



Industry Perception Survey
Doing Business with Indian
Ocean Neighbours

March 2017

SURVEY FINDINGS

The Indian Ocean has been a fulcrum of Indian diplomacy. According to the Government of India, maritime trade accounts for about 75 per cent value and more than 90 per cent of volume of Indian trade

India enjoys a strategic location within the Indian Ocean region. In the background of the growing security and economic dimensions of this region, the imperatives of cooperation and the need for adept diplomacy are evident.

Prime Minister Narendra Modi has endorsed the imperative to form a close connect with nations in the Indian Ocean Region during his visit to Seychelles, Mauritius and Sri Lanka in 2015 and his maiden trip to the East African countries of Kenya, Tanzania, Mozambique, and South Africa in 2016.

Possessing a population of 2 billion people with 9% of world GDP, 12% of global exports and 18% of global investment flows, the IOR region has enormous economic potential to expand and grow. Countries of the Indian Ocean Rim Region are brought together under the umbrella of the Indian Ocean Rim Association (IORA).

IORA will be celebrating its 20th Anniversary in March 2017. Indonesia, as the current Chair of IORA, will host the first ever IORA Leaders' Summit on 7 March 2017 in Jakarta under the theme "Strengthening Maritime Cooperation for a Peaceful, Stable, and Prosperous Indian Ocean". The Summit will bring together the Leaders of the 21 IORA Member States and its 7 Dialogue Partners.

As a run up to the Summit, FICCI, in its capacity as the Business Secretariat of IORA in India, conducted a perception survey to take a stock of the current sentiment within the Indian industry on the economic potential of India's engagement with the Indian Ocean region. The companies surveyed share deep trade and investment linkages with the IOR region. Responses were received from respondents across India and through regional stakeholder consultations in 3 metropolitan coastal cities namely – Kolkata, Mumbai and Chennai. The companies represent

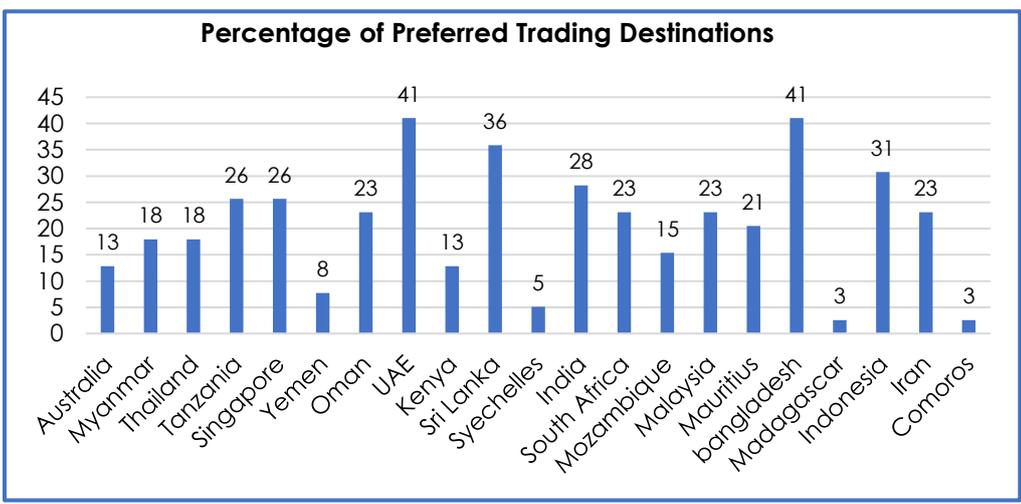
wide span of sectors including fisheries and aquaculture, renewable ocean energy, seaports and shipping, offshore hydrocarbons and seabed minerals, manufacturing, construction, electricity, gas and water supply, business services, trading and renting, banking and financial services, health and education and information and communication technology, to promote the Blue Economy as a driver for sustainable development; research and development; investment, technology transfer and capacity building.

Highlights of the Survey

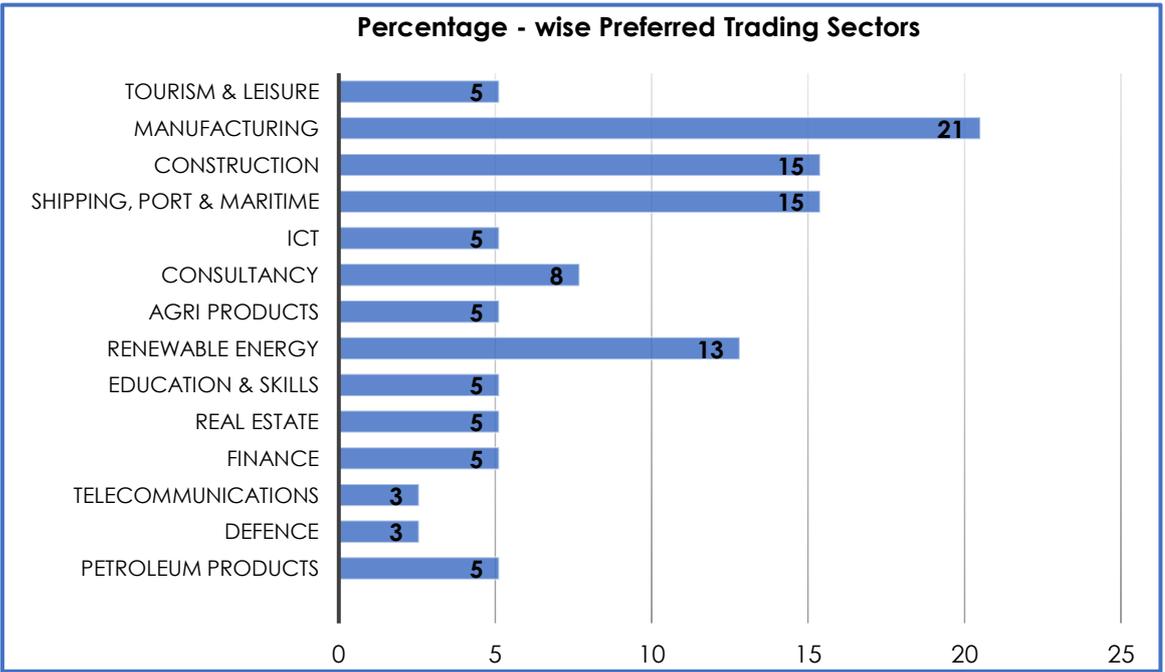
- ✚ An overwhelming majority of respondents were upbeat about opportunities for trade and investment expansion within IORA and complementarities that India can tap with IORA.
- ✚ Manufacturing - both for IORA nations and for collaborative projects was rated quite high by the respondents reinforcing Government of India's 'Make in India' initiative.
- ✚ Moreover, better trade facilitation, appropriate dissemination channels, access to financial resources for smooth functioning of SMEs and innovative business models to encourage women entrepreneurship are some of the suggestive measures by the respondents to turn the region pro-business and investor friendly.

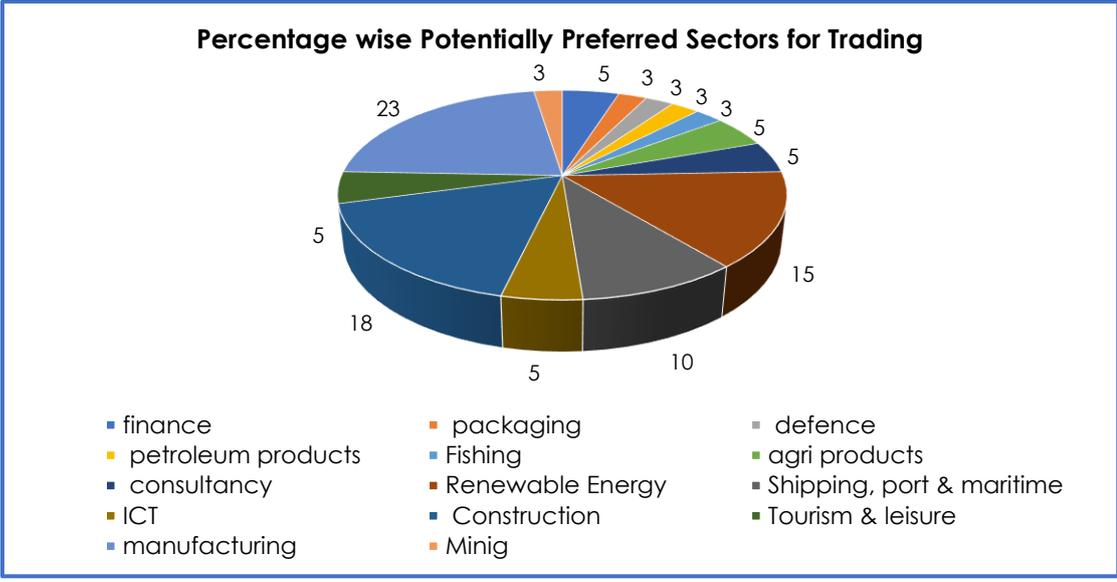
SURVEY FINDING IN NUMBERS

Over **65% of the respondents** trade in the Indian Ocean Rim (IOR) region with their most **preferred trading destinations being UAE and Bangladesh followed by Sri Lanka** reinforcing South Asia’s growing prominence among favoured trade destinations. It has been observed that there is a lot more potential in countries such as Madagascar and Comoros to promote trade and investment through better trade facilitation measures.



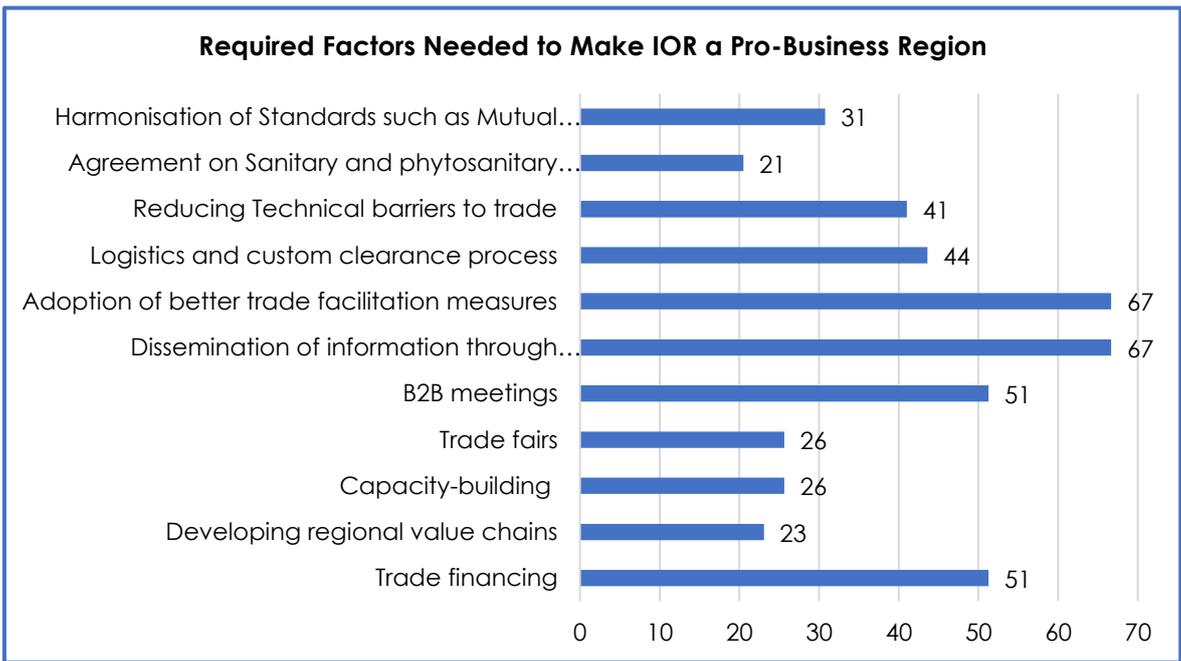
The **respondents have rated manufacturing as the most preferred sector for trade** followed by construction, shipping, port and maritime logistics and renewable energy



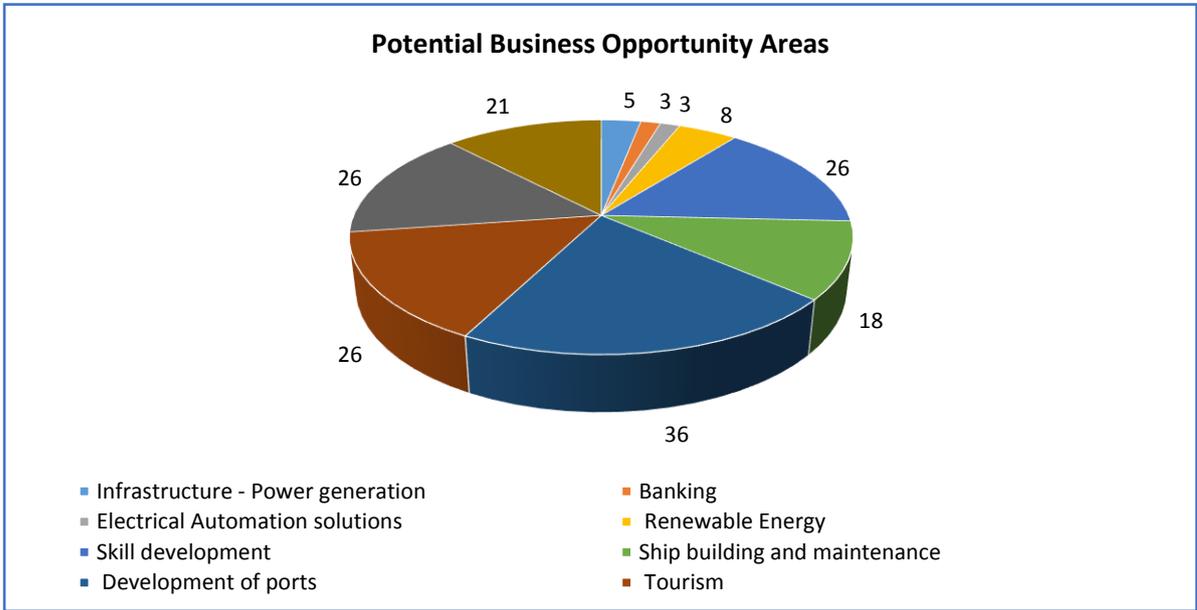


Such preference pattern is in line with Government of India’s strategic expansion plan infrastructure development.

✚ The respondents rated **better trade facilitation and appropriate dissemination channels as the most important measures for turning IOR into a pro-business region**. Within trade facilitation, reducing technical barriers to trade was the most important requirement followed by harmonization of standards and agreement on sanitary and phytosanitary measures. Moreover, B2B meetings were considered the most suitable means of information dissemination among the industry players. Trade financing was also rated as an important measure for business expansion in IOR region.



- As far as the flagship initiatives undertaken by the Government of India are concerned, **46 percent respondents believe that India’s Make in India initiative would be most relevant for the IOR region followed by the Skills India initiative** (around 36 percent).
- Among other big bang announcements on infrastructure development, the Government of India has launched the ambitious Sagarmala initiative under which it is expected to implement development projects worth over INR 5 lakh crore. **The respondents expect to generate their prime business opportunity, through this initiative, in the development of ports followed by skills development and the development of national and inland waterways.**



- The respondents strongly felt the **need for industry capacity building for EXIM bank’s and other development assistance programmes for countries in the IOR region.**
- Leveraging regional trading agreements and regular sharing of business information as well as exchange of delegations were the next in line preferred categories for building industry capacities.** The respondents also had certain recommendations when it came to capacity building under the category of ‘information on regulatory and policy environment in the region’. For instance, respondents doing

business in Middle East (UAE), South Asia, ASEAN and Africa (primarily in South Africa) felt the **need of infrastructure development at the ports of India** – in terms of maritime naval bases and container facility. The respondents also felt that **India should maintain a preferred nation status with the IOR countries** for easier flow of trade and investments. Respondents from Sri Lanka and Bangladesh felt a need for **long term stabilized policy framework on tariffs and import regulations**.

- ✚ The idea of women entrepreneurship in IOR region is gaining momentum slowly and steadily. When enquired on how India could better its ways to support this idea, around **56 percent of the respondents felt that creating innovative business models for women would ensure empowerment and growth of women entrepreneurs. 49 percent also felt the need of integrating women in Indian supply chain markets** while 46 percent also felt that there was an inherent need for creating greater financial access for women entrepreneurs in the informal sector of the economy. Surprisingly, the creation of an enabling policy dialogues and capacity building through entrepreneurial networks was not given much emphasis by the respondents, reinforcing the need for business model led growth of women entrepreneurship.
- ✚ The facilitation of micro, small and medium enterprises in IOR region is a very important topic of deliberation among the stakeholder countries. Government of India is promoting the **need for advancing mutual cooperation among IORA SMEs** for joint market collaborations, transfer of technology and forming joint ventures so as to enable SMEs to actively participate in the Blue Economy's development. The respondents were asked to rate the obstacles hindering the growth of SMEs in this region. According to them, lack of **access to financial resources was considered the largest hindrance for the smooth functioning and growth of SMEs in the IOR region**. The respondents also rated market access problems and lack of skilled labour and knowledge exchange among the SMEs as hurdles.
- ✚ **As the concept of Blue Economy and sustainability is organic to cooperation in IORA, over 55 percent of the respondents declared that their respective companies were taking appropriate measures to align their business activities with the ideas**

of sustainability, the popular among them being **compliance to sustainable standards and certification** followed by innovation and technological developments and adoption of zero waste policy.



- The respondents from the industry were also requested to make recommendations for refining India's economic agenda of India with the Indian Ocean Region. **The key suggestions included creation of dispute settlement mechanism to address NTBs; conducting sensitization programmes, promoting business networking** such as trade fairs, **development and growth of SMEs through capacity building, improving inter-country connectivity** such as transit and transshipment arrangement, **onshore and offshore shipping facilities** such as dedicated port and warehousing facilities in member countries; **ensuring sustainable business practices** such as innovative models, single window operations for clearance of shipments, integration and development of technology (for instance the use of hybrid vehicles), **setting up standards and industry best practices**, etc; ensuring sustainable financial back up arrangements especially for SMEs; implementation of investor friendly policies, trade and export incentives and enabling policy environment for the investors and lastly, ensuring cooperation and collaboration with the member countries to address security issues such as terrorism, cyber-attacks, Weapon of Mass Destruction (WMD) & Asymmetric warfare, natural disaster management.