

/INTERNATIONAL BUSINESS

# INDIA

/ OPPORTUNITIES AND CHALLENGES FOR NORWEGIAN  
COMPANIES DOING BUSINESS IN INDIA

/ 2011-2012



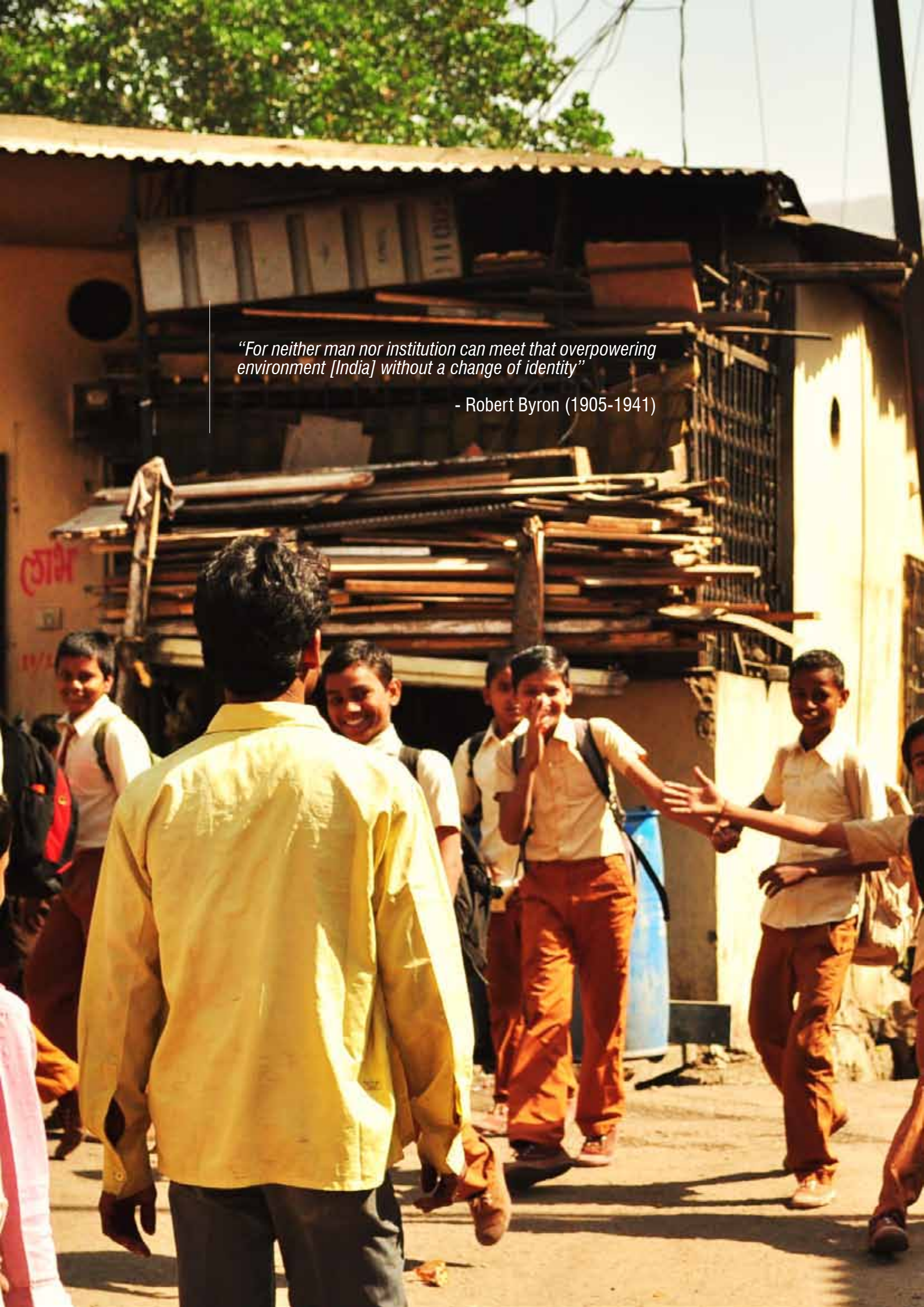


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A photograph showing a man in a bright yellow shirt standing with his back to the camera, facing a group of school children. The children are wearing white shirts and brown trousers, some with backpacks. They are standing in front of a makeshift building with a corrugated metal roof and walls made of wood and metal. The scene is set outdoors, with trees and a clear sky in the background. The lighting is bright, suggesting a sunny day. The overall atmosphere is one of interaction and community.

*“For neither man nor institution can meet that overpowering environment [India] without a change of identity”*

- Robert Byron (1905-1941)





***PROLOGUE***

***PART 1: INTRODUCTION TO INDIA***

***PART 2: BUSINESS IN INDIA***

***PART 3: BUSINESS SECTORS***

***EPILOGUE***

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## // EXECUTIVE SUMMARY

**THIS REPORT IS THE OUTCOME OF AN INDEPENDENT, NON-PROFIT STUDENT BUSINESS PROJECT** conducted by master students from NHH, BI and NTNU. The aim of the project is to analyze opportunities and challenges for Norwegian companies considering entering India. Our findings are based on data gathering, thorough analyses and a field trip to Delhi and Mumbai in January 2012. The field trip consisted of visits, interviews and meetings with Norwegian companies and institutions.

**INDIA OFFERS CONSIDERABLE OPPORTUNITIES** both on the supply and demand side. Cheap, skilled labor and a vast and emerging consumer market make it attractive for Norwegian companies to explore this gigantic democracy. The challenges and risks are however many and decisive. India is a 1.2 billion democracy, and the complexity of the society is almost beyond our understanding. Widespread corruption, a contextual worldview, poor infrastructure and a heavy and unpredictable bureaucracy are the main challenges for Norwegian businesses. Corruption is a result of the general mindset and philosophy and the tradition of emphasis on respect, loyalty and tight networks and relationships.

**THE INFRASTRUCTURE FAILS TO KEEP UP WITH THE GENERAL DEVELOPMENT OF THE COUNTRY** and severely slows down the progress. The complex and chaotic bureaucracy is a result of what some call “too much democracy” and decision making processes are slow and inefficient. Some claim it is the price you have to pay for a democracy of this proportion. The unpredictability in the regulatory bodies also hinders foreign investments.

**ENTERING INDIA REQUIRES CONSIDERABLE FINANCIAL STRENGTH**, local knowledge and masses of patience. A way to increase your chance of success is to spend time ahead of entry on establishing relationships and partnerships so that

you are well connected and have thorough local expertise and knowledge when you choose to enter India.

**NORWAY HAS A LOT OF KNOW-HOW** and resources that are valuable for a fast developing country like India. Our expertise in the energy and maritime sectors is especially important and can benefit Indian as well as Norwegian stakeholders. Healthy trade and interaction is possible, and the best case scenario is a win-win situation where we all exploit the competitive and comparative advantages that exist. In pursuing this, the challenges mentioned above have to be given appropriate attention.

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# // INTERNATIONAL BUSINESS – A UNIQUE STUDENT PROJECT

**INTERNATIONAL BUSINESS (IB)** is an annual non-profit project carried out by a group of twelve students attending NTNU - the Norwegian University of Science and Technology, NHH - the Norwegian School of Economics and BI - Norwegian Business School, in collaboration with Innovation Norway.

**THE MAIN PURPOSE OF THE PROJECT** is to explore international market opportunities for Norwegian ventures and thereby support Norwegian companies considering entering these markets. IB was conceived in 1984, initiated by what is now Innovation Norway. Since then IB has visited all continents, each year selecting a country of special interest or relevance. Through extensive research, a field trip and the making of a comprehensive yet practical report, IB contributes to improving opportunities for Norwegian products and ideas to reach beyond our borders. This report is based on IB's field research in India during January 2012 and extensive research conducted from Norway throughout 2011. Research conducted in India primarily included meetings and interviews with Norwegian companies already established in India as well as briefing from Innovation Norway and other institutions.

**CONCERNING THE PROCESS OF THE PROJECT AS A WHOLE**, the team was appointed in March 2011 by last year's team and has worked on this project through the year in addition to our respective studies. The IB project is interesting and exciting in and on itself, but it is also a great opportunity for dedicated and eager students to explore, learn and connect. Experiences obtained during a year as an IB member is valuable for future careers as well as a source of general learning and growth.

**THIS YEAR, THE MIGHTY SUB-CONTINENT OF INDIA IS THE COUNTRY OF CHOICE.** Although IB has explored India before, this colossus of a country changes and develops at

an extraordinary pace. Studying the development of India is a continuous process, and the pulse of this society is far from resting. Considered the world's biggest democracy and counting for about a seventh of the world's population, India represents indefinite opportunities and challenges in business as well as in all other aspects of society. India's complexity is intimidating, but trying to obtain important insight about it is nonetheless an extremely exciting challenge. The IB team is thrilled to take on this task.



## // ACKNOWLEDGEMENT

**SINCE 1984**, International Business has encouraged Norwegian companies to look abroad for new market opportunities. Their experience has revealed that the project's sources open up more to students than to professional consultants, and that students with a youthful curiosity are more likely to question established industry assumptions.

**WE ARE VERY PLEASED** to note that International Business will be focusing on India in this year's project. Today, India is one of the most exciting and complex of all emerging markets. It has a huge potential: a large domestic market, a growing middle class, strong GDP growth, and a lot of cheap, skilled labor. These factors, among others, make it attractive for foreign companies. Despite the strengths and great potential in the Indian economy, doing business in India is also considered very challenging. This project provides useful insight by shedding a light on some of the most prominent challenges and obstacles you need to overcome to accomplish healthy cooperation and trade.

**"WE ARE CONFIDENT THAT THE PROJECT WILL CONTRIBUTE WITH VALUABLE INFORMATION** about how to do business in the Indian market to Norwegian exporters, entrepreneurs and investors."

**INTERNATIONAL BUSINESS** is also a great opportunity for ambitious top students to get work-related international experience, in combination with honing skills like leadership, cooperation and time management. Innovation Norway is happy to support International Business during their annual project visits.

*Gunn Ovesen*  
CEO Innovation Norway

INNOVATION  
NORWAY



## // ACKNOWLEDGEMENT

**INDIA IS AMONG THE TEN LARGEST ECONOMIES IN THE WORLD TODAY** and some predict it to be the 3rd largest by 2050. With a population of 1.2 billion people and an impressive economic growth averaging 8 percent the last decade, the Indian market offers great business opportunities to Norwegian companies.

**THE TOTAL TRADE IN GOODS** between our countries has more than doubled since 2005, and so have Norwegian exports to India. Given the enormous potential of the Indian market, this figure is expected to increase further. The Indo-Norwegian relations are well established. I am particularly pleased that Norway is currently negotiating a free trade agreement with India through EFTA (The European Free Trade Association). Once this agreement is in place, it is likely to enhance economic and commercial relations even further.

**AS MANY AS A HUNDRED NORWEGIAN COMPANIES ARE ALREADY ESTABLISHED IN INDIA.** Norwegian companies have expertise in many areas of interest to India, especially in sectors such as oil and gas, maritime, hydropower, ICT and environmental technology. By exploring our complementary competences further, we can take full advantage of our partnership.

**THE INTERNATIONAL BUSINESS PROJECT** can be useful both for the companies already present in the Indian market and the companies that are considering entering the market. I am therefore pleased to acknowledge the work done by students from NHH, BI and NTNU in writing this report. When students spend time abroad during their studies and gain knowledge of foreign markets, it is also of great value to Norwegian companies. Today's students are key players in making the most of the Indo-Norwegian business potential in years ahead.

*Trond Giske,  
Minister of trade and industry*



## // ACKNOWLEDGEMENT

**IT WAS A PLEASANT SURPRISE** to have five bright, young students from Norway coming to visit for International Business Project India 2012. On the first day, we accompanied the group to Aker Solutions, where Shakti Verma gave us a fine brief on the history of his company in India and also regarding their products and position in the high technology areas of oil and gas exploration. The next day was spent at the two Kongsberg Maritime (KM) offices in India. It was a pleasure to answer perceptive questions from these sharp and enquiring young minds, regarding our activities. We also took time off to make a trip to our new office building where the two KM office staffers will be located in the near future. Next day, the group paid a visit to Aarambh (an NGO supported by KM) and the Norwegian Consular Office. The final day of the tour was spent at Central Institute of Fisheries Education (CIFE). In the evening, the students joined our office staff for a social event where they were witness to our energetic engineers literally letting their hair down! We truly enjoyed the company of our guests and wish them all the very best in their future endeavors.

India and Norway have much scope for co-operation which can result in a win-win situation. The Joint Working Group (JWG) for co-operation between the two countries in the maritime field has identified the following prime areas:

1. *Shipbuilding*
2. *Coastal shipping*
3. *LNG (Liquefied Natural Gas) fuel for vessels*

Norway and India have much in common in terms of a common language (English), a free society, vibrant democracy and liking for traditional values. In many ways the two countries are different, but I feel that these differences complement, rather than contradict, each other. India's huge population, young demography, burgeoning middle-class and

abundant natural resources, present a tremendous market for Norwegian products and technologies. India could also serve as a manufacturing base for Norway. India is a source of educated, articulate and experienced persons who could be employed to deliver Norwegian products and services.

**THE REPORT PREPARED BY THE GROUP** makes interesting reading for any Norwegian business seeking to enter the Indian market. It acts as an inspiration and gateway for availing of the opportunities and benefits which accompany business in India.

**IT WAS A CONFLUENCE OF IDEAS AND CULTURES** when we interacted with our talented guests. We were able to exchange views on a variety of topics and I was struck by their intelligence, maturity, professionalism and knowledge regarding a wide range of subjects. Besides, I was impressed with their broad-mindedness and openness to new experiences which they imbibed and appreciated. The future of human relations and business is bright since we have such talented and visionary young leaders to take the world to heights never envisaged before.

*Sanjiv Wagh*  
Deputy Managing Director, KPSPL



KONGSBERG



# // THANKS!

Harald Nævdal, Arti Bhatia & Rajeev Kour at Innovation Norway, New Delhi

Arti Shetty, Capt. Sanjiv Wagh, Ranesh Kumar Ray, Bjørn Evensen & Lars Granbakken at Kongsberg

Aslak Brun & Kristin Traavik at the Royal Norwegian Embassy, New Delhi

Arne Elias Corneliussen at Norwegian Risk Consulting International

Piyush Mathur, Roosevelt D'souza & Singh Bhuwan at The Nielsen Company

Sharad Mehrotra, Yogesh Malik, Helen Døcker, Pallavi Vyas & Jo Eikeland Roald at Uninor

Rajiv Bawa at Telenor Group

Solveig Holm at Bergen Chamber of Commerce

Gunnar Eskeland at NHH

Ann Kristin H. Calisch at Handelshøyskolen BI

Edgar J. Johannesen's fund at NHH

Shakti Verma at Aker Solutions

Albertt Chetiar at the Royal Norwegian Consulate General, Mumbai

Wazir S. Lakra at Central Institute of Fisheries Education

Tor Inge Vasshus at Corporater

Derick Dias & Ruby Vazirani at DNB Representative Office Mumbai

Visumservice





# // PROLOGUE

**JUST DAYS BEFORE THE COMPLETION OF THIS REPORT** it was known that Telenor's billion dollar investment in India is at risk as all their licenses to operate is withdrawn by the Indian Supreme Court. The licenses are withdrawn because of ambiguity concerning the initial allocation process from the government to the telecom companies back in 2008. Telenor was not involved in India at the time, but their current partner Unitech Wireless was one of the companies buying licenses. The withdrawal decision came as a surprise to Telenor and they now risk losing billions of dollars. With about 36 million Indian customers it is still uncertain whether Uninor, Telenor and Unitech's joint venture, will buy back the licenses or exit India. What seemed like a prosperous investment in a huge market and an even bigger potential market have turned out to be a nightmare for the Norwegian telecom giant.

**THE TELENOR CASE** highlights why the report you are reading actually exists. This particular situation perfectly illustrates the challenges, risks and opportunities one faces when entering such a complex market. Since 1984 International Business has travelled the world and revealed challenges and opportunities concerning taking your business abroad. This year IB has explored incredible India. Vast opportunities in supply as well as demand make this colossus highly interesting for many Norwegian companies. Whether you want to sell consumer products or exploit the cheap and skilled workforce, India is the place to be. Not without obstacles, though. Poor infrastructure, a heavy and unpredictable bureaucracy and a totally different mindset can easily destroy your dream of an Indian adventure for your business. The mission of this project is to highlight and analyze these challenges and opportunities in order to help Norwegian businesses which consider entering this beautiful and complex sub-continent. Less than a month ago we visited the Uninor headquarters just outside New Delhi, the very same place that is now most likely in a state of shock and crisis. Some of the top executives took their time to meet us and tell us about their strategy, the current development and the prospects for the future of Telenor in India. As Norwegian business students we feel privileged to experience such an important international affair including power struggles, dirty money, big business and political strategies in such a hands-on manner that we did. We read the newspaper articles about the Telenor case in a different light now. International Business gave us this opportunity and we are grateful for the interesting adventure we got to be a part of.

**THE REPORT IS DIVIDED INTO THREE PARTS.** Part 1 is a brief introductory part including short summaries of the key statistics, culture, society, history, politics and economy of India. Following is part 2 on general implications of doing business in India. This part is our main focus and where most of the analysis is conducted. Light is shed on the aspects of corruption, infrastructure, business culture,

corporate social responsibility, the consumer market, how to attract and keep talent in your company, entrepreneurship, risk categories and bureaucracy. It also includes two depth interviews with persons who know their fields and have a lot of experience from operating in India. These interviews give further insight and knowledge about the daily challenges and opportunities you will face.

**PART 2 IS OUR FOCUS AREA IN THIS PROJECT.** Norwegian companies in India face and deal with these topics every day, regardless of industry. We find these topics particularly interesting because everyone who is considering or is already established in India have to make up their mind about these issues and everyone we met on our trip had opinions and comments on these matters. However, we also have a small section – part 3 – where we go a bit more into detail on specific industry environments. Here we provide a brief introduction to industries that stand out as particularly relevant for Norway and where we obtained interesting insight during the project.

**THIS IS A STUDENT PROJECT** with all its advantages and limitations. We provide a student point of view and a young, curious approach to a topic that has been covered by many before us. We do not try to offer more information or better quantitative data than others. We rather want to shed a different light on things by actually travelling to India, meet numerous knowledgeable people who work with these problems every day, get hands-on experiences and capture our most important insights in this report. That makes it qualitative and subjective – for better or worse. We have intentionally incorporated several personal experiences and examples from our field trip throughout the report. The motivation behind sharing these observations is to support our analysis and highlight our points.

**DUE TO VARIOUS CIRCUMSTANCES,** only five of the original twelve project members were able to go to India this year. With this limited capacity the report is not as comprehensive as previous years. We have tried to focus more on qualitative studies and personal analysis than extensive secondary data gathering. At the end of the day that is the kind of insight you cannot get from books or the internet.

Bergen, February 2012,  
International Business India



## // THE IB TEAMS TRIP TO INDIA

**JANUARY 4TH 2012** five members of the IB team headed southeast to incredible India. For three weeks we discovered the mighty subcontinent and obtained hands-on experiences in business as well as in the Indian society in general. It was a journey of a lifetime and a learning experience out of the ordinary. Every day was filled with important observations and insights we could use when making this report. Our curiosity and hunger for knowledge certainly had the opportunity to unfold and indulge as we were introduced to many different environments and settings.

**WHEN BOARDING THE PLANE IN OSLO OUR DESTINATION WAS THE CAPITAL DELHI.** Our first meeting was at Innovation Norway where they gave us an interesting and useful introduction to business culture as well as practical information for the trip. The day after, we were lucky to get a meeting at the Royal Norwegian Embassy. They introduced us to the more political and economic aspects of doing business in India. We were grateful for having the opportunity to ask questions and to get an embassy's point of view.

**AFTER FOUR DAYS WE HEADED SOUTH TO VIBRANT MUMBAI.** For ten days we got to know this chaotic yet surprisingly well-functioning metropolis. The first week Kongsberg Process Simulation Pvt. Ltd. had made all the arrangements for us. They had put together a program that really gave us a lot of important and interesting insights as well as enjoyable events and new acquaintances. We met up with the managers of Aker Solutions MH, Kongsberg Process Simulation and Kongsberg MI and got to talk about opportunities and challenges being a Norwegian company in India. We also got to see the new building where KPS and KMI will come together later this year.

**AN OUTCOME OF KONGSBERG'S CSR STRATEGY** is donations to an NGO in the slums of Navi Mumbai. This NGO provides education and food for children and adolescents and we paid a pleasant visit there accompanied by the HR manager of Kongsberg who is in charge of the follow-up. We

also had a short meeting at the Royal Norwegian Consulate General where they elaborated on their services to Norwegian shipping companies and also about current issues in the export of Norwegian salmon to India. The eventful week was finished off with a morning at the Central Institute of Fisheries Education and joining the celebration of KPS's six year anniversary in Mumbai at a hill station a couple of hours outside the city.

**STILL IN MUMBAI WE ALSO MET UP WITH THE NIELSEN COMPANY.** They provided us with facts, figures and trends on the Indian consumer market. The day after, we paid a visit to the Mumbai Representative Office of DNB which mainly supports and cater for Norwegian businesses in India. To finish where we started, we returned to Delhi for four more days before leaving for Norway. We spent most of the time working on the report, but also paid a visit to Uninor in Gurgaon. People in important positions took their time to talk to us, and it was interesting to get under the skin of such a big company

**WE ARE FOREVER GRATEFUL FOR THE HELP** and endless hospitality of everyone we met when in India. We also deeply appreciate all the help and support we received from various bodies in Norway prior to departure. As students doing an independent project, we could not ask for better assistance and care when approaching companies and institutions. The three weeks spent in India will be forever memorable. We have learned so much about India from a Norwegian perspective and have done our best to capture the insights in this report.



(Photo: Tony Hall)



BI Norwegian Business School is an internationally recognized and accredited, private institution located in Oslo, the capital of Norway. BI has one of Europe's largest and most productive academic environments in the area of business economics and administration, marketing, finance and general management.

#### **Bachelor of Business Administration**

This three-year, full-time programme is taught entirely in English and has an international focus and student body. The BBA programme will give you a taste of what globalisation and internationalisation are all about: a taste with a Scandinavian flavour, which will prepare you thoroughly for a career in international business or further postgraduate studies.

#### **Bachelor of Shipping Management**

This three-year, full-time programme is taught entirely in English and will give you a taste of an exciting and globalised industry: the Shipping Industry. Norway is one of the leading shipping nations in the world and BI has along tradition of teaching and doing research in the Shipping area.

#### **Master of Science**

BI offers 6 different two-year, full-time programmes that provide professional skills to meet the increasing needs of businesses. BI's MSc programmes provide a stimulating and multi-cultural learning environment with an international outlook.

- MSc in Business and Economics
- MSc in Financial Economics
- MSc in Strategic Marketing Management
- MSc in Innovation and Entrepreneurship
- MSc in Leadership and Organisational Psychology
- MSc in International Management

#### **Executive MBA**

BI offers four part-time Executive MBA programmes in collaboration with international institutions and partners.

- Executive MBA - Shipping, Offshore & Finance
- Executive MBA in Energy
- Executive MBA
- Executive Master of Management in Energy

#### **Doctoral Programme**

BI offers a full-time doctoral programme leading to the title PhD. The programme's objective is to develop and educate high-potential individuals to serve the society in academic, business and other working life communities through research, publication, consulting and other professional services within their field of expert knowledge.

#### **Summer Programme**

The theme of the 2012 Summer Programme will be Intercultural Management – a Scandinavian perspective. The four-week programme will run from June 23 – July 20 2012.

For more information about our programmes please visit our website at [www.bi.edu](http://www.bi.edu)











## // KEY STATISTICS

<b>OFFICIAL NAME</b>	Republic of India
<b>INDEPENDENCE</b>	15 August 1947 (from the UK)
<b>POPULATION</b>	1,2 billion (per census 2011)
<b>CAPITAL</b>	New Delhi
<b>LANGUAGES</b>	Hindi, English and at least 16 other official languages
<b>AREA</b>	3 287 263 square kilometers
<b>COASTLINE</b>	7 516 kilometers
<b>MOST POPULATED CITIES</b>	Mumbai (Bombay), Delhi, Bengaluru (Bangalore), Hyderabad
<b>GDP (PPP)</b>	\$ 4.469 trillion (2011)
<b>UNEMPLOYMENT RATE</b>	9,40%
<b>EXPORTS</b>	\$ 225.6 billion (2010 est.)
<b>IMPORTS</b>	\$ 357.7 billion (2010 est.)
<b>HUMAN DEVELOPMENT INDEX (HDI)</b>	0,547 (2011), ranked 134
<b>LIFE EXPECTANCY</b>	66,8 years
<b>POPULATION GROWTH</b>	1,344% (2011)
<b>POPULATION UNDER THE AGE OF 14</b>	29,7% (2011)
<b>BIRTH RATE</b>	2,097 % (2011)
<b>FERTILITY RATE</b>	2, 62 children born/woman (2011)
<b>LITERACY</b>	61%
<b>RELIGION</b>	Hindu 80,5%, Muslim 13,4%, Christian 2,3%, Sikh 1,9%, other 1,8%



## // ECONOMY

### PAST

In the financial year 2007-2008, India recorded a GDP growth of 9.1%. This enabled India to become the second quickest emerging economy in the world, only beaten by China. The Indian economy that we know was built after the independence from the colonial rule in 1947. Five-year plans were used to stimulate the economic growth in a best possible manner. These plans focused on the needs of the economy and adapted thereafter. The economic system was based on social demographic-based policies featuring protectionism and extensive regulations. In the 1990s, the economy started to increase more rapidly than ever before (economywatch.com, 2010). Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps which helped the Indian economy to gain momentum. The economic liberalization and the more accessible market that Man Mohan Singh enabled during his period as a finance minister in 1991 has been a stepping stone in the Indian economic growth (mapsofindia.com, 2011).

### PRESENT

Today, the Indian economy is ranked as the fifth largest in the world, by purchasing power parity (PPP), right after US, China, Japan and Germany (articles.economicstimes.india-times.com, 2011). By nominal GDP, the economy is the 11th largest. It is also the second fastest growing economy. The GDP (in US\$) was 1.846 billion in 2011.

India's economy is divided into three sectors: Service (52.9%), industry (29.4%), and agriculture (17.7%) (Hudson, 2011). Service is the fastest growing sector, with a growth rate of 11% from 2006-2007 (yellow in graph). At the same time, industry experienced a growth of 10.9% (blue) and agriculture with 2.7% (green).

Due to turbulence in the global economy, the economic growth slightly slowed down in 2011. The economy grew at its lowest for two years with a GDP growth rate of 6.9%. A

decrease in the industrial production, high local borrowing costs and a deepening euro-zone crisis were main factors for the decline. On the other hand, the service side of the economy has remained strong, led by trade, hotel, transport, and communication sectors. The crisis in the euro-zone has decreased high-risk investments. Emerging markets, such as India, are therefore affected by this, contributing to an 18% slide in the rupee since July, and lifting the costs of imports, especially oil.

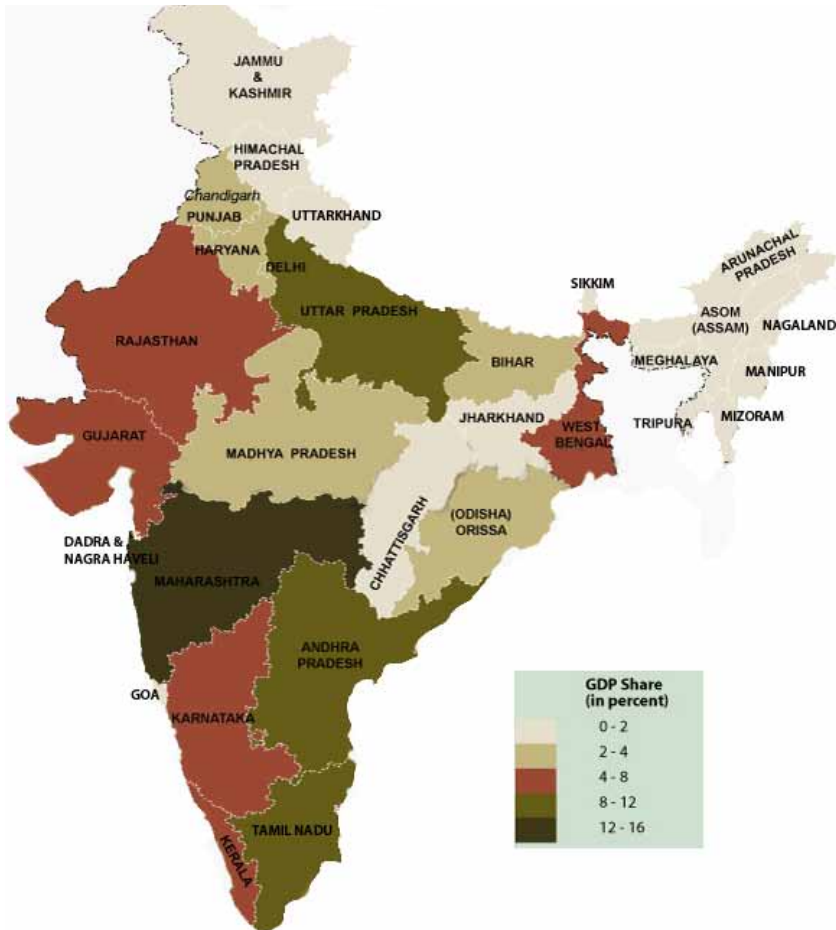
Due to the enabling of international competition in the Indian market, foreign investments have increased enormously. The flip side of this growth is a huge budget deficit together with a great deal of defense expenditures because of the ongoing conflict with Pakistan. Other negative aspects are the non-existing social services, miserable roads, inadequate ports, and an old telecommunication infrastructure (Hudson, 2011).

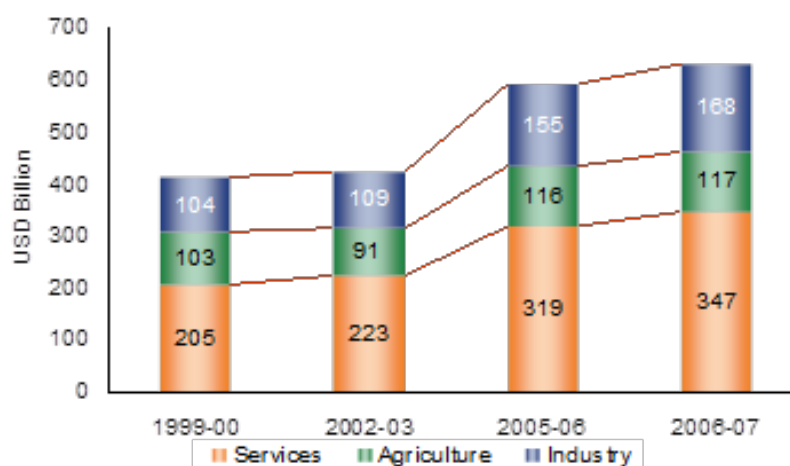
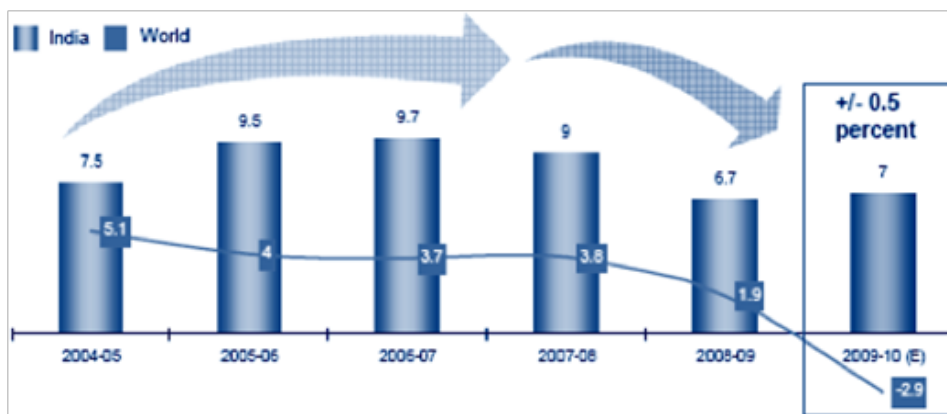
Looking at the economy in a domestic manner, the growth is of great divide. The state of Maharashtra, with Mumbai as an highly important city, contributes for over 40 per cent of India's national revenue (rediff.com, 2011).

### FUTURE

According to a survey by Morgan Stanley Group, India will overtake China as the world's fastest growing economies in 2015. Generally, there are two reasons for this: An increase in the working age group and an increase in the FDI in recent years (squamble.com, 2010).

India has experienced an evolving growth-inflation condition. According to Forbes (2010), inflation will dictate the next steps of the government and the Reserve Bank of India (RBI). If oil prices go up, inflation could go up to 5% to 6%. Until about July, it is likely to be around 4% to 6% (Forbes.com, 2010).





<b>PRESENT</b>							
Key Economical Statistics in US\$	India	USA	Euro Area	China	Japan	Norway	Scale
Business Confidence	125.40	53.90	-7.10	128.20	-4.00	5.20	
Consumer Confidence	75.20	64.50	-21.10	97.00	37.50	9.70	
Exports	22.32	179.17	147.69	174.70	5197.00	79.21	Billions
Imports	35.92	222.64	146.61	158.10	5882.00	43.96	Billions
GDP	1729.01	14582.40	12455.98	5878.63	5497.81	414.46	Billions
GDP Annual growth rate	6.90	1.50	1.40	9.10	-0.70	3.80	Percent
GDP per capita	822.76	37527.35	21096.43	2425.47	39309.65	40128.05	
GDP per capita PPP	3582.48	47198.50	34160.05	7598.84	33752.90	56691.96	
Inflation Rate	9.34	3.40	2.80	4.20	-0.50	0.20	Percent
India Unemployment Rate	9.40	8.50	10.30	4.10	4.50	3.30	Percent

<b>FUTURE</b>		
Key Economical Statistics in US\$	India 2015	Scale
GDP at current prices	2185.20	Billions
GDP per capita PPP at current prices	1681.91	
Inflation average	4.03	Percent



## // HISTORY

**INDIA'S EARLIEST KNOWN CIVILIZATION, CALLED THE INDUS VALLEY CIVILIZATION, DATES BACK TO 2500-1700 BC.** The civilization has been traced back to sites such as Harappa and Lothal. The origin of the caste system and the basis of Hinduism are both based on the Vedic culture dating back to the 1500 BC. Large parts of India were united when the emperor Ashoka, also known as Ashoka the Great, ruled what was called the Mauryan Empire during the period of 304-232 BC. India then included what today is known as the area stretching from Afghanistan to Bangladesh. Ashoka converted to Buddhism, which can be found in areas where he once ruled.

**ISLAM, INITIALLY ESTABLISHED AS A POLITICAL POWER, CAME TO INDIA DURING THE 8TH CENTURY** and by the 11th century the religion had firmly established itself as a political force including the North Indian dynasties of the Lodhis, the Tughlaq and others. When the Mughal Empire rose during the 15th century under Akbar the Great, the country enjoyed cultural and economic progress, as well as religious harmony. Many of the famous buildings in India, such as the Taj Mahal and the Red Fort were erected during the Mughal age. In 1725 the dynasty was weakened by wars of succession and growth of religious intolerance, which led the empire to disintegrate. It was also during the Mughal Empire that Urdu was evolved from Persian, then the official language of the empire. The last Mughal emperor was deposed by the British and exiled to Burma following the Indian Rebellion of 1857.

**THE BRITISH EMPIRE** came to be and India was referred to as the British Raj (reign), where Queen Victoria was also the Empress. The rule would last from 1858 to 1947 and several signs of it can still be found in today's England and India. These amongst include English being the official language of India, cricket being a popular game in both countries as well as the curry having a large culinary impact in the daily diet of many British.

**INDIA WAS A WEALTHY COUNTRY** economically and culturally up until British colonization. Europeans would trade with India for spices or cotton textiles, but when the British colonized the country the economy declined. This was due in part to exploitation and destruction of India's industries and wealth. Eventually, India would be granted its independence again in 1947, after which a slow progression has been seen in its development. India then adopted a parliamentary system of government with a union of states proclaiming to make up a Sovereign Democratic Republic.





## // POLITICS

**AFTER ITS INDEPENDENCE FROM THE RULE OF BRITISH QUEEN ELIZABETH IN 1947**, India became a federal constitutional republic with its President as the head of state and prime minister as the head of government. The President has executive power and is independent of the legislature. The ones who do have legislative power are the government and the two chambers of parliament, namely the Lok Sabha (the lower house) and the Rajya Sabha (the upper house). Today, India is a federation of 28 states and 7 union territories and the total federation is referred to as the Union.

**THE PRESIDENT OF INDIA** resides in an estate in New Delhi known as the Rashtrapati Bhavan (which roughly translates as President's Abode). The presidential retreat is The Retreat in Chharabra, Shimla and Rashtrapati Nilayam (President's Place) in Hyderabad. The first prime minister of independent India was Jawaharlal Nehru, who held office from 1947 until his death in 1964. Apart from a short period of two years from 1975-77, when an internal emergency was imposed by then-Prime Minister Indira Gandhi and constitutional liberties were suspended, India has been a thriving parliamentary democracy. The 15th President of India is Her Excellency Pratibha Devisingh Patil who was sworn in on July 25th 2007.

**INDIA IS CONSIDERED TO BE THE LARGEST DEMOCRACY IN THE WORLD** as well as having the largest number of political parties that participate in the elections. In the national elections, candidates are chosen for the Lower House. The candidates are elected in territorial constituencies. There are 543 territorial constituencies. Two members from the Anglo-Indian community are nominated to the Lower House by the President. The law, which obliges Government office to reserve 15% from the Scheduled Castes and 7% from the Scheduled Tribes, also exists in the Parliament. At least 22% of the Indian Parliament members belong to these two communities. In the past few years there has been an attempt to oblige a law to allow about 33% women as Parliament members.

**FOR MOST OF THE YEARS SINCE INDEPENDENCE**, the federal government has been guided by the Indian National Congress (INC). The two largest political parties have been the INC and the Bharatiya Janata Party (BJP). Although the two parties have dominated Indian politics, regional parties also exist. Economic issues like poverty, unemployment and development are main issues that influence politics. Garibi hatao (eradicate poverty) has been a slogan of the Indian National Congress for long. The well known Bharatiya Janata Party is looked upon with grace as a political party that is indeed encouraging to free market economy, businesses and others. The Communist Party of India (Marxist) vehemently supports left-wing politics like land-for-all, right to work and has strongly opposed to neo-liberal policies such as globalization, capitalism and privatization. The economic policies of most other parties do not go much further than providing populist subsidies and reservations.

**THERE ARE SEVERAL ISSUES IMPORTANT IN INDIAN POLITICS**, both on a national and regional level. Such issues include economic and social rights for communities, an increased demand of autonomy of the different cultures within the Indian states and some states demanding independence from India. The lack of homogeneity in the Indian population causes division between different sections of the people based on religion, region, language, caste and race. This has led to the rise of political parties with agendas catering to one or a mix of these groups. Indian democracy has been suspended once. Nevertheless, Indian politics is often described as chaotic. More than a fifth of parliament members face criminal charges.

# // SOCIETY AND CULTURE

## **SOCIETY**

The Indian society is of great complexity, and the huge varieties within the country are just as significant as those we find among the countries of Europe. India is a hierarchical society. Within different casts, gender, age, areas, and religions the rank does still matter. So even though India is a political democracy, the differences among the social status is still of great importance for the people of India.

## **ETHNIC AND LINGUISTIC DIVERSITY**

The different regional, social, and economic groups all have distinct cultural practices. There are great distinctions between the different regions in India. The practices in the south would vary a lot compared to the north. The same varieties are also to be found between the west and east. For instance, the language spoken in the south is unintelligible for the northern people. The main religion of India is Hinduism, practiced by 80% of all Indians. Islam is one of the largest minorities practiced by about 13%. Buddhism, Jainism, Christianity and Sikhism are also practiced religions, as well as atheism and agnostics also have had a greater influence among the people.

## **WEALTH AND POWER**

Wealth and power varies considerably, and vast differences in socioeconomic status are evident everywhere. The poor and the wealthy live side by side in urban and rural areas. While about 40% of all Indian children suffers from malnutrition, overweight among the upper class are also considered a great problem, which affirms the great contrasts of India. Distinctions of class are found in almost every settlement in India. Throughout India, individuals are also ranked according to their wealth and power.

## **URBAN-RURAL DIFFERENCES**

About 70% of India's population lives in villages, with agriculture providing support for most of these rural residents. The rural areas are still very poor and most of the development has not yet reached these parts. The biggest difference among the rural and urban areas, are the standard of living. The conditions of living are considered better in the urban areas. Even though slums and low standards are also found in the cities, the conditions in the rural parts are still of significant difference. The lack of electricity and the fact that ground water is the main source of water in these areas verifies that the rural areas are less developed. Another great difference is that the people of the rural areas get less education. The trend is still that parents tend to prefer that their children work in the field instead of going to school.

## **GENDER DISTINCTIONS**

The behavior expected of men and women can still be different, especially in villages, but also in urban centers. Prescribed ideal gender roles help shape the actions of both sexes as they move between family and the world outside the home. The role of the women varies a lot within the different religions and also the different regions. For instance, they are much more independent among the Hindus than the Muslims. The women have also been represented in visible positions in the public sector for a long time, and the private sector has also increased the level of females in important positions. It is now also very common for women to take higher education.

## **THE CASTE SYSTEM**

The Indian caste system is divided into different groups which indicated the social structure, where people are ranked according to their casts. They are born into a certain cast, and while it is originally associated with the Hindus, the casts are also found within other religions such as Muslims and Christians. The Indian constitution has officially outlawed caste-based discrimination. However, the castes have existed for centuries and caste ranking and discrimination still occurs, especially in the rural areas. In the larger cities the caste barriers are more broken down, and the tendency is that the more modern and educated you are, the less you care about the caste system.

## **CULTURE**

Trying to describe the Indian culture as one culture is like trying to describe European culture as one culture; inappropriate because of its diversity. The contrasts are vast both regarding geography, religion and social aspects, and there is no wonder India is often referred to as a continent rather than a country. Still, India is in fact one nation with one flag, and there are certain features that can be used to characterize some fundamental attitudes and values.

## **TIME, KARMA AND THE CIRCLE OF LIFE**

First of all, and maybe one of the most visible and easily notable features in the Indian society, is the Indians' attitude to time. As we like to see time as a linear concept, Indians in general tend to perceive time as a circular phenomenon. Time does not run out – it is eternal and always comes back. In the modern Western societies like the Norwegian we feel that time is precious and that we have to rush to make the most of the little time we got, but the Indians are not in such a hurry. This worldview might be connected to the concept of reincarnation and karma – the underlying mechanisms

of cause and effect. Karma has a religious origin and says that what has happened before and perhaps in a previous life can affect what happens to you in this life. It is not only our own actions and decisions that affect what happens, but something beyond our power. Life and time runs in a continuous flow where there is no beginning and no end. An individual life is just one out of many lives that are all connected through destiny, reincarnation and karma. This creates a more relaxed attitude to the aspect of time.

We definitely got to experience this attitude when travelling in India. Time efficiency is an apparently unknown term, especially considering the fact that Norwegians in particular are obsessed with spending our time wisely. Conversations and personal relationships seem more important than keeping up with the schedule. Your lunch break will not end at a certain time, but when the discussion is over. Hence, if you consider doing business in India you ought not to be in a hurry.

### TIGHT RELATIONSHIPS

Furthermore, Indians are generally more traditional when it comes to family relations and personal networks. Family ties and friendships are usually tight and highly respected. Numerous businesses are family businesses and Indians think of family in a wider sense than we do. Where we tend to feel strong connections to our siblings and parents, but perhaps not as much to more peripheral relatives, the Indians treat even a distant cousin like a brother. They also show more respect and care for the elderly. One of the Indian managers of a Norwegian company told us that the elderly in the family often live with one of the children. Retirement homes are not widespread and might be considered disrespectful. The couple we visited both had their parents staying with one of their children.

### PATIENCE AND POLITENESS

The Indians are apparently peaceful, respectful, patient and polite. They treat others with the utmost respect and warmth (except in traffic where there is every man for himself). As a nation of 1.2 billion people including the richest of the rich and the poorest of the poor, patience and respect is a inevitability. Coming from a more homogenous society, Norwegians might find this apparent social peace among such a fragmented society surprising in a positive way.

However, the humility and politeness might cause frustration for a foreigner. Afraid to lose face or to admit incompetence, an Indian might accept a task even though he knows he is incapable of completing it or give directions even though he has no clue where the train station is. In everyday life as well as in business this might cause misunderstandings and frustration. Again, this feature is in distinct contrast to the

Norwegian honesty and frankness. We are used to people openly admitting limitations, but the Indians do not share this kind of openness. An example of this is when we asked a waiter what a specific element of a dish was and she answered zucchini when it turned out to be cheese and claimed that the salmon originated from Kolkata when it after further investigation turned out to be Norwegian. They really make an effort to meet others' needs and questions and sacrifice honesty for the sake of it. Indians find it difficult to show direct disagreement, and they often tell you what they think you want to hear. As a result of this, you most likely get a yes if you ask a yes-or-no question regardless of what the real answer is. A way to avoid misunderstandings because of this feature is to ask open questions where you cannot answer yes or no, or ask several people about the same.





## ARNE BLYSTAD AS



### HOW VISUMSERVICE HELPED IB

*As a foretaste on the Indian bureaucracy, we faced some challenges when applying for our visas before departure to India. Firstly, it was difficult to get a straight answer on what kind of visa we needed. The embassy was not able to give us a quick answer on whether we needed tourist, business or entry visas, and this delayed our handing in of the applications. Furthermore, there were obstacles in other formalities and details concerning the applications.*

*During this process we got in touch with Visumservice. This is an agency that offers visa handling services to persons and companies as this can be an inconvenient and time-consuming process for many. Like already mentioned, we had experienced that getting the visas was not as straightforward as anticipated, and decided to engage Visumservice to help us.*

*Visumservice was a great help for us in the visa application process. They took care of all correspondence with the visa service department of the Indian embassy. This included working out and handing in the applications, reminding and asking about the progress and picking up our passports and visas. If it wasn't for Visumservice we would have had to spend hours working out the applications properly and following up the process, and due to exams and busy schedules we did not have this time. We are very grateful for all the help and support we received from Visumservice and strongly recommend them to everyone who is in need for a visa.*

*Visumservice AS er Norges største selskap innenfor visum og legaliseringstjenester. Selskapet ble etablert i 2008 og er i dag 9 ansatte og en årlig omsetning på 20 millioner kroner.*

*Visumservices kunder er selskaper innenfor offshore, shipping, handel, hjelpeorganisasjoner, reisebyråer, medier, offentlige instanser og privatpersoner.*

*Visumservice har hovedkontor i Oslo, eget kontor i Danmark og er representert i Sverige, Tyskland, Nederland, Belgia og Storbritannia. Vi løser alle behov for visum, arbeidstillatelser og arbeidstillatelser, uansett hvor ambassaden er lokalisert. I februar 2012 lanseres også Visumservice Online, en nettportal med bestilling, mulighet for sporing av søknader, visuminformasjon til alle land og nyheter. Portalen inkluderer også muligheten for å lagre profiler for personer som reiser ofte.*

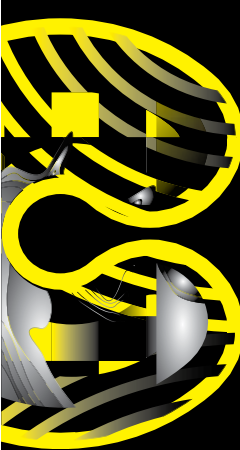
*Gå inn på [www.visum.com](http://www.visum.com) eller kontakt Harald Olavson på 46474836 / [ho@visum.com](mailto:ho@visum.com) for mer informasjon*

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## // BUSINESS CULTURE

To succeed in business in India and in cooperation with Indian co-workers it is essential to have a common understanding of the cultural differences that exists. Even though the young and educated Indian workforce tend to have a more “westernized” mindset than their parents and grandparents. Cultural differences are still distinct and might prove a considerable barrier to a healthy and productive work environment. Training, openness and awareness are important ingredients in this process. Institutions like Innovation Norway provide cultural training for Norwegian companies entering India.

### **HIERARCHY AND AUTHORITY**

First of all, it is important to note that India is a highly hierarchical society. Some even claim it is the most hierarchical country in the world. This naturally also applies to business life and affects business in numerous ways. As Norwegians value equality and informality in the workspace as well as in society, India still remains a nation of distinct social and formal hierarchies. In sharp contrast to flat Norwegian organizations and egalitarian systems, Indians acknowledge authority and do not seem to oppose this concept. This can clearly be related to the long tradition of the caste system. The hierarchical culture is so strong it even overrules gender differences and the suppression of women. Anyone would respectfully submit to a woman as long as she has a superior position in the organization.

A way this authoritarian and hierarchical culture is highlighted is the way an employee receives instruction from its manager and is to execute these given tasks. Specific instructions have to be given as employees find it difficult to diverge from initial orders and think critically and “outside the box”. Managers will not meet independence and personal initiative in a subordinate, but rather respectful submissive behavior. The upside of this attitude is the notion of loyalty. Principal-agent problems hardly ever occur as employees are loyal and humble and respect their superiors and customers. When an unforeseen situation occurs, an Indian would most likely

contact the boss and await further instructions whereas a Norwegian might try to solve the situation on his or her own. Both actions are motivated by the wish to please the boss, but the cultural differences might cause different measures. As the Indian believe the right thing to do is to carry out the boss’ exact orders, a Norwegian might think that making independent decisions in order to ease the boss’ concerns is the appropriate measure. Note that this mostly applies to subordinate employees at the lower levels of the organizational hierarchy. Middle managers and managers are naturally more independent.

### **EMPLOYEE LOYALTY AND FLEXIBILITY**

Asking managers what is the biggest advantage working with Indian employees compared to Norwegians the answer is clear; their loyalty, respect and flexibility. They prioritize work before leisure whenever needed and do not fear long hours or working on weekends like “spoiled” Norwegians. If something comes up Friday afternoon it will be taken care of straight away, whereas in Norway the employees will leave it, go to “hytta” for the weekend and return to business Monday morning. This dedication to work is common and a great advantage for a manager. The rationale behind this behavior might be that Indian workers depend much more on stable employment as the government provides little or no social security. The company you work for in many cases takes over the role as a provider of welfare. The absence of a welfare state keeps employees on their toes. Once hired by a solid company, an employee will make a considerable effort to please the boss in order to keep the job as not to lose this form of social security. More on employee welfare provision will be found under the section about how to attract and keep talent.



## RELATIONSHIPS AND NETWORKS

As mentioned in the previous section about Indian culture in general, networks, friendships and relationships are highly appreciated in India. Indians doing business value solid, long-term relationships and are willing to spend a lot of time pursuing and maintaining these. In meetings you will often start off by having a fairly long small talk conversation in order to get to know each other and establish a relationship. Adding the different attitudes to time, one can easily find that a Norwegian would feel impatient in settings like these. As we like to get to the point quickly and stick to the time schedule, meetings with Indians often last much longer than scheduled and might be interrupted numerous times. Do not get surprised if the members attending a meeting answer his phone or an email during a meeting. To please the Indians, do not rush things in business. Take your time and let them get to know you.

The drawback of this focus on tight relationships and networks is the fact that it might enhance corruption. In business environments where there are tight and loyal networks and connections one might find it convenient to ask for a favor and offer one in return and at the same time be confident that no one will tell on you.

## CONTEXTUAL WORLDVIEW

Another quite apparent feature of the Indian business culture that originates from the general mindset of Indians is the contextual worldview. Perhaps the most evident example of this characteristic is traffic. There are rules, but why stop on a red light if the coast is clear? The degree of apparent traffic anarchy varies across cities and areas, but some places there seem to be no rules whatsoever. In business, this phenomenon is visible through the attitudes towards rules, procedures and routines. The given context is taken into account rather than general rules or procedures when making decisions. This might cause challenges when interacting with more rule obeying nationalities. On the macro level you

notice this feature in the lack of proper law enforcement and a general laissez faire attitude.

Like the notion of tight networks, the contextual worldview also enhances behavior associated with corruption. Weak law enforcement from the authorities combined with individuals not paying too much attention to rules creates a fertile environment for illicit activities. In this way, we see that features of the fundamental Indian business culture might be part of the reason why corruption is so widespread. When asking people in Norwegian companies about this, some explained that a way to get around this that actually works is to be crystal clear on this matter from the very beginning. If zero tolerance towards corruption is established when starting a partnership or a negotiation, our sources find it successful. We can of course not say whether this is always the case, but it is at least a measure worth carrying out in order to try to avoid corruption.

## JUGAAD

Whereas the Japanese have exported the concept of lean, the Indians have jugaad as their own business philosophy. Jugaad is Hindi and translates to an innovative quick fix or an improvised, clever solution. It is all about quick reactions and solutions to make something easy and cheap. The Indians have jugaad in their blood, but American companies like Apple and Google actually try to adapt some of this mentality by hosting jugaad workshops.

Jugaad is originally a low-cost simple motor vehicle used for local transportation, but has been adapted as a philosophy used to describe all aspects of life. The essence is that innovative solutions can occur even with limited resources. It is however associated with bending rules, and in this way relates to the concept of contextual worldview. You do whatever you need to do in a given situation and with the available resources. The results are more important than following rules and procedures.



## // INFRASTRUCTURE

**HAVING A GOOD INFRASTRUCTURE IS ESSENTIAL FOR A COUNTRY TO BE OPERATIVE.** When it comes to infrastructure that includes facilities such as well-developed and efficient roads, railways, airports, harbors, water supply, irrigation, power distribution and social structure. These facilities are continuously developing and it is important for a country's government to always stay on top in these matters.

**THE INDIAN INFRASTRUCTURE DOES NOT KEEP UP WITH THE HIGH PACE OF THEIR GROWING ECONOMY.** This is in many ways inhibiting the Indian society and economy to develop in an even higher speed as it is making investors think twice before entering the country. We would address the lack of sufficient infrastructure as an obstacle in realizing the full growth potential in India. During our stay in India we were in touch with people who mentioned that the lack of good roads makes it difficult to deliver fresh food quick enough. Another challenge is that a company must be prepared to build a new road leading on to their new building. The fact that the lights go out every Thursday in Pune, a city of 4,5 million people is a characteristic example of the weaknesses in Indian infrastructure. The government is just not able to facilitate all the development in the country.

**ONE OF THE MAIN REASONS FOR THE SLOW DEVELOPMENT OF INDIAN INFRASTRUCTURE LIES WITHIN POLITICS.** Often you have too many competing interests in this segment and this is slowing down the system. We are great believers of that the laws of supply and demand can help filling the gap of bad functioning infrastructure. In contrast, for the Indian case this will not be possible without public intervention. The Indian government is well aware of the fact that their infrastructure development is not keeping up with the average economic growth rate, and for this reason they have had as a strategy to invite private investors to join the development. In 2006 they also established the IIFCL: Indian Infrastructure Financing Company Limited to facilitate the development. Looking back at the Commonwealth Games that were hosted in India in 2010, one might question whether

this has helped the development or not. The infrastructure that India displayed to the rest of the world was not impressive when thinking about the fact that they had prepared for these games for a long period of time. Anyway, a judgment of the IIFCL is hard to give without deeper analysis.

**LOOKING INTO THE BUSINESS,** you find a lot of interest from people wanting to carry out the development, but as mentioned above they meet a lot of obstacles. Projects already approved by the government experience big problems when facing implementation and this is often due to the complex composition of the bureaucratic system in Indian government. Specifically when it comes to road development, contractors face a lot of problems with the matter of land acquisition. In India there is a lack of a uniform land acquisition policy. When dealing with these matters, first-hand accounts have told us that it is almost as if one man raising his hand makes it possible to put a stop to big highway constructions. So when facing the start of a big project you have to make sure that you own at least 80% of the land for the planned road. If you do not possess this much of the land, you probably end up not being able to finalize your project or paying an overpriced rate for the remaining land.

**DEVELOPING INFRASTRUCTURE** demands heavy governmental financing. This is an aspect of the business where the Indian government is facing a hard time. Yearly the government receives taxes from only 5% of all business done in India, meaning that only around 24 million out of a workforce of 478.3 million pay their taxes. This again is only around 0,5% of total GDP in India. Having tax exemption for the people working within agriculture is one of the main reasons for this, but it also has to do with the fact that a considerable proportion of Indian retail sales take place in the unorganized sector.

Tax income to the government being so modest, financing sufficient infrastructure for the whole country is an almost impossible task. Historically, Indian politicians have subsidized electricity and water for farmers to gain votes during elections. You could say it is like a vicious circle because when the party in opposition is promoting subsidized power to the farmers, the party in power cannot do anything but the same to be reelected. This has also somewhat discouraged private investors to invest in these rural areas.

**THE SHADY SIDE OF THE BUSINESS** is also worth mentioning in the case of the Indian infrastructure. Many parts of the public sectors are somehow involved in corruption, this ranging from the neighborhood police officer to the district bureaucrats to governmental parties. According to the watchdog group Transparency International, Indian truckers pay on an average close to \$ 5 billion a year in bribes. Kick-backs and other arrangements are widespread, especially in the contracting industry. Hence, corruption also delays infrastructure projects. The continuous negotiation also results in many public projects either going over budget, lacking sustainable quality or never being completed. A recent infrastructure study shows that the proportion of Indian infrastructure running behind or having cost escalation projects is as high as 50%.

**IN TERMS OF THE SOCIAL INFRASTRUCTURE**, India is also facing big challenges. The Indian population is vast and fast growing and it has been a trend the last decades that people migrate to the big cities for work. This has made the real estate prices skyrocket and some places the prices have doubled in the past years. As the existing cities get more and more crowded, new urban areas pop up. The big cities will be metropolises, smaller cities will get bigger and new cities will be established. As for now 2/3 of the Indian population live in the rural areas and it is forecasted that more rural centers will be established in the nearest future as more retail sales will be developed in these areas. It is therefore crucial for the government to keep up with the development in rural and

to-be urban areas. New schools and housing complexes are needed in these newly developed communities.

Even though India is in fact lagging behind on infrastructural matters, we need to keep in mind that what we as foreigners may think of as chaotic systems actually might be functioning very well. In traffic as well as other areas there seems to be chaos and anarchy when there in fact exists an intricate set of rules. Take for instance the lunch delivery system in Mumbai. Each day 5000 men on bikes deliver hundreds of thousands of lunches made in the suburbs to workers in the city center. This fascinating system is actually ranked by Forbes as efficient as many big technology systems. For an outsider, however, this looks like a rather uncoordinated business.

**ONE MIGHT ARGUE** that in order to develop the infrastructure more rapidly and efficient, the Indian mindset is what needs to change. We are well aware of the fact that Indians in general has a more relaxed approach to time and thereby a different aspect of efficiency.

**TO SUM UP**, the poor infrastructure is, like the heavy bureaucracy, the price you have to pay for a 1.2 billion democracy. The cumbersome processes and the apparent inefficiency and lack of coordination make patience a necessity for foreigners doing business in India. Local knowledge and expert help is also required in order not to get too bewildered and paralyzed by the overwhelming complexity.

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# // REGULATIONS, BUREAUCRACY AND LAW ENFORCEMENT

**IT IS BEYOND THE SCOPE OF THIS PROJECT** to go into details about which laws and regulations apply to Norwegian companies entering India. There is a jungle of regulations and the Indian bureaucracy has a reputation of being one of the messiest and heaviest worldwide. In 2011 India ranked 132 (of 183) in the World Bank's annual ranking of countries in ease of doing business. The ranking involves the parameters starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. If considering entering India it is important to gather accurate and up to date information from experts in these areas. This section will merely give a brief analysis of the Indian bureaucracy overall, why it has developed this way and the implications for foreign investors.

## **ONE STEP FORWARD, TO STEPS BACK – AN EX-COLONY'S SKEPTICISM**

When asking foreign companies what they find the most challenging when doing business in India, the majority will most certainly reply the heavy bureaucracy and unpredictable regulations. But if India wants to grow further and lift additional millions of people out of poverty, why make it so complicated and risky to do business and enhance economic growth? Why this resentment to injections of healthy foreign capital and knowledge? It is reason to believe that part of the answer is found in history. Keeping in mind that the British initially entered as a trade company, the East India Company, it is no wonder there is some hesitation and resentment to foreigners who want to enter for trade and investments. The British came to rule the country and exploit it for trade for a long period of time and clearly India do not want something similar to happen again. However, executed properly, international trade and investment from foreign companies undoubtedly enhances growth and development in India and thereby benefit the country as a whole. This dissonance might be one of the reasons why we see such unpredictable attitudes in the regulatory environment in India today. History has created an

inherent skepticism and a need to protect national stakeholders. This "one step forward, two steps back" scenario clearly causes frustration and is a considerable risk element for foreign investors.

## **LOCAL AND REGIONAL DIFFERENCES**

Whatever the aspect within doing business in India you are discussing, the importance of local knowledge cannot be stressed enough. In fear of being repetitive, the local and regional differences within India are major and crucial. Below is a subranking of the ease of doing business ranking showing the regional differences within India.

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### THE PRICE TO PAY FOR DEMOCRACY

How come China and other fast growing nations appear to be so much quicker in decision making than India? A part of the answer is in the way the countries are ruled. Whereas communist China can enforce laws and regulations overnight, democratic India debates everything causing slow and inefficient processes. Brought to a head, one can claim that the heavy bureaucracy is the price you have to pay for democracy. Running a 1.2 billion nation where everybody has a say in everything creates slow and cumbersome decision making processes. For India, this inefficiency might be worth it as they want to keep and protect their democratic way of ruling the country. For foreign investors, on the other hand, this inefficiency and unpredictability is a major source of risk and frustration. An example is the case of Uninor in Delhi. Uninor is a telecom company owned by Norwegian Telenor Group (2/3) and Indian Unitech Wireless (1/3). In order to offer their services in a telecom circle (a geographical area) they need a license and spectrum. In the Delhi circle they have the license and are just waiting for the government to offer them the spectrum they need for operation. They have been promised spectrum, but they do not know when it is going to happen and the promise might even be withdrawn. Unpredictability like this is costly for businesses and might scare foreigners away from entering India. (Editor's note: And look what happened! The government withdrew the licenses altogether, cf the introduction of this report, causing a major crisis for Telenor.)

### LAW ENFORCEMENT

When travelling in India you see uniformed officers everywhere you go. Security officers, traffic officers, police officers, parking officers, you name it. Still many of the Indians we have met and talked to complain about poor law enforcement and a laissez-faire attitude from the public law enforcement bodies. An Indian manager of a Mumbai branch of a Norwegian company stated that it is the enforcement and not the legislation as such that causes problems. Whenever a

mechanism in society fails, the answer from the government is a new law. However, resources are not put aside to enforce these laws, he claims further. Only have as many laws as you can enforce, he concludes.

ECONOMY	EASE OF DOING BUSINESS RANK
Ludhiana	1
Hyderabad	2
Bhubaneshwar	3
Gurgaon	4
Ahmedabad	5
New Delhi	6
Jaipur	7
Guwahati	8
Ranchi	9
Mumbai	10
Indore	11
Noida	12
Bengaluru	13
Patna	14
Chennai	15
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# // CORPORATE SOCIAL RESPONSIBILITY (CSR)

**CORPORATE SOCIAL RESPONSIBILITY IS A WIDE CONCEPT.** Some of the key elements are community involvement, fair trade, human and labor rights, and reduction of pollution. CSR is defined in many ways, and the market perception of CSR varies a lot between the countries. In China, a common understanding of CSR is about high quality products, while in the UK it is about being environment friendly. The World Council for Sustainable Development uses the following definition:

*"CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." (WBCSD)*

**THE GLOBAL TREND IS NOW THAT COMPANIES ARE SPENDING MORE MONEY AND ATTENTION ON CSR,** and it is continuing to increase. The enhanced awareness of CSR is reflected through the massive focus it has had in the media through the last few years. The same results are also replicated through several surveys, for instance 70% of global chief executives agree that CSR is vital to the profitability of any company. The same tendency is also found among the consumers. 44% of European consumers surveyed are willing to pay more for environmentally and socially responsible products. India is no exception. The Indian regulators have pledged to introduce tougher governance rules to prevent misuse of the corporate responsibility. But the key to the global social responsibility lies among the companies. Hence, the CSR policy should not be neglected.

**THERE ARE MANY REASONS WHY CSR SHOULD BE IMPLEMENTED IN THE STRATEGY** when going abroad, and of even higher importance when entering a developing country such as India. Corruption, poverty and child labor are widespread in India hence the CSR policy can be critical to succeed. Risk reduction, increased profitability, and improved reputation are just a few of the positive side effects of a good CSR policy. As mentioned, the different cultures and their perceptions of CSR might be very different from the standards followed in Norway.

Therefore, the CSR policy should be integrated at the beginning of the process. By communicating the CSR policy right away and focusing on due diligence, one might avoid getting into problems at a later stage. Even though this might be more time consuming at first, it could save a lot of work later. For instance, one of the biggest challenges when doing business in India is to retain and attract the best people. Firstly, by having a reputation that the company is fulfilling market expectations and takes responsibility for a sustainable development, it will appear more attractive for the job seekers. Secondly, CSR could also improve the work environment and create a better sense of belonging. If the employees are

included in the CSR policy, they might be more motivated when experiencing that their company is contributing to the society.

**ONE COMMON PART OF THE CSR POLICY IN INDIA IS TO SUPPORT A NON-GOVERNMENTAL ORGANIZATION (NGO)** acknowledged by the United Nations (UN). NGOs work to increase the life quality for the underprivileged. Illiteracy and school dropouts are huge problems in India, and the NGOs are playing an active role to change this and develop the education sector. The willingness of contribution from the private sector is becoming a big trend and an important part of the CSR strategy. During our company visit at Kongsberg Maritime, we visited the NGO School Gyan Vikas Kendra in Navi Mumbai, which is the NGO that they are supporting and donating money to as a part of their CSR policy. In addition to educating the kids, the NGO also offers sewing courses for young women, so that they can make garments and sell them to earn money. Computer training is also offered to uneducated adults. In addition, hot meals are provided during the day and some of the mothers of the kids are also employed by the NGO as chefs and helpers. The NGOs are of great importance for the people that live in the slums, and education is probably the only ticket out of the slums for these kids. The trend is now that people understand the importance of education, and the parents prefer that their kids take education rather than working. This used to be a challenge for the NGOs earlier, since the majority did not recognize the value of education and wanted their children to work instead.

**HOWEVER, WHEN CHOOSING A NGO TO SUPPORT ONE MUST DO PROPER RESEARCH TO MAKE THE RIGHT DECISION.** Many fake NGOs take advantage of the generosity among companies. To avoid these fake NGOs, preparations, research and follow-up must be done thoroughly. Therefore, a good idea would be to visit many different NGOs before choosing one. When you have found one of high credibility, it is still important to do several follow-ups to make sure that the donations are properly spend.

**THE CSR POLICY COULD ALSO RESULT IN INCREASED PROFITS.** By marketing their brand successfully as a sustainable, respectable brand, it will attract customers and suppliers, which will directly influence profits. Risk reduction is also an important reason to focus on CSR, since the political risks are taken into account hence, the possibility of succeeding in another country will then increase. In India, volunteering and charity work are also rewarded with tax savings.

## // CORRUPTION

**"THE CORRUPTION PERCEPTIONS INDEX" (CPI)** ranks countries/territories based on how corrupt their public sector is perceived to be. A country/territory's score indicates the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries/territories included in the index" (CPI 2011).

**IN 2011 INDIA WAS RANKED WITH 3.1 OUT OF 10 (95 OUT OF 182)**, which indicate the great extent of this problem. Corruption is widespread in India, and is observed in almost every aspects of the society. The public sector seems to be more exposed than the private sector, and the extent of corruption also varies within the different areas of India and between the distinct industries. A very strong movement to prevent corruption are now arising, but any concrete signs of immediate improvement are unlikely. It takes time to change the mindset and acceptance around corruption, and the tough bureaucracy and many regulations make the change process even slower.

**THE PERCEPTION OF CORRUPTION MAY SEEM CLEAR FROM A NORWEGIAN POINT OF VIEW**, but when doing business in India it is important to remember that this might be part of the business and everyday life for many Indians. Corruption is present at different levels, and in order to fight and prevent it, it is necessary to understand the concept. The first level of corruption is "the visible part", which is related to "daily life activities", such as a bribe to avoid getting fined or bribes paid to a governmental institution to get a service that they were actually entitled to get without a bribe. The "hidden deep corruption" is typically found among governmental institutions. Police, education and health services, and public departments are examples of such institutions. One problem with the police force in India is that their wage is very low; hence, it is almost compulsory that some of their income should come from facilitation payments. The lack of solid independent institutions is therefore one of the main problems when it comes to corruption in India. The third level

of corruption is probably the most hazardous, that is the "hidden policy corruption". Politicians are the ones that have the opportunity to change the system, but as long as they do not have the incentive to do so, the problems will continue. This leads to policy errors such as not establishing good systems to plan cities and infrastructure, and non-functioning laws and institutions. As long as this form of corruption exists, the society cannot function perfectly even if it has free markets and a democratic rule. The dishonest leaders and their disinterest in good policy will not make it possible to create a prosperous society. Hence, corruption is probably one of the biggest challenges facing international companies doing business in India. Consequently, international companies should put a great effort into prevent and fight corruption.

**EVEN THOUGH CORRUPTION IS WIDESPREAD IN INDIA**, it is possible to prevent and avoid it. The development is now going in the right direction. India has a very independent and critical press, which puts pressure on the politicians to change, and make this a priority on the political agenda. The growing and more educated middle class also tend to accept facilities payments and bribes less than before.

### **CORRUPTION IS A CHALLENGE FOR NORWEGIAN COMPANIES SEEKING INTO BUSINESS OPPORTUNITIES IN INDIA.**

The importance of doing the homework before entering an area with widespread of corruption cannot be emphasized enough. Preparation, due diligence and spending time on contracts and choosing partners or agents is critical. When considering risk elements and doing the country analysis, it is important to be aware of this and how to avoid it. Before entering India it is advisable to spend a lot of time on finding the right partner, and also work with the potential partner for some time.

**PRACTICAL SUGGESTIONS** for avoiding and combating corruption is to avoid cash transactions and prefer payments going through banks, as well as formulating a clear anti-corruption and anti-bribery policy, communicate it to all employees, and make breaching it a disciplinary offence. There is

always a risk that the employees could get involved in cases with corruption. They either benefit from personally or just act in accordance to what they believe is in the company's best interest. As mentioned in the part of business culture, the features of the fundamental Indian business culture might be part of the reason why corruption is so widespread. To make the intolerance of corruption stronger it is therefore important to train the employees. For instance, Aker Solutions in India have a very strict policy against corruption, and it is compulsory for all employees to take a course in business ethics. This reduces the risk of getting involved in an undesirable situation; hence, it is advisable to educate the employees on the consequences of getting involved in corruption from the beginning. This also signals to all counterparts and customers that their company does not accept corruption. The second largest Indian company, the Tata Group, is another example of an Indian company that have succeeded with an ethical strategy, and are well known for its strict anti-corruption policy.

**FINALLY, ENTERING HIGH-RISK COUNTRIES SUCH AS INDIA COULD RESULT IN VERY PROFITABLE OUTCOMES IF YOU SUCCEED.** It is always a question about the risk versus the advantages. As long as you take precautions and do the homework beforehand, corruption is one of the aspects that could be handled. By using negotiation power and the technological advantages within the Norwegian companies, you can reduce the risk of getting involved in illicit activities.

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# // INTERVIEW: PROGRAMMED TO PROGRAM

**A CHEAP, SKILLED AND FLEXIBLE WORKFORCE ATTRACTS FOREIGN COMPANIES TO INDIA FOR IT BUSINESS OUTSOURCING.** Call centers and programming divisions pop up like weed in cities like Bangalore and Chennai. We asked the founder and CEO of a Norwegian performance management software company to describe benefits and challenges concerning operating such a division in India.

*- First of all, the cultural differences are significant and need to be paid serious attention to. Both in general and in business the mindsets are completely different and we found that having Norwegian management in the Chennai office was useless. They couldn't get anything done because it was difficult for them to read the codes and besides be tough enough and strict enough. Norwegians tend to have flat organizations and a high degree of equality in business compared to hierarchical India, and to manage Indian employees you need to be able to act authoritarian. Norwegians used to manage Norwegian employees are not familiar with this kind of behavior. Our office now has Indian management.*

*- Also, efficient Northern Europeans like ourselves might be surprised by the seemingly inefficient way to do things in India. We like to think that time is money and that cost efficiency is always best practice, but in India they have no such attitude concerning time and efficiency. The bureaucracy is a hassle and you often find yourself caught in some sort of bureaucratic catch 22. Like when we for instance wanted to open a bank account, you needed to have a registered firm. But to register a firm you needed a bank account. And so on. Everything concerning laws and regulations is hard to sort out. Doing business in India is because of this very unpredictable and hence risky.*

*- A great advantage about India is that the fact that they speak English very well. This makes business across borders a lot easier compared to other countries. In addition, they are highly skilled in what they do. The problem arises then they have to think critically or analytically as they are used to following strict orders. I believe this is supported by the school system in India. They learn to memorize, not think critically and analytically. Extremely specific instructions are needed when requiring e.g. programming or implementing as they are not used to making independent decisions. This takes a lot of effort from Norwegian system developers, and sometimes you might find it easier to just do it yourself. In order not to lose face they also tend to be dishonest about how much work they can take on. They resent admitting that they do not have the time or competence to complete a task, and just carry on until deadline when the incompleteness is revealed. This is in great contrast to frank Norwegians who do not have problems revealing weaknesses or limitations to their superiors. We find obstacles like these very challenging and consider moving to other countries such as Latin and*

*South American countries like Argentina where wages are still low and the cultural gap not as wide.*

What do you think about the future of India as an IT nation?  
*- When it comes to outsourcing we already see that quite a few companies prefer Latin and South America to India. Like I said, the labor costs are still low there and the mindsets more aligned with the Norwegian. Also, the infrastructure is more supportive. In India, office space, internet connections and other necessary supplies are very expensive. The bureaucracy ensures long supply chains that become tremendously costly and inefficient. This is a considerable downside with India as an expansionary or cost saving opportunity.*

What about the "c-word"? Do you have problems concerning corruption?

*- Not much, luckily. There was one incident in the beginning where an employee slid some money under the table to get our company name registered. This person was of course dismissed from its position.*

*- Another aspect to keep in mind when considering India for your venture is company loyalty. My impression is that educated Indians are career oriented and cynical when it comes to company loyalty. They don't count years of tenure, they count months. They prefer working for big companies rather than small ones and care a lot about company reputation and image. A problem with regards to this is the fact that a Norwegian company might end up investing a lot of money in training and employee development and that the employees quit before the company benefit from the learning.*

*- On paper it is definitely cost efficient to outsource some tasks to India. However, the challenges related to operating in a country with a fundamentally different mindset are considerable, and we are unsure whether it has paid off all in all.*

# // HOW TO ATTRACT AND KEEP TALENT

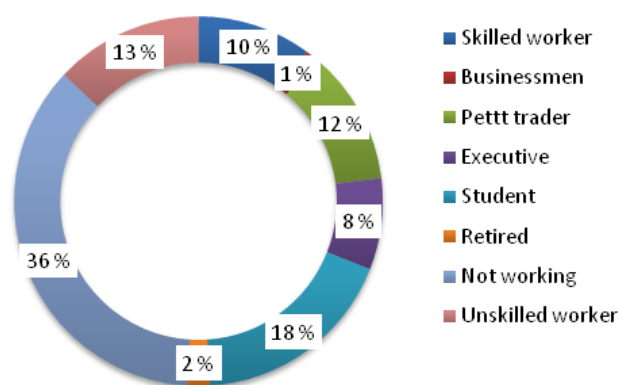
**THE LABOR FORCE IN INDIA WAS 478.3 MILLION IN 2010**, and it is expected that around 13 millions will enter the urban labor force every year. With a well-established education system, and a very young population with a median age at 25 years, the potential to find talented employees is very high. The majority of Indians are still not working or uneducated, but with a population of 1.2 billion it is easy to find well-qualified employees. The low cost of labor is one of the biggest advantages when doing business in India, especially for labor intensive companies.

**INDIA IS A MEMBER OF THE INTERNATIONAL LABOR ORGANIZATION (ILO)** and has developed comprehensive legislations to provide a good working environment for human labor and protection of their interests. But it does not facilitate any welfare benefits, so the trend is now that the companies provide these goods. Security and flexibility are getting more important for the candidates that are seeking jobs. Hence, to be competitive and attract the best people it is important to offer such goods.

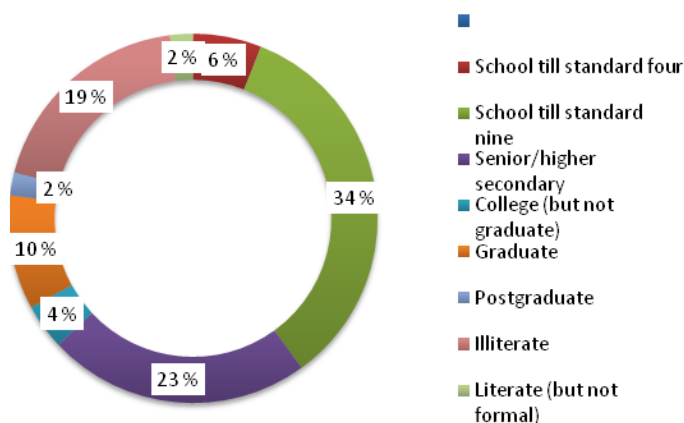
**HEALTH INSURANCE, REIMBURSEMENTS FOR DENTAL CARE AND OTHER FACILITIES FOR THE FAMILY** are benefits that are getting more widespread among the largest companies. To attract the best people and also be able to retain them is a challenge. Indians are very career oriented and eager to get relevant experience, as a result they tend to change their jobs more frequently compared to Norwegians. Providing attractive benefits for the employees is the essential to keep the best people.

**AN EXAMPLE OF A COMMON BENEFIT** offered to the employees is transportation to and from the office. The traffic is very chaotic and unpredictable in the cities, and the train is literally packed during office hours, so offered transportation ease their way to the office. This also provides security for people working late hours. Flexi-time and working different shifts are also getting more popular. Indians generally has a high working capacity and work long hours, which results in less time to do their domestic duties and taking care of their children. Especially this is a big challenge for women and many have to choose between the two. Facilitating for flexi-time consequently encourages women to remain working.

**OTHER ARRANGEMENTS** provided to ease the working life for families is for instance kindergartens at the office and extended maternity leave. Women are only entitled to get three months leave, which often result in a lot of women quitting their job when they have a child. By extending their leave and offering benefits that makes it more convenient to combine work and family is therefore important to keep the female resources.



THE DISTRIBUTION OF THE LABOR FORCE BY OCCUPATION



THE DISTRIBUTION OF POPULATION BY EDUCATION





# // THE INDIAN CONSUMER MARKET

**DOMESTIC CONSUMPTION COUNTS FOR 65% OF TOTAL GDP IN INDIA**, and with a growth of 7- 8% every year, this is a country with great opportunities. Because domestic consumption accounts for such a large proportion of GDP, India manages to still have a growth rate of 6.8% during the financial crises. Modern technology, increasing urbanization, an emerging middle class, increase in purchasing power and a structural shift from an agrarian to a service driven economy changes the lifestyles and consumption pattern of Indians.

## **DIVERSITIES AND OPPORTUNITIES**

There are huge differences within the country. And with a population of 1.2 billions it is impossible to find the “average Indian” or the “average consumer”, hence, local knowledge and research is necessary to know which market your brand is most likely to succeed in. The diversities among eating habits, language, religion and culture require a great focus on adaptation of products and branding in the different areas. A popular product in the north might be a failure in the south, and the same pattern is also found within a smaller area. One part of Mumbai may have very different preferences from another part of the same city. Local knowledge is therefore critical for new entrants. At a generic level, India is divided into four zones in terms of consumer behaviour: north, south, east, and west. Nielsen has managed to identify different characteristics of each zone concerning the people, the products and positioning.

## **NORTH**

The northern part of India is often identified by a masculine culture. Consumers in the North are very concerned about status, and have a “macho-style”, people “live to work”, instead of “work to live” as is common in a feminine culture. The people is said to be large-hearted as well as emotional effusive. Well-established brands and more expensive products are likely to succeed in this area, as people are very focused on status and having an “admirable lifestyle”. As the only area in India without a coastline, processed food are more common in this part of the country.

## **SOUTH**

In the South, the IT and technology industry is sizeable. There is a low fraction of illiteracy among the people and many are highly educated. The people tend to be diligent, appreciate steadiness, and be rational. The positioning strategy should focus on logic and technology.

## **WEST**

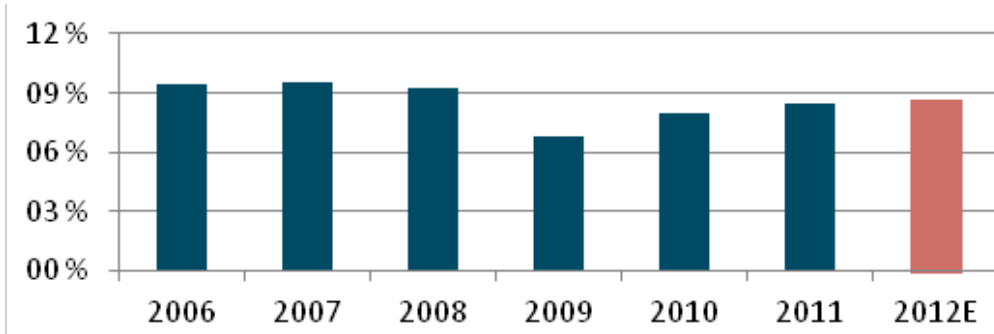
The western part of India is a metropolitan area. The people are more open-minded to new products and want to have a bit of everything. The market for technological products is very big in this area, because the demand and comprehension of these products are higher than other areas. The people tend to be more democratic and have an egalitarian attitude. Nielsen argues that they have a more “calculating” attitude towards money. Regarding products, they seem to appreciate financial products. Since more and more people are working in the big financial cities in the western zone, men and women, RTE (Ready-To-Eat) products has experienced an enormous growth due to the convenience. Thus, it will be beneficial to play on convenience and benefits of the products in marketing communication.

## **EAST**

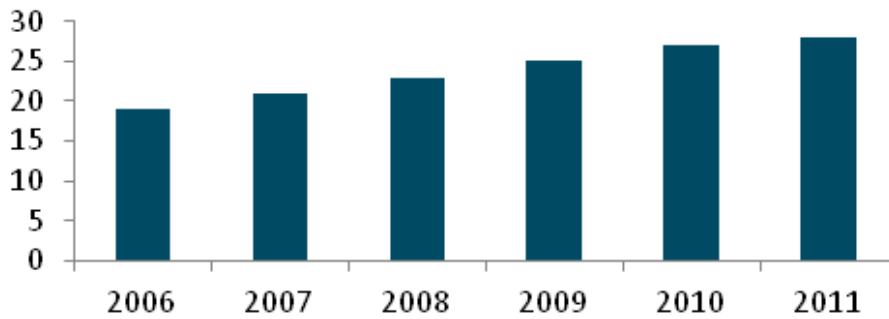
In the east, people are somewhat more concerned about health issues, nutrition and preoccupations. Other factors are intellectualism and it is said that they have an evolved sense of humour. When it comes to products; nutrition, health and OTC products in general, are in focus.

## **THE RURAL MARKET**

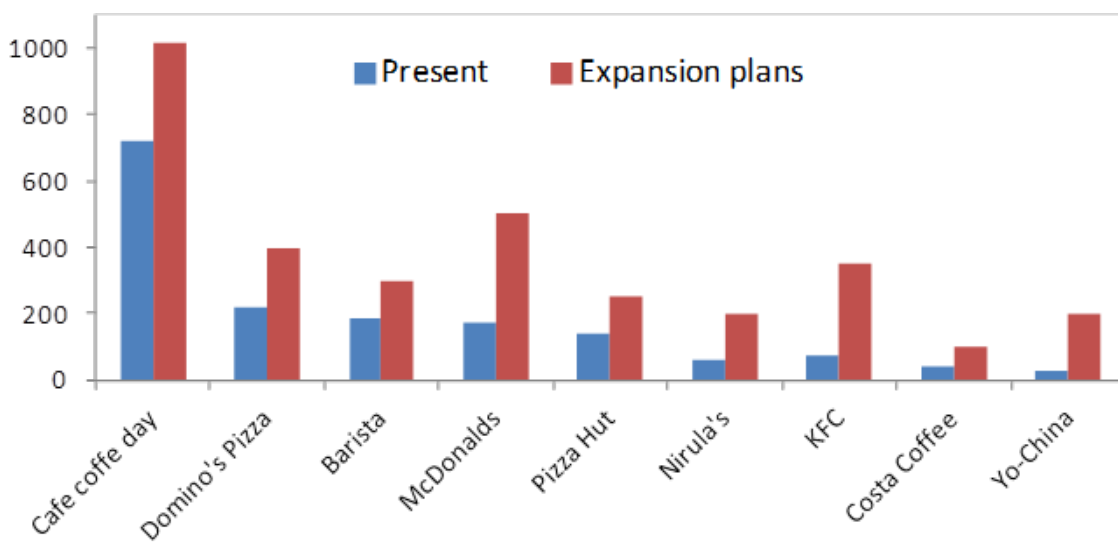
About 70% of all Indians live in the rural part of India. FMCG (fast moving consuming goods) sales in the rural parts count for US\$10 billions and are growing rapidly. With a market worth estimation at about US \$3 billion, the number speaks for itself. The opportunities in this market are enormous, but the competition is also high, and the challenges concerning the infrastructure also need to be taken into account. There seems to be a strong correlation between the government's



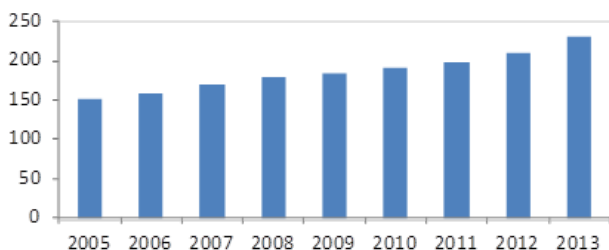
GDP GROWTH RATE



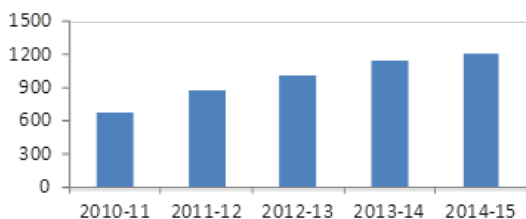
PRIVATE CONSUMPTION EXPENDITURE (INR TRILLION)



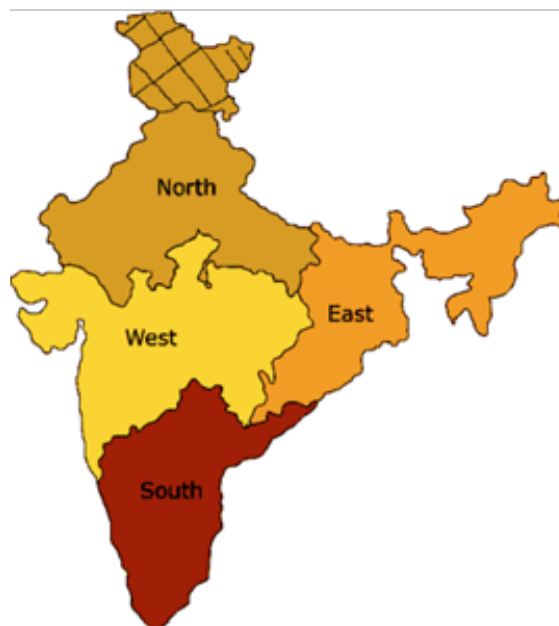
FAST FOOD EXPANSION



FROZEN FOOD BILLION US.DOLLARS



FOOD CONSUMPTION BILLION US.DOLLARS



rural schemes and FMCG consumption, since the local job opportunities that are created results in a higher purchasing power. The income in the rural areas was earlier dependent on the monsoon, while it now seems to be stabilizing. Another trend in the rural areas is a large shift from commodity to branding. The people are now more conscious about the brand, so before entering these markets, having an established name in the urban areas is a great advantage. The consumers want to have the same products as are found in urban India, and they follow the same trends. For instance, even though the standard of living is still very low, the consumers prioritize mobile phones and TVs. For that reason, the producers are now thinking of new ways to accommodate these needs. One example is the launch of the low priced TV range “Cineplus” and “Sampoorna” from LG for rural markets. The Tata Nano car is another example of innovations made to meet the rural markets. The Tata Nano car is the cheapest car in the world and a convenient and safe substitute for the common three- and two-wheelers.

**THE RISING MIDDLE CLASS**

The rising middle class is leading the consumption boom in India. The increased wealth and rise in purchasing power and easy access to information and communication technology has changed their consumption pattern. They are now becoming more aware of the value that the premium products offer, and are seeking high quality. They don't mind paying more for a product as long as it is of high quality. But - if it does not meet the expectations they would quickly change to a different brand. The Indian consumer is now more affected by their friends' opinions. Earlier they only used to ask the family for advice. Consequently, they are now more open to trying new products. Women are also getting more in charge when it comes to larger purchases. The women are becoming more educated and every second job in the organized sector is given to a woman. Consequently, women are now buying financial goods, insurances and larger purchases that traditionally were done by men.

**FOOD COMSUMPTION AND FOOD PROCESSING**

Food is the largest consumption category in India (Nielsen). The graph to the right shows the development of food consumption in India. The left axis is quoted in billion USD and its compound annual growth rate is approximately 5.3%. This growth is accompanied by changing eating habits. According to Nielsen this is changing because of the development of the society. Especially the food processing industry is expected to grow at a fast rate in the coming years. The Ministry of Food Processing Industries has formulated a Vision 2015 action plan which includes trebling the size of the food processing industry, raising the level of processing of perishables from 6% to 20%, increasing value addition from 20% to 35%, and enhancing India's share in global food trade from 1.5% to 3% (Nielsen).

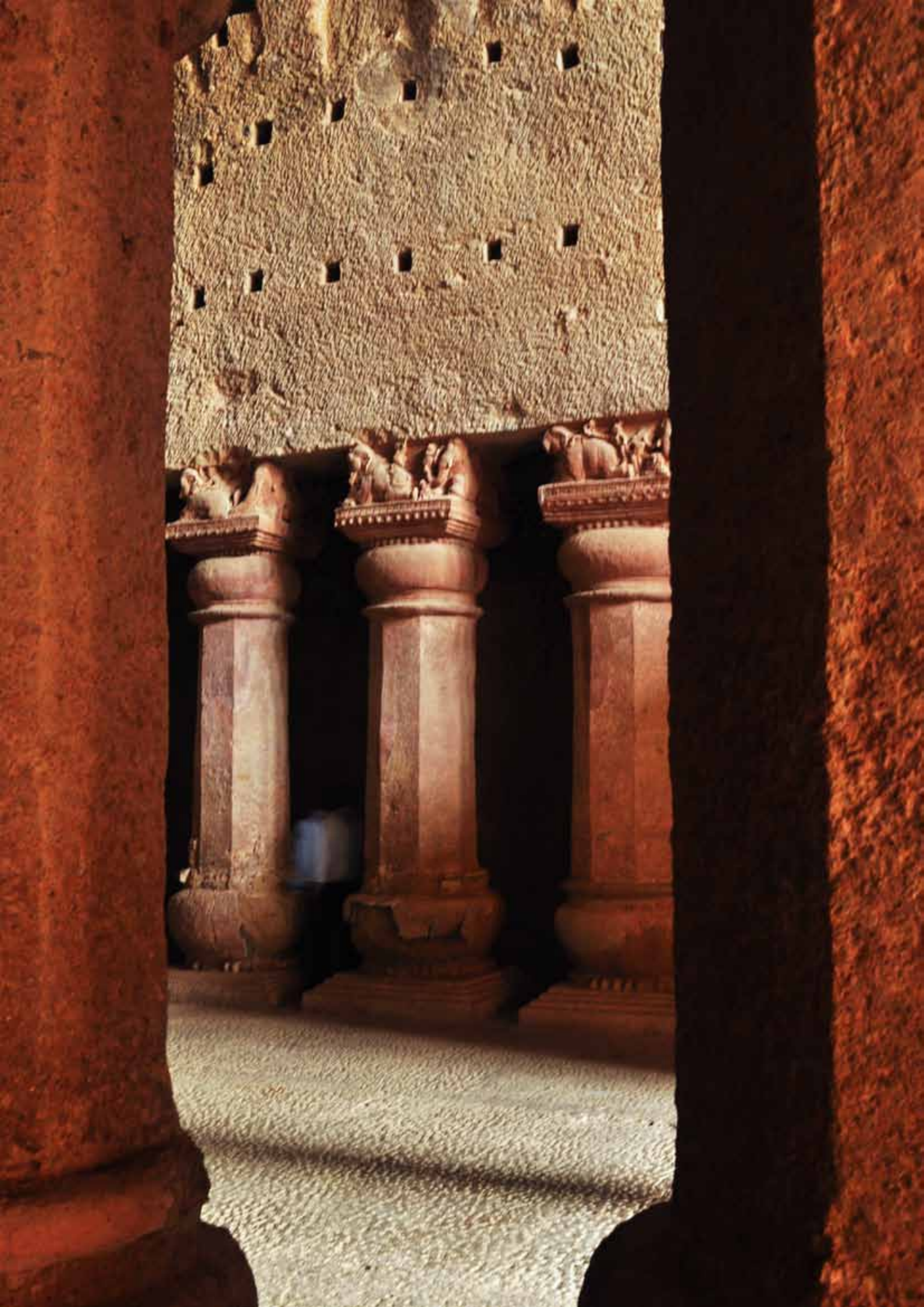
The expected increase in demand of processed food is driven by the following trends:

- Increasing urbanization – lifestyle and aspirations
- Changing demographics – rise in disposal incomes
- Organized retail and private label penetration
- Demand for functional foods
- Increasing nuclear families and working women
- Increasing spending on healthy food

**RETAIL**

The frozen food segment will grow from 1.8 billion USD in 2008 to 2.6 billion USD by 2014. This growth has been fuelled by the increasing availability of freezer space in modern retail shops. The graph on the left side shows number of outlets and expected growth among the most important fast food chains.

As the graphs shows, there is anticipated a huge growth in the fast food market. People are slowly changing preferences and they become more international in their eating habits. Therefore, there is a market for new products and it supports the expectations of increased demand for processed food. Also, there is a change from a vegetarian diet to a non-vegetarian diet.



## // INTERVIEW: IN IT FOR THE LONG RUN

### **DURING OUR STAY IN MUMBAI, KONGSBERG MARITIME HAD ARRANGED MEETINGS AND ACTIVITIES FOR US**

so that we could obtain important insight in their activities as well as get to know the people and the culture from the inside. To shed a light on a Norwegian success story in India, we asked the Vice President of Kongsberg Maritime Offshore and Business Support, Lars Granbakken, to describe the advantages and challenges of operating in India.

*- The reason why Kongsberg decided to enter India was that we wanted to work with the customers with our own employees, and not only through distributors and agents. We provide sales, service and delivery of our own products to the Indian market. We are also able to run a low cost operation in India, with access to engineering services at a significantly lower cost than in Norway. This is not on the expense of our Norwegian workforce, but in addition to it.*

*- For nearly 30 years Kongsberg has worked with a local partner in India and done sales and deliveries from abroad. So when we decided to set up a branch with our local partner, we did not experience any huge obstacles. I believe the reason for that was that we already had extensive experience and had worked with our partner for so long. Without own experiences and a local partner, I think it would have been very difficult to succeed. For other companies considering India, it is advisable to take plenty of time choosing your local partner. I would recommend spending around 2-3 years to get to know the potential partner. Preferably work with them to get experience from real cooperation and to get proof that they are providing what they promise. There is an endless queue of promises. Many Indian companies want to work with Western companies, but very few manage to keep the standards we expect. I therefore believe in trial and error, and gaining experiences through failure and success.*

*- A lot has changed in India since we first entered. Firstly, the costs are rising quickly. For instance the wage increases by 18% annually. Just during the past five years it has changed as much as the 25 preceding years. Most projects run over several years, and it is a high level of uncertainty about how well India will succeed within the maritime industry. India has all the conditions necessary to build cheap ships, but in the short term it does not seem like this is going to be realized in any large scale. The problems lie in the infrastructure, and all the internal contradictions. But as the fourth largest economy in the world, it is a country we have to recognize in the future even though there are differing opinions about where they will be in ten years.*

*- The competition in India is very tough on prices. It is very common to be more concerned about price than quality, which could be a disadvantage for Norwegian companies since we normally tend to have higher prices. But as long*

*as this can be compensated in higher quality or a high level in service, it should not be too big of an obstacle. Personally, I think Norwegians have an advantage when it comes to collaboration with the Indians, compared to many other nations. I think we fit well together and struggle less than other Western countries when it comes to cultural differences. The lower hourly wage for engineers is also a great advantage that should be mentioned.*

*- When considering challenges of doing business in India, corruption is a well-known barrier. There is a lot of corruption among the police force and the public employees. But what we have done is to be clear from the beginning of all relationships with customers, suppliers, and the public sector that we do not tolerate corruption. And that works. As long as you are clear on this from the start it can be avoided. Another huge obstacle is the infrastructure. Frequent power outages, slow traffic and always something missing, like gas or water etc. is a problem. Concerning this issue, my best advice is to think more like the locals and be patient and flexible. More practical things can also be done to minimize these problems, for instance by having a generator for power outages. The bureaucracy is also worth mentioning when considering the challenges; it is still one of the hardest countries in the world to do business in. The decision making processes are slow and everything takes a lot of time. On the other hand, the advantages of being in India compared to other countries that we are established in, is the great access to expertise, good knowledge of English and a democracy that accepts many of our values. In addition, it is also reasonably safe to travel around. And personally I find it much more exciting to do business here compared to many developing countries that are copying the European and American styles.*

*- On the question of what I think is most important for Norwegian companies to consider before entering India, I must say that I do not think it is easy or possible for a small company to do so. Since I believe it takes 2-3 years to find a good partner and get the right set-up, a small company will not have the resources to do the necessary long term investments. I have met a number of Norwegian companies in India that are very disheartened by the obstacles. Many do not understand the endurance that is necessary to succeed.*

*- Thinking long-term is a strategy in itself. We build our own house as an element of showing that we are in it for the long run. We want to be in position when the market takes off even more. Also, it is important for us to be close to our current customers. Kongsberg Maritime is dependent on the development of the maritime industry in India, but the extent and pace of the actions is still uncertain. Anyway, Kongsberg is definitely in it for the long run.*

# // NORWEGIAN ENTREPRENEURSHIP AND OPPURTUNITIES IN INDIA

**NORWAY IS OFTEN RATED VERY LOW WHEN IT COMES TO INNOVATION** and entrepreneurship compared to other countries, but we score high on resources and technology available for creating value. Innovation is often not prioritized in Norway as there are a considerable number of industries already providing the country with a sustainable economy. But what about those countries where the resources are lacking, but the opportunities are lined up and the culture is very entrepreneurship friendly? India is such a country. Norway should relocate its resources and make use of them in countries such as India where the possibilities and need for innovation and entrepreneurship is larger and the value created could have huge impact on less fortunate people and economies.

**THERE ARE SEVERAL DEFINITIONS OF WHAT IS CONSIDERED TO BE ENTREPRENEURSHIP.** Entrepreneurship is more than the act of starting your own business. It is a process where individuals identify opportunities, target resources and create value. This value will often be perceived differently depending on social and economical circumstances. Entrepreneurs approach problems as opportunities, sometimes not intentionally. Entrepreneurship also includes the willingness of taking on risk. Some people become entrepreneurs in order to make a living, help the society or just for fun. Based on this there are several different types of entrepreneurship, depending on its purpose and the value it aims to create. It might be classified as social entrepreneurship, aiming to improve social, economic, educational and environmental situations in certain areas. The desire for profit is not as demanding within this type of entrepreneurship, and the value created is not measured as such. Sharing the same feelings about profit is the lifestyle entrepreneur, putting passion for the problem before the desire to profit from it. Having succeeded or failed with several ventures, the person would be referred to as a serial entrepreneur.

**SO WHAT DOES ENTREPRENEURSHIP DO FOR A COUNTRY? IT IS REALLY NECESSARY?** Even though it is not for everyone, entrepreneurship has many benefits both on a personal, regional, national and global level. It creates jobs, has positive impacts on the economy, might solve social issues and benefit many people. Entrepreneurship, in whatever form, is necessary for a country to be sustainable and for its economy to be able to grow. Some countries need this growth more than others. India is such a country.

**THERE ARE OBVIOUSLY MANY WAYS IN WHICH NORWAY AND INDIA DIFFER** - socially, culturally, politically and others. One of the most obvious ways the countries differ is by their size and their population. Norway has a population of about 5 million people while India accounts for over 17.5 % of the world's population with its 1.2 billion inhabitants. These other differences really point out how different the countries are to live in (see diagram on next page):

**SEEN FROM THIS COMPARISON, THERE ARE MANY WAYS IN WHICH INDIA COULD IMPROVE.** This does not mean doing things the same way as in Norway. As the countries are too different on many levels, a system that works in Norway might not work in India. On the other hand, what this comparison does imply is that Norway has resources available and fewer areas to apply them to in order to solve problems. One reason for Norway scoring so low on entrepreneurship ratings is that the creation of entrepreneurship itself requires the availability of business opportunities and problems. Having the resources and people available, as Norway has, is not enough to create entrepreneurship and innovation.

**NORWAY IS CURRENTLY LISTED AS THE 18TH MOST INNOVATIVE COUNTRY IN THE WORLD,** where India is too low on the list to even get mentioned. The number of scientific and engineering researchers per capita also put Norway ahead of India in terms of resources. Finland takes the top spot, followed by Sweden, Japan, Singapore, and Denmark. Norway, Australia, Canada and New Zealand round out the



top ten. As for the BRICS: Russia is 12th, India 36th, China 39th and Brazil 43rd. None of the BRIC (Brazil, Russia, India and China) countries rank very highly on the Global Technology Index. Russia, in the 21st spot, ranks highest, China ranks 30th (about the same as Lithuania), Brazil is 41st, and India 42nd. India along with Indonesia, the US, Canada and Australia, has been ranked among the nations with the best cultures in the world for people to start a new business, according to a global poll released today, and in India, 75 per cent say that their country values innovation and creativity. So what does this really tell us? While India is rated as the world's 4th most entrepreneurship-friendly nation, Norway is rated fairly high on the innovation ratings. Clearly the other country is stronger where the other is weaker. What measure could be taken to take advantage of these shortcomings and strengths?

**BOTH OF THE COUNTRY'S EMBASSIES ARE WORKING HARD TO PROVIDE INFORMATION AND GUIDES**, together with Innovation Norway, to businesses in Norway with an interest in doing business in India. India, along with the other BRIC countries, is considered to be a country with large economic potential, and is therefore delegated resources for pursuing this. Most of these initiatives are focusing more on already established Norwegian companies, and how these can expand into the Indian market. There are so many other possibilities for exploring and exploiting the difference in resources and available problems. The entrepreneurship exploration is not approached as much as it should be, based on India being as entrepreneurship-friendly as it is.

**AS MENTIONED, NORWAY IS NOT EXPLOITING ITS RESOURCES FOR THE GREATER GOOD AS WELL AS IT COULD.** It is often hard to see the possibilities where others only see problems and then take the next step to make a change for the better. Jane Chen and her company Embrace is a good example of how entrepreneurs abroad can have a great impact on other communities, countries, economies and lives. Annually there are 20 million premature babies born of which 4 million die due to hypothermia and health

problems. Incubators are nowhere to be found in the rural areas, especially in India, and the solutions used by the local were ineffective and unsafe. By developing a small bag containing a portable phase change material in the back, the locals are now able to keep their premature babies warm for only \$25, about 0.1% of the cost of an incubator. The phase change material is simply heated up in boiling water and it will keep a temperature approximate to the human body for 4-6 hours. Not only does this save many lives at practically no cost, it also makes sure people do not make too many babies in the anticipation of losing most of them. By approaching a huge problem with a simple and cheap solution, Jane and her company is able to have an impact on the Indian economy, death rate and even its overpopulation.

**JANE AND EMBRACE IS A GREAT EXAMPLE OF WHERE HAVING THE RESOURCES**, economic and intellectual, and how innovative thinking can be used to solve problems in other countries than your own. This is exactly what Norway should do in India. Use all those additional resources to solve problems and opportunities so clearly evident in the Indian society and economy. The Norwegian government should make a stronger effort to exploit the resources of its country and the minds of its innovators in order to have an impact on the rest of the world other than within the fishing and oil industry. Take a step in the direction of helping and improving parts of the world where it is really needed. India is such a place in need.

## // A NOTE ON ENTERING A FOREIGN COUNTRY

**WHEN OPERATING OUTSIDE DOMESTIC BORDERS** there are a vast amount of factors and implications to consider. In international business the investments that flow between nations can be divided into two categories, mainly portfolio investment and foreign direct investment. The latter is the one of interest with regards to our perspective of doing business in India. This report will elaborate on the main differences in the Norwegian and Indian business society. The following section will, however, give a brief overview of the key risks involved in international business in general. This is popularly called “The Four Risks in Internationalization” (Cavusgil et al. 2008), see figure 1.1 below. It is meant to be a simple check-list to managers and other in need of a refreshment of the potential pitfalls connected to engaging in international business

**CROSS-CULTURAL RISK** relates to the risk of misunderstandings and misinterpretations that arises when there are cultural differences. This is probably the most prominent and obvious risks for Norwegian firms that desires to operate in India. Cultural differences are often deeply embedded in the mind-set of workers, and play a big part when it comes to work-style, values and communication. Cultural risk is not just apparent when it comes to workers, but is just as important to consider with regards to foreign customers and potential business partners.

**COMMERCIAL RISK RELATES TO THE POTENTIAL LOSS A FIRM CAN EXPERIENCE BY POOR MANAGEMENT** of their international business strategies, and the tactical choices made by managers. This can be the risk of a bad choice of foreign business partner, poorly timed market entry, mispricing, and marketing strategy flopping. These are risks that will always be important to consider, even for firms restricted to domestic operations, but the consequences are typically on a much larger scale in international business. Country risk, or political risk, refers to the risks of the foreign government intervention that can negatively (or in some cases positively where governments encouraging foreign

investors by in ex. lowering tariffs on some particular goods and services) effect the operating profit. It can be changes in regulations and tariffs that put restrictions on foreign organizations capital outflow from that country and back into their country of origin. Thus country risk is defined as the exposure to potential loss of operating income caused by changes in a country’s political and/or legal system.

**THE FORTH MAIN RISK IN INTERNATIONALIZATION IS THE FINANCIAL RISK**, or what is by Cavusgil et al. called “Currency Risk”. This relates to unexpected changes in exchange rates and can potentially reduce realized earnings by a substantial amount.

The stated risks are important to take into consideration, and even though they often cannot be completely avoided, they need to be managed. A way of managing, or at least choosing the amount of risk to undertake, is to select the appropriate foreign operation method. This is another prominent field within International Business literature, and one of the most critical decisions a manager of an international firm needs to make. The different operating methods, or modes, are:

- 1) contractual modes which includes: franchising, licensing, management contracts, subcontracting, project operations and alliances;
- 2) exporting modes, where we separate indirect, and direct exporting, which is exporting trough an agent or distributor, or through own sales subsidiaries, or;
- 3) investment modes, and is often in literature recognized as a foreign direct investment, which is when a firm holds the minority share, 50 % share, majority share, or invests 100% in foreign subsidiary. There are several considerations to making the right choice of entry mode. Not only the overall business strategy of the firm, but also all of the risks above need to be considered. If the government leads an unpredictable political agenda, the firm should consider whether it is wise to go “all in” and make a direct investment, or maybe



it is more secure to start off by exporting in order to get to know the country little by little before making such a substantial investment.

**THIS NOTE ON ITS OWN IS VERY GENERAL**, but we want to highlight the importance of the potential pitfalls in international business. The conclusion is that if managed properly, internationalization can help the firm take full advantage of the vast amount of opportunities in investing outside domestic borders.









## // OIL AND GAS

**THE INDIAN OIL AND GAS SECTOR** is playing an important role for the Indian economy. When having a continuous increase in the energy needs, the Indian society is depending on this sector to keep up with the pace of their growing economy. During the last 10 years India has developed into one of the world's most energy consuming nations. The consumption rate has stabilized at approximately 5.9% the last 10 years. This is a much higher rate compared to the global average of 2.8%. When facing further growth in the Indian population and forecasted rural upgrading the next decades, we can only imagine the needs for energy getting higher. In 2011 India was the 5th largest refining country in the world and represents 4% of the world's refining capacity. They also produce and export a significant amount of petroleum products themselves. During the period of 2010-2011, the country exported in total 50 million tons of refined petroleum products.

**INDIA IS AS FOR NOW THE 4TH LARGEST IMPORTER OF OIL AND GAS.** There is a shortage of energy in the country. As mentioned in the section about the Indian infrastructure, there are places in India where lights are out every Thursday due to the deficit of energy supply. When manufacturing companies have to use diesel to keep their factories going, the consumption rate rises in quick speed. Estimations have been done and as per now it is anticipated that the consumption will increase to closer to 4.01 million b/d by 2015.

**THE HEAVY SPENDING OF OIL** has forced the Indians to think differently about their day to day use of energy and the negative effect their consumption has on the environment. For these reasons they can show to high development within the gas sector. Their annual gas demand in 2011 was 166 million standard cubic meters and is estimated to be as much as 320 standard cubic meters in 2015. This is contributing to the energy needs the country is facing. Seeing gas is a cheaper fuel than petrol we have seen a trend of cars, especially taxis in the big cities, converted into CNG cars. The MoPNG regulates the Indian Oil and gas sector. "In ad-

dition to this The Petroleum and Natural Gas board has been constituted as an independent regulator for the midstream and downstream segments of the industry". Originally India was a country dominated by national players in the oil and gas sector. However, in 2009 Indian law opened up for more international investments in the sector to address the gap between demand and supply in India. This has been a success and has attracted big amounts of foreign direct investments from April 2000 to September 2011 (according to the data provided by Department of Industrial Policy and Promotion (DIPP)). Looking at the sector today we can observe both domestic players like Reliance Industries, Gujarat Adani Energy Limited and Essar Oil Limited and foreign companies like BP, Royal Dutch Shell and BG dominating the sector.

**IN THE FUTURE WITH DEMAND INCREASING EVEN FURTHER** there is a plan of introducing open acreage licensing policy in the upstream market. This is expected to result in large investments and new opportunities for companies and service providers in this market. As for Norwegian players this could mean great opportunities, maybe particularly to contribute with our know-how and technological equipment. In the natural gas segment a big expected amount will contribute to the development of new gas transmission and distribution pipelines and CGD networks.

# // LNG - LIQUIFIED NATURAL GAS

## WHAT IS LNG?

LNG is natural gas in its liquefied form. After extraction, the gas is cooled to -276o Celsius at a platform or a floating production center. And then transported by ship or truck to an onshore facility before it is transformed back to its original form and sent through pipelines for usage. LNG consists of 80-90 % methane and smaller amounts of ethane, propane, heavier hydrocarbons and other minor substances.

## WHY LNG?

First of all, LNG is the most efficient way to transport natural gas. By liquefying the gas, the volume is compressed to less than 1/600 of the original volume and transportation costs are heavily reduced. Also, natural gas per se is a very clean and valuable fuel. It is more environmentally friendly than oil. It can be used for businesses and households as well as for fueling vehicles, ranging from shipping vessels to tuk-tuks. Considered the most desirable fuel of the 21st century, natural gas is estimated to contribute around 26% of global energy consumption by 2030. LNG is also very safe and clean, as a spill would not need any environmental clean up on land or water.

## LNG IN INDIA

The use of LNG in India is definitely increasing. When asking the taxi driver in Mumbai for the gas price, in fact referring to petrol/gasoline, he answered in INR/kg and was referring to the price of natural gas as the taxis run on both gas and petrol. In fact, the government has imposed regulations concerning a dual fueling system for taxis and tuk-tuks in some parts of the country. In some areas it is even compulsory to have this dual fuel system in your vehicle. You can easily get your car converted to accept gas (or CNG/propane) in addition to traditional petrol. The conversion cost is set off by the long run savings you make by running your car on cheap gas instead of petrol.

With rapid development in all aspects of society including the economic growth and population growth, the need for energy

in India is inevitably vast. In order to develop and expand this market in India, the ability to extract, trade and distribute the natural gas is crucial. As of today, we find the infrastructural challenges the main concern. Only some gas stations in certain areas provide natural gas per January 2012, and the logistical and distributive systems are far from satisfying in order to efficiently trade gas and exploit the demand in India. As in so many other aspects, the success of international trade in this industry relies on Indian governmental regulations. The supply and the demand are in place, but Indian infrastructure remains to provide sufficient systems for distribution so that the supply will reach the demand in the market for natural gas.

## BACKGROUND

Consumption of natural gas in India was around 2.28 tcf in 2010, out of which domestic production contributed to 1.85 tcf. The rest had been arranged through LNG imports. According to IEA estimates, this demand will quadruple by 2035. With 38 tcf of proved gas reserves, massive E&D investment plans are undergoing to tap and expand the country's oil and gas potential. But still in terms of long-term energy security, the country needs to equip itself with some more options. LNG and pipeline imports provide this solution. Discussions are ongoing for Trans-Afghanistan Pipeline and Iran-Pakistan-India gas pipeline, but due to political and security reasons no material decision has been made so far. However, LNG imports have no such embedded issues. With an easy access to the Middle Eastern markets, such as Qatar, and the forecasted medium-term lower natural gas prices because of abundant unconventional fossil resources in the US. India is in a good position to diversify its supply base.

## CURRENT DEVELOPMENT

Recently, state-run energy giant Gail India Ltd. signed a 20-year strategic LNG import deal with Houston-based Cheniere Energy. The US firm will supply 3.5 million tons of LNG per year from Cheniere Sabine Pass LNG terminal located in Louisiana. Energy analysts estimated the deal to be worth at



least \$15 billion for the US supplier. The LNG deliveries into India are expected to start in 2017.

India has sought an additional 3-4 million tons LNG per year from Qatar, but the discussions were stuck in October 2011 over pricing of the fuel. Petronet LNG Ltd., which at present imports 7.5 million tons a year of LNG from Qatar under a long-term contract, sought an additional 2-3 million tons while GAIL India wanted one million tons for 20-25 years. India's ONGC is in negotiations with Russian Gazprom to jointly develop projects to produce LNG. Petronet LNG will soon finalize the agreement for sourcing LNG from Russia under the pact signed with Gazprom. The deal for supply of about 2.5 million tons of LNG per year was recently signed in Singapore.

#### VALUE CHAIN OF LNG

Natural gas transforms into liquid. This is done for easy storage and transportation since it reduces the volume occupied by gas by a factor of 600. LNG is transported in specially built ships with cryogenic tanks. It is received at the LNG receiving terminals and is re-gasified to be supplied as natural gas to the consumers. LNG projects are highly capital intensive in nature. The whole process consists of five elements:

1. *Dedicated field development and production*
2. *Liquefaction plant*
3. *Transportation in special vessels*
4. *Re-gasification plant*
5. *Transportation and distribution to the consumer*

LNG supply contracts are generally of long term in nature and the prices are linked to the international crude oil prices. However, the LNG importing countries has in recent times started asking for medium/short term contracts with varying linkages.

#### LNG RE-GASIFICATION FACILITIES STATUS IN INDIA: EXISTING, PROPOSED, UNDER CONSTRUCTION AND APPROVED

Petronet LNG Ltd. has constructed a 5 MMTPA capacity LNG terminal at Dahej in Gujarat. The terminal was commissioned in February 2004 and commercial supplies commenced from March 2004. PLL has expanded this terminal to 10 MMTPA in 2009 to meet growing demand of LNG.

Shell's 2.5 MMTPA capacity LNG terminal at Hazira, Gujarat has also been commissioned.

Dabhol LNG terminal (total 5 MMTPA capacity, with about 2.9 MMTPA available for merchant sales) at Ratnagiri was also expected to be completed by the end of 2011.

Construction of Kochi terminal, with 5 MMTPA capacity, is in full swing. The mechanical completion of the facility is expected in mid-2012.

Port of Mundra, Kandia Port, Paradip and Tuticorin are also some proposed projects.

Mangalore terminal still falls in the category of approved projects after several delays.

#### POTENTIAL FOR NORWEGIAN COMPANIES

Several lucrative opportunities as well as challenges lie within the value chain for Norwegian companies in the growing LNG sector of India. With vast experience in the maritime and petroleum industry, Norwegian companies are fully equipped to capitalize their technological and other competencies that would be beneficial for India to secure its long term energy needs.

Possible areas of co-operation include LNG regasification solutions, small scale LNG distribution, LNG as marine fuel, LNG bunkering and ship to ship transfer, maritime technologies and standardization activities. Norwegian companies could make use of their unique experiences to benefit Indian companies by supplying vessels and on-board equipment and steering joint development of advance maritime technologies. It could also provide advisory services to better manage safety and environmental risks that come with the expansion of the LNG sector in India.

## // SHIPPING

**LIKE NORWAY, INDIA HAS BEEN BLESSED WITH A LONG COASTLINE.** Hence, the shipping industry is big. The maritime transport accounts for 95% of the country's total trade in volume, and about 70% in terms of total value. India is among top 20 in the world, and the leading of the developing nations in terms of merchant shipping fleet. The Gross Tonnage (GT) under the Indian flag was 10.1 million GT in 2010 with 1029 ships in operation. Globalization, increase in import of LNG, and the transformation from a protected environment in the cargo traffic are factors that could increase the positive development for the shipping industry in India.

**THE 13 MAJOR PORTS OF INDIA** accounted for approximately 66% of the total cargo traffic, while there are about 200 non-major ports that control the remaining traffic. The ports act as an interface between coastal transport and land transport. Since 2006 the cargo traffic at Indian ports has had a steady increase despite times with recession. The Government of India (Gol) manages the major ports, and the state governments are in charge of the non-major ports.

**THE SHIPPING INDUSTRY IS REGULATED BY BOTH INTERNATIONAL AND DOMESTIC LAWS.** The International Maritime Organization has a set of rules to ensure safety and secure efficiency worldwide. The most important acts that regulate the domestic shipping industry are: The Merchant Shipping Act (1958), The Inland Vessel Act (1917), The Coasting Vessels Act (1838), and The Multi modal Transportation of Goods Act (1993). Indirectly, legislations such as The Indian Ports Act (1908), The Dock Workers Act (148) and The Major Port Trusts Act (1964) are formulated to regulate the industry. The wide regulatory framework in India adds costs to the conformity of such set of laws and makes stricter entry barriers for the industry. See "Regulations, bureaucracy and law enforcement" for more information on how to overcome these barriers.

**A RECENT DEVELOPMENT** that has been conducted to enhance private investments and improve the service quality

in the maritime sector is the National Maritime Development Programme (NMDP), launched by the Gol in 2005. Other significant improvements conducted by the Gol are developments of inland container depots and container freight stations to ease the cargo distributions at Indian ports. Over 24 greenfield ports are expected to be commissioned between 2016 and 2025. These projects will add a significant capacity to the ports and facilitate the increase. These projects and enforcement of new laws reflects the optimism in the industry and the great potential India has in this sector.

**WITH ITS LONG COASTLINE AND CHEAP LABOR** the opportunities for foreign companies are escalating. The massive growth in LNG trade globally is also a great opportunity for the Indian shipping industry. Currently, India only has two LNG terminals, but more are planned. The potential in this sector is huge, the emerging economies' need for energy is consistently growing, and because LNG is environmental friendly and safe this is a great potential for the Indian shipping industry. The challenges, on the other hand, are the expenses that follow. For one ship to carry LNG, it costs about US \$200 million. The Indian shipping companies therefore need to build up strategic tie-ups with their foreign counterparts to be able to take on this opportunity. Consequently, this should be of great interest for Norwegian companies. The tax burden in the shipping industry is another barrier for foreign companies considering India and one reason that many of the Indian ship owners prefer to flag out their ships. The global practice change from profit-based taxes to tonnage taxes, were of great benefits for the ship owners. Even though, there are still too many regulations and different taxes that need to be taken into account. The Research Paper by the Ministry of Finance lists out several of these taxes. The minimum alternate tax, dividend distribution tax, VAT on ships, sales tax, wealth taxes, and seafarers taxation on employees are just a few examples of the many taxes that need to be taken into consideration.



**OTHER IMPLICATIONS AND CHALLENGES** for the Indian shipping industry are the decline in overseas trade. A decline of about 53% over the last 30 years is a major problem. The reduction in overseas trade is due to high transportation costs, port delays and poor turnaround time of coastal ships on account of over-aged vessels. The majority of the Indian vessels are over 20 years of age, which reduces their competitiveness compared to foreign vessels. Heavy capital investments are required to change this decline, and the infrastructure needs to undergo large transformation. The Indian shipping companies are striving to acquire changes and are putting pressure on the government. Shipping analysts have also concluded that there is an urgent need for the government to improve their role as a facilitator, and to create opportunities for a better business climate that will attract new investments in the shipping industry.

**INNOVATIVE METHODS** are needed to raise more resources, and one finance model that would have suited the Indian shipping industry is the Norwegian limited partnership structure (KS model). This structured financing model is a tax deferral method employed to finance ship acquisitions. Such a model is not yet present in India, but much needed according to the Directorate General of Shipping, Government of India. Accordingly, both the government and the Indian shipping companies are contributing to develop and support the growth in the industry. Despite the mentioned challenges and obstacles, India still has the potential to become amongst the leading shipping nations in the world. Consequently, to be positioned in the market when the growth starts expanding is a great advantage.

**DURING OUR COMPANY VISIT TO KONGSBERG MARITIME IN MUMBAI** they emphasized some of the challenges they find in the maritime industry in India. As mentioned earlier the infrastructure is a huge obstacle and need to develop in order for the shipping industry to grow. The piracy problem is also a big challenge, and need to be focused on. Another trend is that more small companies now are entering the market

and the competition is getting tighter. Consequently, building network and make good relations to shipyards, owners and partners become essential before entering India. The advantages compared to Norway, are cheaper qualified labor and being closer to the customers. India has a large labor force of qualified engineers and the fact that English is widely known makes the cooperation between the two cultures easier.





## // AQUACULTURE

**AQUACULTURE IN INDIA HAS A LONG HISTORY.** There are references to fish culture in Kautilya's Arthashastra (321–300 BC) and King Someswara's Manasoltara (1127 AD). The traditional practice of fish culture in small ponds in eastern India is known to have existed for hundreds of years. Significant advances were made in the state of West Bengal in the early nineteenth century with the controlled breeding of carp in bundhs. Fish culture received notable attention in Tamil Nadu (formerly the state of Madras) as early as 1911. Subsequently, states such as Bengal, Punjab, Uttar Pradesh, Baroda, Mysore and Hyderabad initiated fish culture through the establishment of Fisheries Departments (FAO).

**INDIAN AQUACULTURE HAS DEMONSTRATED A SIX-AND-HALF-FOLD GROWTH** over the last two decades, with freshwater aquaculture contributing over 95 percent of the total aquaculture production. The production of carp in freshwater and shrimps in brackish water is the major areas of activity today (FAO).

**CONSIDERING THE SUBSTANTIAL CONTRIBUTION AQUACULTURE MAKES TOWARDS SOCIO-ECONOMIC DEVELOPMENT** In terms of income and employment through the use of unutilized and underutilized resources in several regions of the country, environmentally friendly aquaculture has been accepted as a vehicle for rural development, food and nutritional security for the rural masses. It also has immense potential as a foreign exchange earner, which is important for India. Greater R&D support with strong linkages between research and development agencies, increased investment in fish and prawn hatcheries, establishment of aquaculture estates, feed mills and ancillary industries have all been identified as important areas for maintaining the pace of growth of the sector (FAO).

**INDIA HAS A TOTAL PRODUCTION OF APPROXIMATELY 8 MILLION TONS OF SEAFOOD** where 800 000 tons are exported. More than half of the production is farmed fish and shrimps. The latter are by far the most important species. The export accounts for approximately \$ 3 billion (CIFE/Nielsen, 2012). The largest importers of Indian fish are US, China and Japan. The Middle East is considered as a strong upcoming market.

**DURING OUR STAY IN MUMBAI,** we had scheduled a day at the Central Institute of Fisheries Education (CIFE). We met different scientists and students. This gave us a deeper understanding of the Indian aquaculture. The professors at CIFE called for more venture capital in order to explore and exploit more deepwater fishing. The professors thought that the regulation of the industry has improved significantly over the years and that it is at a sustainable level. This is nonsense, according to Harald Nævdal (commercial counselor at Innovation Norway in Delhi). We will cede from taking a

standpoint on who is right and wrong.

**OPPORTUNITIES FOR NORWEGIAN COMPANIES.** The most important thing from the perspective of Norwegian aquaculture companies is the simple fact that India has a huge aquaculture industry which is growing at a steady pace. This creates some opportunities for Norwegian companies with core business within the field. In particular, two areas are considered of interest: Fish feed and general know-how. Optimal feeding of the fish is crucial to keep the costs as low as possible. Since India is such a huge producer of farmed fish, so is the market for fish feed. Norway holds some of the most advanced fish feed producers in the world and they have extensive knowledge about designing optimal feeding schedules, obtained by many years of R&D. Even though the species differ between Norway and India it should be possible to take advantage of knowledge already acquired and hence use it in the Indian market.

Furthermore, Norwegian know-how could be useful for Indians. This applies to salt water fish farming in particular. This is due to the less developed sea farming in India as well as the Norwegian progress in the area the last decades. We are not able, however, to recommend what a business model should look like. But we feel confident that it exists market opportunities for Norwegian firms holding the know-how. This relies on an assumption that political and cultural barriers are feasible. Another issue any company considering entering the Indian market should be aware of is the infrastructure. These issues are elaborated on in other parts of the report. Especially firms which can contribute with new technology or exclusive know-how are in a good position to succeed in such a complex country as India.





## // IT

**THE INDIAN IT/ IT ENABLED SERVICES (ITES)** has played a key role in putting India on the global map. Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India.

**THE INDIAN IT-BPO SECTOR**, including the domestic and export segments, continues to gain strength, experiencing high levels of activity both onshore as well as offshore. The companies continue to move up the value chain to offer higher end research and analytics services to their clients. The Indian IT-BPO industry has grown by 6.1% in 2010, and is expected to grow by 19% in 2011 as companies are coming out of recession harness and they face the need for information technology to create competitive advantage. India's fundamental advantages – abundant talent and cost – are sustainable over the long term. With a young demographic profile and over 3.5 million graduates and postgraduates that are added annually to the talent base, no other country offers a similar mix and scale of human resources.

**REALIZING THE WEALTH OF POTENTIAL IN THE IT-ITES SECTOR**, the central and state governments are also working towards creating a sound infrastructure for the IT-ITeS sector. CII aims to make the Indian IT and ITeS industry world class by continuously providing a platform for understanding and adoption of the new developments and best practices worldwide in this sector. This includes taking up concerns and issues of the Indian industry with the relevant ministries at National and State level, coming up with studies, reports and surveys to help understand the potential of Indian IT and ITeS market and the issues faced.

**AS ONE OF THE KEY GROWTH ENGINES OF THE ECONOMY**, the Indian IT/ITeS industry has been contributing notably to the economic growth accounting for around 5.6% of the country's GDP and providing direct employment to about 2.3

million people and indirect employment to many more. Emerging trends in service delivery like Cloud Computing and Platform BPO are likely to remodel the industry by creating new business opportunities for the IT/ITeS vendors and driving changes in the traditional service offerings.

**THE INDUSTRY** is categorized into four broad segments:

- 1) *IT services*
- 2) *Software products and engineering services*
- 3) *IT enabled services (ITeS – BPO)*
- 4) *Hardware*

**THE GROWTH IN IT/ITES SEGMENT FOR THE NEXT FIVE YEARS** is expected to be driven by a shift in the service mix towards higher value services like business analytics, knowledge process outsourcing (KPO) including legal services, etc.









## // EPILOGUE

**INDIA OFFERS CONSIDERABLE OPPORTUNITIES BOTH ON THE SUPPLY AND DEMAND SIDE.** Cheap, skilled labor and a vast and emerging consumer market - and an even bigger potential market when more and more are lifted out of poverty - make it attractive for Norwegian companies to explore this gigantic democracy. The challenges and risks are however many and decisive. India is a 1.2 billion democracy, and the complexity of the society is almost beyond our understanding. The contrasts and regional differences are so substantial that India is often considered a continent rather than a country.

**WIDESPREAD CORRUPTION, A CONTEXTUAL WORLDVIEW, A TOTALLY DIFFERENT MINDSET** and culture, poor infrastructure and a heavy and unpredictable bureaucracy are the main challenges for Norwegian businesses. Corruption is a result of the general mindset and philosophy and the tradition of emphasis on respect, loyalty and tight networks and relationships. The infrastructure fails to keep up with the general development of the country and severely slows down the progress. The complex and chaotic bureaucracy is a result of what some call “too much democracy” and decision making processes are slow and inefficient. Some claim it is the price you have to pay for a democracy of this proportion. The unpredictability in the regulatory bodies also hinders foreign investments. Entering India requires considerable financial strength, local knowledge and masses of patience. A way to increase your chance of success is to spend time ahead of entry on establishing relationships and partnerships so that you are well connected and have thorough local expertise and knowledge when you choose to enter India.

**NORWAY HAS A LOT OF KNOW-HOW AND RESOURCES THAT ARE VALUABLE** for a fast developing country like India. Our expertise in the energy and maritime sectors is especially important and can benefit Indian as well as Norwegian stakeholders. Healthy trade and interaction is possible and the best case scenario is a win-win situation where we all exploit the competitive and comparative advantages that exist. In pursuing this, the challenges mentioned above have to be given appropriate attention. The obstacles are substantial, but not impossible to overcome. Local knowledge and expertise, solid networks, thorough research done in advance and patience are the factors we believe are the keys to success in incredible India. Good luck!



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2008/2009: Malaysia  
2007/2008: Vietnam  
2006/2007: Brazil  
2005/2006: India  
2004/2005: China  
2003/2004: Russia  
2002/2003: Turkey  
2001/2002: Poland  
2000/2001: South Korea  
1999/2000: Brazil  
1998/1999: The Baltic States  
1997/1998: Indonesia  
1996/1997: India  
1995/1996: South Africa  
1994/1995: Chile  
1993/1994: Hungary  
1992/1993: Mexico  
1991/1992: Portugal  
1990/1991: Russia and the Baltic States  
1989/1990: Thailand  
1988/1989: China  
1987/1988: Italy  
1986/1987: Australia  
1985/1986: Brazil  
1984/1985: Singapore



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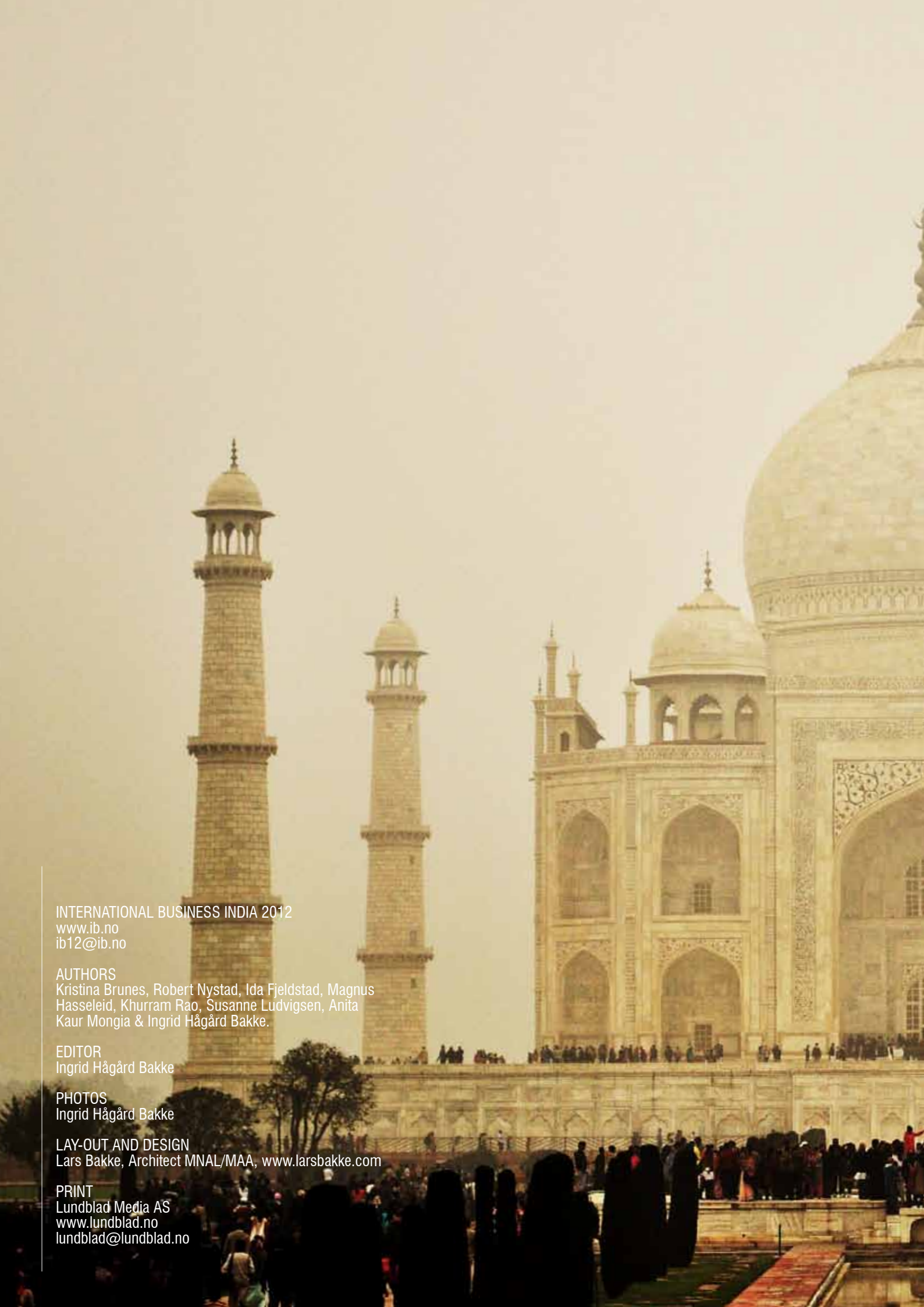
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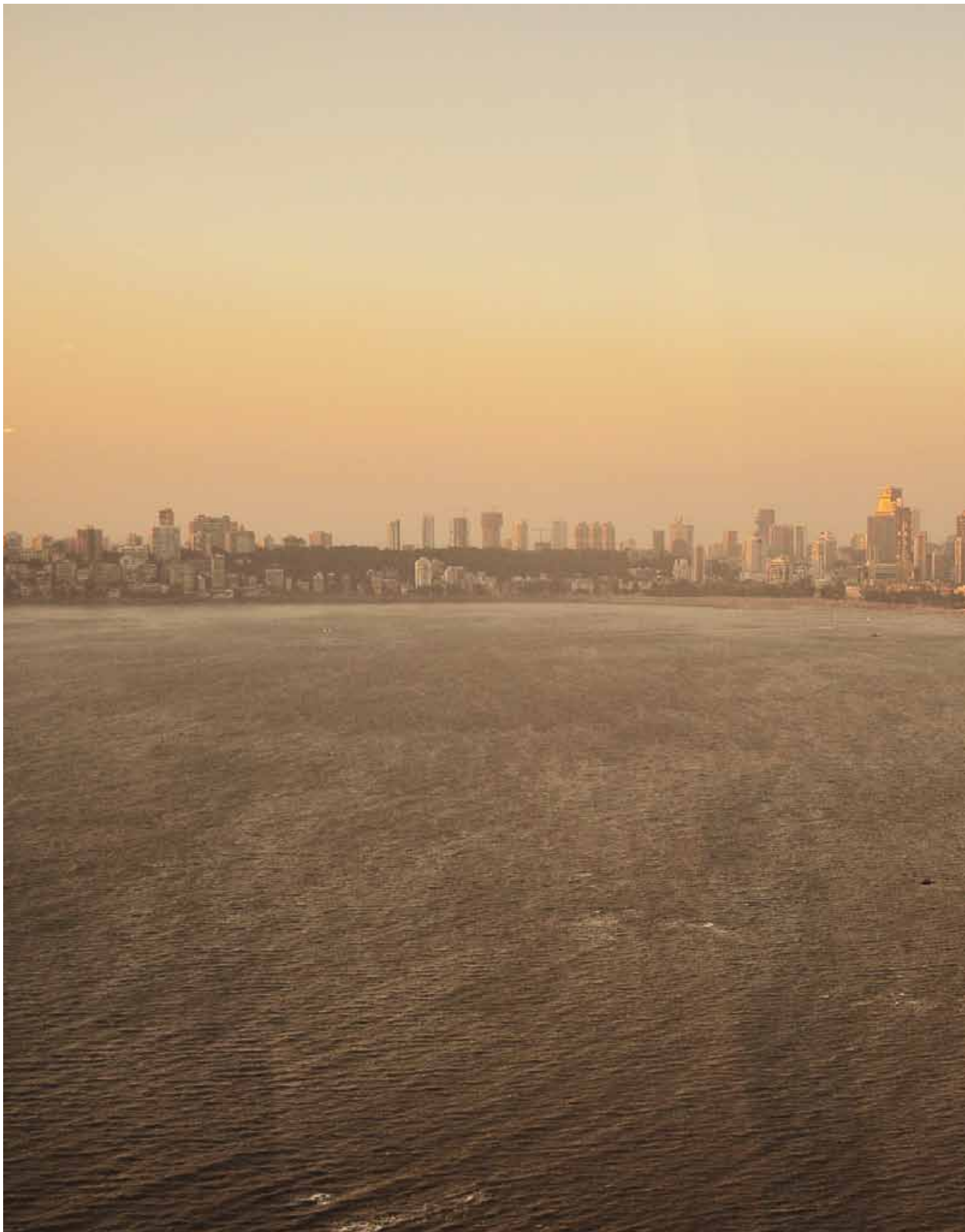
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