

Need to adapt to 'the Indian way'

DESPITE India's obvious economic potential, it is still a hard country to engage, Singapore businessmen find. Yet they cannot afford to keep ignoring this trillion-dollar economy that has one of the fastest growth rates in the world.

The Singapore government understood India's economic potential well before the rest of the world and began a vigorous process of engagement way back in the early 1990s. Today, Singapore is one of the few countries with which India has a Free Trade Agreement (FTA). Singapore-India trade was valued at about US\$15.5 billion in 2007-08. Also, Singapore is the second largest investor in India with foreign direct investment (FDI) standing at US\$3.6 billion in 2008. India's investments in Singapore have increased almost 10-fold since 2005 to reach S\$12.8 billion in 2007.

Despite robust engagement initiated by the government, there is still a lack of understanding of what works in India and what doesn't among Singapore's business

people. This inhibits even more vigorous economic ties.

In this context, Minister for Law and Second Minister for Home Affairs K Shanmugam's recent speech at the fifth international conference on South Asia, organised by the Institute of South Asian Studies, is significant.

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He pointed out that it is necessary to appreciate the fact that India is engaged in a unique political experiment that has not been tried by any other society. After its independence, the country gave voting rights to its entire population that comprises a mixture of the most diverse ethnic and religious combination imaginable.

As a result, hard decisions – that can be unpopular over the short term – are very difficult to take, with so many competing interests. Things get done in India but at their own pace. Improvements that are taken for granted as being the top priority for a developing economy – such as new infrastructure and educational reform

– are not easy to implement. In such a situation, outsiders have to accept the system in India, as it is, and work with it. "You can call it the price of democracy," as the minister put it. "One needs to make a realistic assessment of what is doable in India, and there is no place for prescribing, theorising and romanticising," Mr Shanmugam said.

If Singapore business people can do that, the rewards can be considerable, because despite the fits and starts, the Indian economy is certainly on the move. For example, the government has announced plans to boost infrastructure investment to more than 9 per cent of gross domestic product (GDP) by 2014. India's per capita income doubled in the past seven years and is estimated to hit US\$4,000 by 2025.

India holds a lot of promise for the savvy investor – with emphasis on the word "savvy", as Mr Shanmugam said. More importantly, it is too big a market to ignore.