal, so caveat emptor
  - Recourse to law works
- Practical tips
  - Assess your own IP portfolio
  - Do robust due diligence on partners and vendors
  - Include IP-specific clauses in your contracts including
    - punitive measures for IP violations in processes serving you
  - Conduct periodic IP audits
  - Work to enhance and create IP awareness
  - Reserve same vigilance for dealing with local innovation...



# Custom duties

- Importability
  - Some goods and services cannot be imported
  - Some goods and services may attract no duties at all!
  - Used capital goods with minimum residual life of 5 yrs
- Anti-dumping duties
  - A much-contested non-tariff barrier
- Custom duties
  - Exemptions exist for LDCs and specific products
  - Downward trend in duties



# Custom duties

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Source: The Economist



# Custom duties

- Export Promotion Capital Goods (EPCG) concessionary customs scheme
  - Exporters who fulfill specified export obligations
  - Service industries including hospitals, hotels, air cargo may enjoy zero import duty
- Practical tips
  - Understand India's EXIM (export-import) policy
  - Seek expert advice, particularly on taxes and exemptions
  - Research your specific situation in advance
  - Be flexible about your "business model"; tiny modifications may have considerable impact on profitability



# Trading standards

- Two interpretations: compliance and consumer protection
- Compliance:
  - Foreign Trade (Development & Regulation) Act of 1992, and other laws requiring compliance
  - Attached & subordinate offices, autonomous bodies, public sector undertakings, advisory bodies to oversee, enforce, arbitrate
  - Local or other specialist compliance requirements may affect your business
- Pre-emptive protection through regulation covering
  - Food adulteration, drugs and cosmetics, weights and measures, electrical appliances and essential commodities



# Trading standards

- Consumer Protection Act of 1986
  - Covers safety, information, choice, representation, redress and education as consumer rights
  - Defines deficiency in provision of goods/ services, restrictive and unfair trade practices
  - Quick (90-150 day) adjudication by consumer courts
- Practical tips
  - Understand what regulations govern your business
  - Expert advice in the UK and India can help save much time in official processes e.g. company formation, certificates etc
  - A local partner can often help parse norms (≠laws) and cultural nuance



# From another angle...

- India as an innovator
  - Large, sophisticated domestic demand spurred...
  - Several process and product innovations
  - Requiring deep understanding of user anthropology
  - Creating transferable lessons that may be...
  - Useful in other emerging markets such as in Africa and Latin America
- For British firms...
  - India is not just a trading partner
  - But a platform for global expansion in emerging economies



# About the speaker

- Principal at Utplava, a boutique growth and investment consulting business since 2000
- Strategy consulting that combines deep knowledge of technology, investment and regulation, with practical hands-on advice
- Assisting British investors and businesses in their international growth strategies with a focus on India