



The Knowledge to Decide

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Infrastructure in India

Synopsis

The issue of infrastructure has been the biggest factor hindering the development of India. Will India ever overcome the difficulties they have in their manufacturing industries to be as strong as they are at present in the service sectors? Group Managing Director of Spire Research and Consulting, Mr Leon Perera, comments on India's developments.

"The big issue that India has faced in terms of infrastructure, for example the roads, the electricity, the ports, the airports and so on, has been the biggest factor hindering the development of India. Since India began opening up in '91, until recently, the progress of infrastructure has been very poor and has been a zig-zag process.

But I think if you look at two developments, you will see that India is turning the corner on the infrastructure question. Firstly if you look at the Special Export Processing Zones (SEZs), there are over a hundred SEZs now in India either in operation or under construction. Many international companies, like Nokia and automotive makers like Volvo, are actually producing in the SEZs. Construction has been taking place – land clearance has been done to relocate squatters or farmers away from their land, and this has already happened in the last five years or so. That's a confidence-building measure.

The other thing to look at is the organized retail sector in India. Now there are well over 500 retail malls either already operating in India or in various stages of construction and this is also new in the last three to five years. All of that construction had to take place by overcoming bureaucratic obstacles to get the land, to relocate people who used to be on the land, and so on.

So I think if you look at these two developments, India is moving in the right direction. The government has set aside over USD100 billion, as is well-known, for infrastructure spending in between 2007 and 2012. The situation at the airports has improved a lot – the subcontracting to contractors, the airport management. So basically... in the medium term, there is good prospect for India to overcome the issues of infrastructure to develop a manufacturing sector.

The last point I'll make is that the Indian elites – the political class – do understand that to create jobs, and to urbanize the country, they need to develop the manufacturing sector to imitate what is happening in China. So we see fairly healthy prospect, maybe not so much in the short term but in the medium term.”
