

India's dramatic resurgence provides great investment opportunities for western businesses

Kenneth Fox explains how the election of Narendra Modi as Prime Minister of India has set the country up to encourage a massive influx of foreign and domestic investment

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The election of India's Narendra Modi as Prime Minister in May 2014 is a game changer. He took office on May 26, 2014 with the strongest parliamentary majority in 30 years. Bureaucratic gridlock and uncertain tax policies have prevented capital investments in India. High inflation and interest rates have reduced consumer demand. However, Modi's election and his visions for growth have encouraged business and political leaders from around the globe.

India, with a population of about 1.1 billion people and 16 official languages, has lagged behind China on many growth dimensions. Modi's election represents a new business friendly model for India. As Chief Minister of the important and growing state of Gujarat, Modi proved himself for getting things done. Given India's past history of red tape and corruption, this is impressive. Modi has provided an ambitious agenda and budget to bring India into the 21st century in a number of ways.

Modi's future plans for India include:

- Building 100 'smart cities'
- Developing 16 new sea ports
- Modernising the country's railroad system
- Improving pollution and sanitation
- Attracting foreign direct investment
- Smart cities

There is no single definition of a 'smart' city. However, a smart city can be described as one with integrated or upgraded technologies to improve the quality of life. By enhancing monitoring capabilities and by facilitating communication to local or state authorities these smart cities make life better. Components of a smart city may include sensors for



monitoring water levels, energy usage, traffic flows and security cameras, and sending data to city administrators. It may also include automated trash collection and apps so residents can easily report potholes, navigate traffic and vote. Modi stated in a June 2014 speech: "Cities in the past were built on riverbanks but they are now and will be built along highways based on the availability of optical fibre networks and next generation infrastructure."

Some new smart cities have started to be built between New Delhi and Mumbai. The new Modi government has budgeted £750 million for smart city development, and assumes additional funds will be raised from overseas investment. About one quarter of the funding for the New Delhi-Mumbai smart city corridor plan comes from Japan (because they will often use Japanese technologies). The government of Singapore has also volunteered to fund one India smart city. Smart cities are also appearing in other countries, such as South Korea, the United Arab Emirates (UAE) and China.

Ports

India currently has about 12 major seaports with many other small ports. It has been behind in seaport development. In order to catch up with increased trade demands India needs to deepen its ports to accept post-Panamax ships. Currently, India's container trade has been trans-shipped through neighbouring deep-water ports including Colombo, Sri Lanka and Singapore. It used the port in Dubai for shipping to markets in Europe and the US, as well as other destinations. India only has Mumbai and some East and Western State ports to handle the larger ships. The increased budget for new ports is also intended to help create jobs and promote the ship building industry.

Railways

Upgrading India's 161 year old rail system is a major Modi priority. The railroad system is plagued by bureaucracy, indecision, neglect, track and car limitation and politics. Currently, express trains run at an average speed of 31 miles per hour and freight trains at 15 mph (according to information provided to Parliament in 2012). The railway system incurred a £3.2 billion loss in 2013.

In July 2014, Modi's Government officials announced they would upgrade ten train stations, to make them look like airports and introduce high-speed trains on nine routes. In a televised address, Modi said, "through the railways, we want to take the country to new heights."

A new Japanese designed high-speed train is set to launch officially in November 2014 on the New Delhi-Agra route. It will travel at half the speed of the super-fast 'bullet' trains of Japan. People are very excited about these trains. Some officials call it a 'semi-bullet train', while some workers call it a Bullet Raja.

Improve pollution and sanitation

Sanitation is another priority of India's new Government. Half of India's population, at least 620 million people, defecate outdoors. Modi promised to build 5.3 million latrines (toilets) by the end of his first 100 days in office. As the population grows, more Indians are being exposed to human waste than ever before. Previous efforts to provide toilets to more households did not always work due to tradition, cultural or religious reasons. For example, some ancient Hindu texts advised people to relieve themselves far from home, a practice Mahatma Gandhi tried to curb. Many families, especially in



rural areas use the woods instead. The key to better sanitation is believed to be education and this will be a priority for the future.

Prime Minister Modi has also made cleaning the Ganges River, India's most polluted river, a major priority. The Ganga (the Indian name for the Ganges) Action Plan has been in place for the past twenty years, but the river is still the most polluted in India.

Attract foreign direct investment

India's citizens, business leaders and investors have faith in Modi's ability to turn the economy around. Modi stated after his victory in May: "I want to make the 21st century India's century. It will take ten years, which is not very long." He will need to open up India's economy which has deterred foreign investments because of perceived corruption and red tape, including strict regulations. One of Modi's election mottoes was "maximum governance, minimal government."

Since moving to New Delhi Modi has:

- Implemented a clean up of the notoriously convoluted and inefficient bureaucracy, by organizing a mass de-clutter and sanitation of Government offices;
- Appointed a team of judges and regulators to start hunting down an estimated £1.3 trillion of 'black money', which is believed to be stashed as concealed assets overseas.
- Mr Modi's success in attracting and negotiating with foreign investors to the Indian state of Gujarat will help him and his new team with attracting foreign investors to India. Many in India are comparing India's growth to China, as the model to emulate.

Commentary

Prime Minister Modi needs more than a vision to make meaningful

changes in India. It's hoped his new Government will press forward on the fronts mentioned above. There is surely resistance to change among Government agencies and vendors used to the previous standard operating procedures.

The door is open to build upon early accomplishments; however, inherent cultural, religious, a caste system and ways of doing business need to be open to change. Global retailers like Walmart, Carrefour and IKEA are waiting to enter India. Other companies would also enter if government regulations, red tape and corruption are dealt with. Here's hoping we hear good things from India, for its people, its businesses and for global companies seeking to enter or expand further in this growing market.

Resources:

1. Open For Business: Modi's Budget Promises a New India, Newsweek, July 18, 2014
2. India's Narendra Modi Dreams of a Modern Rail System, but Hurdles Abound, The Washington Post, July 9, 2014
3. India's Race to Build Toilets Failing as Villages Avoid Them, The Washington Post, August 4, 2014
4. Cities of the Future? Indian PM Pushes for 100 "Smart Cities", CNN, July 18, 2014
5. Union Budget India: Sixteen New Port Projects to Come Up, Says Jaitley, India Today, July 10, 2014
6. India Must Accelerate Port Development: Experts, Indiatimes.com, April 8, 2014
7. Poor Sanitation in India May Afflict Well-Fed Children with Malnutrition, The New York Times, July 13, 2014
8. Environment Under Siege in New India, truth-out.org, August 8, 2014

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