Maritime Opportunities: India
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OVERVIEW

Population (millions) 1,241.5
GDP (US$ billions) $1,825
GDP per capita (US$) $1,492
GDP (PPP) as share of world total 5.63%
Military expenditure as share (%) of GDP 1.8%
Military expenditures, country comparison to the world 77
Human Development Index 2012 (UN) Score: 0.554 Rank: 136/187

DOING BUSINESS IN INDIA

GENERAL CONSIDERATIONS

Global Competitiveness Index (World Economic Forum) Score: 4.3 Rank: 60/148
Doing Business 2014 (World Bank) DTF: 52.74 Rank: 134/189
Trading Across Borders (World Bank) DTF: 57.51 Rank: 132/189
Economic Freedom (Heritage Foundation) Score: 55.2 Rank: 119/177
Trade Freedom (Heritage Foundation) Score: 63.6 Rank: 149/177

TECHNOLOGY AND INNOVATION

Technological Readiness (GCI – WEF) Score: 3.2 Rank: 98/148
Innovation (GCI – WEF) Score: 3.6 Rank: 41/148

SECURITY CONCERNS AND CORRUPTION

Institutions (CGI – WEF) Score: 3.9 Rank: 72/148
Corruption Perceptions Index 2012 (TI) Score: 36 Rank: 94/176
Freedom from Corruption (HF) Score: 31 Rank: 93/185

Doing business in India presents tremendous challenges and opportunities. As often noted, India is the world’s largest democracy. India has the second-largest population and the 10th largest economy, but it also stands among the world’s poorest countries, with a vast gulf separating its impoverished masses from a wealthy elite.

The deregulation and expansion of India’s economy, driven by a booming IT sector, has been the country’s great success story over the past two decades. Between 2002 and 2011, the country’s average annual rate of growth was an impressive 7.7 percent. More recently, growth has slowed to 4.4 percent per year, and some persistent weaknesses have begun to deflate the Indian economic miracle.¹

According to the Global Competitiveness Report 2013-2014, India now ranks 60th in the world in overall market competitiveness, “continuing its downward trend that began in 2009… The country’s supply of transport, ICTs and energy infrastructure remains largely insufficient and ill-adapted to the needs of the economy… The Indian business community repeatedly cites infrastructure as the single biggest hindrance to doing business, ahead of corruption and cumbersome bureaucracy… Meanwhile, the situation has deteriorated further on the macroeconomic front, with India now 110th in this pillar. The inflation rate and public deficit-to-GDP ratio is the second highest among the BRICS… Furthermore, the situation has worsened in terms of labor market efficiency (99th), where the most salient problem remains the dismally low participation of women in the workforce. With a ratio women-to-men of 0.36 (137th), India has the lowest percentage of working women outside the Arab world.”

Widespread discontent with the status quo, and particularly with the government’s inability to combat corruption, has already made next spring’s general election a competitive one. Prime Minister Manmohan Singh’s Congress Party, also represented by Sonia and Rahul Gandhi, faces a serious challenge from the divisive but charismatic Hindu nationalist Narendra Modi, who was selected this fall as the Bharatiya Janata Party’s candidate for prime minister.

Obstacles to initiating a business relationship in India include the issues mentioned above, as well as a high degree of protectionism and less-than-transparent government regulation. India’s great appeal as a partner in trade is the size and upward mobility of its overall market. For all of the country’s inequalities and inefficiencies, the U.S. Commercial Service’s Country Commercial Guide reminds us of projections that “more than 400 million people, a full 40 percent of the population, will enter India’s middle class over the next 15 to 20 years.”

The Obama administration has identified the U.S.-India relationship as “one of the defining partnerships of the 21st century,” and has sought to strengthen the countries’ political, military and economic ties through a variety of initiatives. Bilateral trade has increased 40 percent since 2009. Given’s India’s shared (and contested) border with Pakistan, and its proximity to other geopolitical hot spots in Central Asia and the Middle East, cooperation on security issues has been particularly important. The Country Commercial Guide singles out Defense and Civil Aviation as one of 10 top sectors for U.S. export, emphasizing that “the Indian defense sector is one of the fastest growing markets globally for the acquisition of military hardware and technology.”

**PROCUREMENT STRUCTURE**

Defense procurement is centralized in India. Within the Ministry of Defence, two departments are responsible for defense procurement: the Department of Defence and the Department of Defence Production. In the Department of Defence, the Acquisition Wing is responsible for all defense purchases from foreign countries, including purchases that contain a domestic production offset. The Department of Defence Production is responsible for all domestic production.

Indian defense procurement policy is set in the Defence Procurement Procedure (DPP), the latest amendments to which were issued in August 2013. India pursues an aggressive policy of developing its defense industrial base, often referred to as “indigenation.” Offsets are often required with major defense procurements, particularly those for high-technology systems and equipment.

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RESOURCES

» U.S. Department of Commerce, U.S. Commercial Service India
   http://export.gov/india

» Department of Defence Acquisition Wing, Maritime and Systems
   https://mod.nic.in/forms/List.aspx?lid=1620&Id=61

» Ministry of Defence Acquisition Wing, presentation “Defense Procurement Procedure 2013”
   www.sourceindia-electronics.com/SES/Download/Col.%20Dipendra%20Rawat.pdf

» Government of India Press information Bureau, Salient Features of Defense Procurement

» Defence Offsets Management Wing