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What's it like to do business in India?

by [Martin Moylan](#), Minnesota Public Radio
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Several dozen Minnesota business and political leaders embark Saturday on a trade mission to India. Minnesota Gov. Tim Pawlenty is leading the delegation and says India's 1.1 billion people represent a huge and "largely untapped" market for Minnesota goods and services. But what's it like doing business with India?

St. Paul, Minn. — At a plant in White Bear Lake, a company called Cortec makes paints and other coatings that combat corrosion. On the factory floor, tireless mechanical arms stir the concoctions in vats about the size of hot tubs.

What's surprising is the sweet smell in the air. Most of Cortec's products are made from orange peel, sugar beets, corn and other agricultural products. So they're biodegradable.

Cortec CEO Boris Miksic says his sales to India have been steadily increasing.

"It's getting better and better. They are pretty much doubling every year."

Miksic says his sales are now \$2 million a year. He says more Indian manufacturers are striving to meet international standards for environmental friendliness. And prices for competing petroleum-based products have been rising with the price of oil.

"Our natural products based on Minnesota raw materials and Minnesota technology are very well received there," he says. "And I expect India someday to be the biggest market for Cortec, along with China."

Miksic's enthusiasm about India is shared by many business people who'll join him on the trade mission to India.

It can take you a couple of weeks to move product from one end of the country to the other.

- Rick Rossow
of the U.S.
India Business
Council

About 50 million Indians are middle class by that nation's standards. But some experts predict the number of Indians with middle class buying power will balloon to nearly 600 million by 2025.

That's one of the reasons Best Buy has a representative on the trade delegation. Spokeswoman Paula Prahel says the retailer can't help but scope out India as a new market.

"India is a dynamic market and every company that's trying to grow both domestically and internationally would have to look at India," she says.

But when it comes to India, U.S. companies need to blend enthusiasm with caution. That's the counsel of Claudio Lilienfeld, acting assistant

U.S. Trade Representative for South Asia. He helps negotiate trade issues with India.

"You got to enter it with eyes open," he says. "Sort of wide-open with enthusiasm but also vigilant and careful and being aware of the potential pitfalls."

Because of those pitfalls, India does not rank very high as a trading partner for Minnesota or the rest of the United States, accounting for only about 1 percent of exports. Even a small country like Belgium is a better export market for Minnesota and the United States.

There's a simple reason for that. India has significant trade barriers. Many policies are designed to protect millions of poor mom-and-pop retailers and subsistence farmers. Best Buy, for instance, can't enter India without having an Indian firm as a partner.

There can be a lot of hassles when it comes to doing business in India: Water shortages, power outages, slow government approvals for projects, corruption, and lax enforcement of intellectual property rights to name a few.

"It can take you a couple of weeks to move product from one end of the country to the other," says Rick Rossow of the U.S. India Business Council. The organization's members include Best Buy and Cargill.

"A lot of the big cities may have restrictions on trucks coming through. States may have tolls from one state to the other. For product moving back and forth, they may have taxes," Rossow says. "So, you'll be stuck in a truckers' line for some time before you're able to get rolling on the highways again. And plus the state of the highways is quite poor."

But business leaders figure India's business climate will steadily improve -- and its appetite for America goods will grow, too -- especially for food.

Devry Boughner, director of international business relations for the agribusiness giant Cargill, says India won't be able to feed itself.

"I think over time India will not have the luxury to place barriers on food trade. Because their population is expanding at such an incredible pace. And food availability will be critical issue."

Cargill already has a beachhead in India: a network of agricultural markets where Indian farmers can get paid in cash for their crops.

After 15 years of doing business in India, Boris Miksic also sees more potential than problems in India. And Miksic expects most of his fellow trade delegates will share his view when they return to Minnesota.

"Everyone should really seriously look at India," he says. "It's a prime market, prime target for just about any manufacturer in Minnesota."

The 73-member trade delegation will travel to New Delhi, Bangalore, and Mumbai for networking events, roundtable discussions and meetings with potential Indian customers, distributors and partners. Delegates return to Minnesota on Oct. 27.

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480 Cedar Street, Saint Paul, MN USA 55101 | 651-290-1212