The Standard Chartered
Trade Opportunity Report
High-potential export sectors for India and 10 key trading partners
As COVID-19, and global efforts to contain it, bring an unprecedented wave of human and economic hardship, businesses of all sizes are feeling the impact, and the pandemic has challenged even the most resilient global supply chains.

The crisis is also proving to be a sharp, yet important reminder of our global interdependence and its importance to people and businesses everywhere. It highlights the critical role that emerging markets play in economies far beyond their own borders and that, in today’s global marketplace, the struggles and successes of the emerging world are shared across the globe.

The Standard Chartered Trade Opportunity Report looks forward to when economies start to stabilise and reopen. At a time when our global ties are endangered by challenges from pandemics to protectionism, this study is a roadmap of trade possibilities, looking beyond immediate threats to highlight the medium-term opportunities for greater trade in an international market with globalisation at its heart. India, a rising giant, represents big potential for its key trading partners.

“We reveal USD21 billion in unrealised export opportunities to India, and a further USD17 billion in export opportunities for India in the other direction.”

India was one of the fastest-growing trillion-dollar economies in the world last year, overtaking the UK and France to become the fifth-largest economy. It has the second-largest population in the world, and a growing middle class that is driving a rapid rise in consumption.

As a result, India is one of the most important locations in the world for multinational corporations – both as a market, and as an increasingly significant link in their global supply chains. As many corporations look to diversify those supply chains in the wake of COVID-19, India could be a key beneficiary.

Our study uses a bespoke gravity trade model to examine exports between India and 10 of its most dynamic and economically diverse trading partners, contrasting historical export values with the model’s predictions to reveal underutilised export opportunities for India and its partners.

In this report, we reveal the trading landscape, breaking down opportunities worth an estimated USD38 billion annually: USD21 billion in unrealised export opportunities to India, and a further USD17 billion in export opportunities for India in the other direction.

“This report makes a case for a globalised world that puts thriving trade at its core.”

This report makes a case for a globalised world that puts thriving trade at its core. By showcasing the greatest trade opportunities into and out of India, it reveals the underexplored trade routes for individual businesses. Equally, by shedding light on trade routes that are not fulfilling their potential, it highlights where trade frictions might be hampering growth and the benefits that trade brings.

International trade was not without its challenges before the pandemic, and the unprecedented strain in recent months has been felt by every market in this study. However, in the race to recover and unleash fresh growth, trade must be allowed to flourish. After the crisis, the challenge is not to return to a pre-crisis baseline, but to champion trade as a lever of growth and prosperity, and build a robust, prosperous trade ecosystem that survives well beyond the shockwaves of COVID-19.
The Standard Chartered Trade Opportunity Report reveals the size of the export opportunities between India and 10 of its most dynamic and economically diverse trading partners: France, Germany, Indonesia, Malaysia, Singapore, South Korea, Thailand, the UK, the US and Vietnam. We project bilateral export opportunities using a gravity trade model, taking into account GDP, geographic distance, and other relevant variables.

Our study examines trade at a sector level, across both goods and services. We excluded commodity or commodity-like sectors from our data-set, focusing on sectors where there is a meaningful opportunity to add value. We refer to these sectors as “high-potential” sectors or exports throughout the report. These high-potential sectors play a critical role in export performance, collectively representing 82 per cent of total trade on these routes. Although some raw materials are mentioned in the report, they have been included because they are within product categories that also include value-added items. For example, the cotton category includes sewing thread, yarn, and fabric, and the copper category includes copper pipes, wire, and other copper products.

To calculate the export opportunity, we subtracted potential exports in a given sector — as indicated by our model — from actual exports in that sector to highlight opportunities to increase exports. Our model is static in the sense that it identifies opportunities that exist now. As India and the other countries in our study continue to grow and open up further to trade, these opportunities should multiply over time.

Research scope
This study identifies opportunities for increasing global trade to and from India by highlighting the gap between actual exports and potential exports as indicated by our gravity trade model. Our economic model reveals macro opportunities and does not account for specific tariffs and some trade frictions — including event-driven volatility in world trade such as the immediate economic and supply chain impact of COVID-19. The opportunities identified in this study therefore provide a medium-term outlook on which trade routes have the opportunity for growth in a post-COVID-19 world. Where barriers to trade may result in very large opportunities for trade growth according to our model (greater than 500 per cent of actual trade) we have added some context to explain this.

1 Data sources: For goods, we use UN Comtrade and for services, we use the OECD’s Trade in Value Added database (TiVA). Both are time-averaged for 2016-2018. See Methodology on p56 for more detail.
Executive Summary

The Standard Chartered Trade Opportunity Report focuses on the trade flows between India and 10 of its most dynamic and economically diverse trading partners – France, Germany, Indonesia, Malaysia, Singapore, South Korea, Thailand, the UK, the US and Vietnam. It reveals opportunities totalling an estimated USD38 billion annually: a USD21 billion opportunity for these markets to increase exports to India, and a USD17 billion opportunity for India to increase exports in the other direction. The key sector opportunities are set out in detail.

Mapping opportunities

India is the world’s fifth-largest economy, and one of the fastest-growing in the world. Its next challenge is to take its place as one of the globe’s most important trading nations. The size of the Indian market, and its increasingly critical role in global supply chains, mean India and its trading partners have much to gain.

The study also delves deeper into the exports on each trade route, providing a map of the greatest underexplored opportunities. This provides business leaders with insights to focus their growth, diversify their supply chains and seek out new markets – activities that will be even more important in an economic environment facing up to the long-term systemic challenges of COVID-19.

South Korea

South Korea, as one of the world’s largest vehicle manufacturers, has a USD288 million opportunity to increase automotive exports to India. This is mirrored by India’s opportunity to increase vehicle exports to South Korea, worth an estimated USD391 million annually.

ASEAN

Across the ASEAN markets – Indonesia, Malaysia, Singapore, Thailand and Vietnam – goods exports have more room for expansion than services. We identified a combined USD10.7 billion opportunity for ASEAN markets to optimise exports to India, with goods making up USD8.8 billion of the total. Indonesia and Malaysia could increase high-potential exports to India by around half, the most substantial increases of any market in our study in relative terms. The largest combined opportunity we identified across ASEAN markets is electrical machinery, with the three biggest opportunities being for Malaysia (USD986 million), Indonesia (USD903 million) and Singapore (USD669 million). Our data also highlighted room for significant growth in the textile industry, revealing a combined potential opportunity of USD380 million in cotton exports.

US and Europe

The US – India’s biggest trading partner and the market with the largest opportunity to increase exports to India in dollar terms – could increase its financial and insurance exports to India by USD3.5 billion annually, the greatest services sector opportunity in our study. The US could also increase exports of office administration and other business support services (USD870 million) and IT services (USD452 million) to India.

For European markets – the UK, France and Germany – it is goods exports where the greatest opportunities lie. Combined, these markets could increase goods exports to India by almost USD2 billion, while combined services exports could be increased by an annual USD1.2 billion.

Specifically, our study reveals a significant opportunity for the organic chemicals sector, worth a combined USD413 million across all three European markets. The UK, meanwhile, could follow Germany and France in increasing its exports of aircraft and spacecraft (including parts); the model reveals an opportunity to increase exports by USD175 million as India expands its aerospace capabilities.

In terms of services exports, the UK could increase its export of transport and storage services to India by an estimated USD495 million annually, the largest Europe to India export opportunity revealed by our study. France and Germany, on the other hand, could focus on increasing their exports of wholesale and retail trade: this sector holds the largest opportunity for France (USD149 million) and the third-greatest for Germany (USD54 million).

India’s export opportunities

Of the economies looked at as part of this study, Thailand and Germany offer the largest opportunity for India to increase exports, with each market offering a USD2.6 billion opportunity. On a sectoral level, however, India’s formidable IT services sector could increase exports by the greatest margin. The combined export opportunity is worth USD5.9 billion annually, the greatest services sector opportunity in our study. The US could also increase exports of office administration and other business support services (USD870 million) and IT services (USD452 million) to India.

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As one of the world’s largest economies (by GDP) and with a sizeable youth demographic and a growing middle class, India is an attractive market for exporters. As well as commodities like fuels and precious metals, India imports large amounts of electrical machinery, organic chemicals, and plastics and plastic items. There are some significant barriers to trade, however. Although import tariffs on goods were substantially lowered in the 1990s and 2000s, they have been raised again since 2017, and are now comparatively high. There are also relatively stringent restrictions on services trade. Against this backdrop, India has many opportunities to benefit from increased participation in the world economy and from greater participation in regional and global supply chains.

2 High-potential exports are defined as where an economy can add value, as opposed to raw materials.
3 View WorldExports.com article: “India’s Top 10 Imports” 2020
4 View Organisation for Economic Co-operation and Development (OECD) Ecoscope blog post: “India’s export performance: the goods and services nexus” 2020
India is well-placed to become one of the world’s most important trading nations, with much to gain from fulfilling its export potential. Although it is the fifth-largest economy, and home to the world’s second-largest population, it is only the seventeenth-largest export economy. The nation is a net importer of goods and services, and although its share of global exports has increased over the past two decades – from just 0.6 per cent in 1991 to 1.7 per cent in 2018 – this is low compared to its share of global GDP. India is also a world leader in the export of high-potential goods such as jewellery and generic pharmaceutical products, but it is the nation’s services industries where it particularly excels: services account for around 55 per cent of GDP, with particularly strong growth in recent years.

Combined opportunities identified to increase annual exports:

**USD 206.0bn**

representing **8%** of actual trade

India is Space to grow exports

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**India to Thailand**

USD **2,598m**

Opportunity as a percentage of actual exports: **48%**

**India to South Korea**

USD **2,561m**

Opportunity as a percentage of actual exports: **10%**

**India to Indonesia**

USD **1,827m**

Opportunity as a percentage of actual exports: **26%**

**India to Germany**

USD **1,772m**

Opportunity as a percentage of actual exports: **16%**

**India to the US**

USD **818m**

Opportunity as a percentage of actual exports: **1%**

**India to the UK**

USD **1,701m**

Opportunity as a percentage of actual exports: **25%**

**India to France**

USD **1,703m**

Opportunity as a percentage of actual exports: **17%**

**India to Japan**

USD **475m**

Opportunity as a percentage of actual exports: **11%**

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5 View The Observatory of Economic Complexity (OEC) profile on India 2018
6 View the Economic Times article: “Competitiveness unchecked: The story of India’s exports and factors impeding growth” 2020
7 Other key Indian exports include refined petroleum, diamonds and rice which not included in our study, as we focus on high-potential sectors where there is an opportunity to add value
8 View the Economic Times article: “India’s services exports grew by over 5% to USD 17.70 billion in October: RBI data” 2019
India's top 5 high-potential sector opportunities

IT services
USD 5.9bn

Vehicles, vehicle parts and accessories
USD 966m

Knitted clothing
USD 780m

Cotton (including sewing thread, yarn and fabric)
USD 739m

Accommodation and food services
USD 701m

“Businesses in India and across the world have faced unprecedented challenges over the last few months. Looking ahead, they need to look for new growth avenues and build more resilience. The Standard Chartered Trade Opportunity Report places a spotlight on an almost USD38 billion bilateral trade opportunity for India and key trading partners. This includes a USD21 billion opportunity that India offers to exporters in 10 diverse markets and a USD17 billion opportunity for local exporters to grow trade with those markets.”

Gaurav Bhatnagar, MD & Head, Trade, India & South Asia, Standard Chartered Bank
The Trade Opportunity

North East Asia and ASEAN
Trade corridor: South Korea and India

India and South Korea – the third and fourth-largest economies in Asia after China and Japan – enjoy a close commercial connection and are bound by shared economic interests. South Korea’s open market policies have aligned with India’s Look East and Act East strategies, which aim to strengthen India’s relationship with its Asian neighbours. In the past few years, business summits and further agreements on trade and commerce have enhanced trade relations and investments between India and South Korea and in 2018, Korean foreign direct investment into India crossed the USD1 billion mark for the first time.

As Korea and India are increasingly playing a pivotal role in the global economy, their relationship will become stronger and more productive. As a best-in-class foreign bank in India, Standard Chartered provides a wide range of differentiated global financial solutions to help Korean companies with high-potential export opportunities to India operate their business robustly in India.

Jinny JW Yang, Head of Transaction Banking, Standard Chartered Korea

Key findings

- Our model estimates that South Korea could increase high-potential exports to India by almost USD1.5 billion annually, or 8 per cent.
- Most of this opportunity is found in goods exports (approximately USD1.2 billion).
- Top 5 sector export opportunities: vehicles, vehicle parts and accessories; knitted fabrics; financial services; man-made filaments; and pharmaceutical products (see chart below).

South Korea to India: Accelerating growth

Demographic shifts drive demand for vehicles and high-tech textiles

Combined opportunities identified for increased trade:

USD 3.5bn annually

representing 13% of actual two-way trade

Top 5 high-potential sector opportunities

USD 27bn

Opportunity to increase exports

USD1,489m

Actual exports

USD18,132m

Total potential exports: USD 19,621m

Actual two-way trade in high-potential sectors:
South Korea’s USD288 million automotive export opportunity is the largest potential increase in vehicle exports to India of any market. South Korea’s automotive industry is one of the largest in the world, and has continued to thrive despite slowing demand in the global market, boosted by strong SUV and electric vehicle sales.11 The sector can look to India for growth, where imports of vehicles increased by approximately USD300 million between 2018 and 2019.12 India also imports large amounts of vehicle parts and accessories, as it is emerging as a major car producer. Our model also shows that South Korea’s knitted clothing industry has a sizeable opportunity. The textile and clothing sector is important to South Korea, and the country’s textile exports are particularly strong. South Korea is the leading exporter of knitted synthetic fibre, polyester filament fabric and tery cord textiles. Looking to the future, the South Korean textile industry is concentrating on the development of new high-tech textile materials, including ‘smart fibres’ and nanofibres.13 India, with its expanding middle class and increased appetite for luxury fashion and leisurewear, could be an important market for these products. India’s apparel market is expected to be worth more than USD59 billion by 2022, which would make it the sixth-largest in the world.14

Vehicle exports offer the greatest opportunity in this trade direction too; the automotive industry has much to gain from optimising the Indian-South Korean trade lane. India has a distinct labour cost advantage relative to South Korea, which is especially important in the production of cars, as labour is such a significant input cost. India is also experiencing an increase in foreign direct investment into the vehicle sector, and its government has implemented policies to establish the country as a global manufacturing hub, which should help propel the growth of exports, including vehicles.15 As India lost preferential access to the US market in 2019, it is likely to increase exports to other markets, which could include South Korea.16

### Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD1,980m</td>
<td>USD8,901m</td>
</tr>
<tr>
<td><strong>Total potential exports:</strong></td>
<td><strong>USD 10,881m</strong></td>
</tr>
<tr>
<td>Vehicles, vehicle parts and accessories</td>
<td>USD381m</td>
</tr>
<tr>
<td>Machinery and mechanical appliances</td>
<td>USD187m</td>
</tr>
<tr>
<td>Clothing and clothing accessories</td>
<td>USD182m</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>USD175m</td>
</tr>
<tr>
<td>Knitted clothing</td>
<td>USD146m</td>
</tr>
</tbody>
</table>

Key findings

- Our model estimates that India could increase high-potential exports to South Korea by almost USD2 billion annually, or 22 per cent.
- The majority of the export opportunity lies within goods at just under USD1.8 billion, with the services opportunity sitting at USD212 million.
- Top 5 sector export opportunities: vehicles, vehicle parts and accessories; machinery and mechanical appliances; clothing and clothing accessories; pharmaceutical products; and knitted clothing (see chart below).

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11 View Business Korea article: “SUVs and EVs Lead Korean Car Exports Growth” 2019
12 View Trading Economics data on India’s Imports of Vehicles for 1996-2019
13 View ResearchGate article: “Prospects for the textile and clothing industry in South Korea” 2011
14 View McKinsey & Company article: “How India’s ascent could change the fashion industry” 2019
15 View the IBEF page on the Automobile Industry in India 2020
16 View Financial Times article: “India raises US tariffs after losing preferential trade access” 2019 (paywall)
Trade corridor: Indonesia and India

Indonesia – a vast market with the world’s fourth-largest population – has developed a close cultural and commercial relationship with India over many years. The ASEAN–India Free Trade Area was created in 2000, and as of 2019, India was Indonesia’s fourth-largest export destination and its ninth biggest import source. Between 2005-6 and 2017-18, trade between the two markets saw a five-fold increase. In 2019, the two governments set a target to double trade by 2025.

Indonesia enjoys a close trading relationship with India, and there is an exciting opportunity to increase exports by a further USD3.2 billion. In particular, the Indonesian government’s focus on developing the manufacturing sector as an engine for economic growth dovetails with India’s burgeoning middle class and rising demand for electrical machinery and mechanical appliances. Standard Chartered is well positioned to leverage its global network and trade expertise to support Indonesian companies in growing their business with India.”

Andrew Chia, Chief Executive Officer, Indonesia, Standard Chartered

Key findings
- Our model estimates that Indonesia could increase high-potential exports to India by just over USD3.2 billion annually, or 46 per cent
- Most of this opportunity is found in goods exports at approximately USD3.2 billion, whilst the services opportunity is just USD28 million
- Top 5 sector export opportunities: electrical machinery; machinery and mechanical appliances; man-made filaments; optical, photographic and medical apparatus; and construction services (see chart below)

Top 5 high-potential sector opportunities

- Electrical machinery: USD903m
- Machinery and mechanical appliances: USD596m
- Man-made filaments / textile materials: USD149m
- Optical, photographic and medical apparatus: USD140m
- Construction services: USD10m

Actual two-way trade in high-potential sectors:
- USD 14bn

Combined opportunities identified for increased trade:
- USD 5bn annually

representing 36% of actual two-way trade

Opportunity to increase exports
- USD3,220m

Total potential exports: USD 10,218m

Actual exports
- USD6,998m

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Andrew Chia, Chief Executive Officer, Indonesia, Standard Chartered
According to our study, Indonesia's exports of electrical machinery (including electric motors and generators, sound and video recording equipment, telephones and lighting equipment) could be increased by more than 500 per cent (USD903 million). India's supply chains are becoming more sophisticated, and its burgeoning middle class is driving up demand for these products. Also, the Indian regulatory environment aims to incentivise investment in the manufacturing sectors, which should further increase demand for electrical machinery.\(^\text{20}\) From 2015 to 2019, imports of electrical machinery to India increased by 50 per cent.\(^\text{21}\) Within India's USD50 billion electrical machinery market, phone system devices, including smartphones, are particularly important, and imports of integrated circuits and microassemblies have been rising. Other key areas of interest include TV receivers, transmitters and digital cameras – which rose by 20 per cent in 2019 – and TV radio and radar device parts, which increased by 19 per cent.\(^\text{22}\) Indonesia could be well-placed to capitalise, as its government has committed to expanding and diversifying its manufacturing industry.\(^\text{23}\)

There are also opportunities in optical, photographic and medical apparatus, where exports from Indonesia could be increased by more than 500 per cent. There is enormous growth potential in this market, as India has been steadily expanding healthcare coverage. In 2014, only 20 per cent of the population had healthcare cover, but by 2017 this had risen to 44 per cent.\(^\text{24}\) Indonesia could be particularly well-placed to capitalise on this growth, as investments in the Indonesian medical service industry surged to USD343 million dollars in 2017, a seven-fold increase from 2016.\(^\text{25}\)

### India to Indonesia: A well-spun yarn
Indonesia could increase cotton-related exports to Indonesia

**Key findings**
- Our model estimates that India could increase high-potential exports to Indonesia by just over USD1.9 billion annually, or 26 per cent
- Goods opportunities total over USD1.4 billion, while the opportunity for services is significantly less at USD0.9 billion
- Top 5 sector export opportunities: cotton (including sewing thread, yarn and fabric); iron and steel (including iron and steel products); accommodation and food services; wholesale and retail trade services; and aluminium and aluminium products (see chart below)

**Top 5 high-potential sector opportunities**

<table>
<thead>
<tr>
<th>Opportunity to increase exports</th>
<th>Total potential exports: USD 8,838m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual exports</td>
<td>USD 7,011m</td>
</tr>
<tr>
<td>Cotton (including sewing thread, yarn and fabric)</td>
<td>USD 270m</td>
</tr>
<tr>
<td>Iron and steel (including iron and steel products)</td>
<td>USD 250m</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>USD 200m</td>
</tr>
<tr>
<td>Wholesale and retail trade services</td>
<td>USD 168m</td>
</tr>
<tr>
<td>Aluminium and aluminium products</td>
<td>USD 103m</td>
</tr>
<tr>
<td>USD 1,827m</td>
<td>USD 1,827m</td>
</tr>
</tbody>
</table>

**Opportunity to increase exports**

- USD 1,827m
- USD 7,011m

**Actual exports**

- USD 7,011m

**Total potential exports:**

- USD 8,838m

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\(^\text{20}\) View the IBEF page on the Manufacturing Industry in India 2020
\(^\text{21}\) View UN Comtrade Database
\(^\text{22}\) View WorldExports.com article: “India’s Top 10 Imports” 2020
\(^\text{24}\) View Livemint article: "56% Indians still don’t have a health cover” 2018
\(^\text{25}\) View Cekindo page on Medical Devices in Indonesia
Trade corridor: Malaysia and India

Malaysia, with a strategic position on one of the world’s busiest shipping lanes, is a valuable trade partner for India. The markets are both members of the ASEAN-India Free Trade Area, established in 2010, and the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) came into effect in 2011. Malaysia is now India’s thirteenth-largest trading partner, and India features among Malaysia’s top 10 trading partners. For Malaysia’s new government, India is a key market for trade growth.

Key findings

• Our model estimates that Malaysia has the greatest opportunity to increase high-potential exports to India of any market in our study in percentage terms; it could increase exports by 51 per cent (or just under USD3.5 billion)

• Most of this opportunity is found in goods exports (just under USD3.2 billion), with services worth USD270 million

• Top 5 sector export opportunities: electrical machinery; machinery and mechanical appliances; transportation and storage services; paper and paper items; and vehicles, vehicle parts and accessories (see chart below)

Malaysia to India: Made in Malaysia
Machinery, paper and vehicle parts hold promise

Top 5 high-potential sector opportunities

- Electrical machinery: USD957m
- Machinery and mechanical appliances: USD798m
- Transportation and storage services: USD370m
- Paper and paper items: USD28m
- Vehicles, vehicle parts and accessories: USD162m

It is clear that there is much to gain from the optimisation of the Malaysia-Indian trade lane. Strong bilateral relations have long existed between both countries – not just in terms of trade – as Malaysia is also home to a significant population of non-resident Indians who live and work here. Malaysian businesses seeking growth – particularly those involved in the manufacture of electrical machinery – should consider the almost USD1 billion opportunity that India offers.”

Mak Joon Nien, Head of Client Coverage, Corporate, Commercial & Institutional Banking, Malaysia

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26 This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (i.e., commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

27 Year the Government of India’s Ministry of External Affairs Brief on India-Malaysia Bilateral Relations 2019
Our study highlights that Malaysia could double its exports of electrical machinery (electric motors and generators, sound and video recording equipment, telephones and lighting equipment) and machinery and mechanical appliances (boilers, generators, turbines, refrigerators, freezers and dishwashers) to India. In 2019, India imported USD44.1 billion of machinery, comprising 9 per cent of total imports. Import statistics highlight two areas of opportunity for Malaysian companies: turbo-jets, which increased by 29 per cent from 2018 to 2019, and rubber and plastic article-making machinery, up 35 per cent.28

Paper exports, meanwhile, could be increased by more than 500 per cent. India is becoming a key market for the industry, with the world’s fastest-growing demand for paper and paper products: growth is estimated at 6 per cent for the next five to 10 years, compared to global growth of 1 per cent. Additionally, a rise in the cost of materials used in the production of paper in India has led to a domestic price hike of 3 per cent, which could also drive a surge in imports.29

Malaysia’s vehicle exports (including vehicle parts and accessories) could also be increased by more than 500 per cent. This trade lane may be underexploited because India imposes very high customs duties on fully-built cars, so companies tend to build locally, or have small vehicle assembly plants to reduce tariffs, with most imported cars coming in from Europe.30 The Indian government has recently reduced sales tax on electric vehicles from 12 per cent to 5 per cent, however, which could help to stimulate this part of the market.31

India’s greatest opportunity is found in vehicle exports (including vehicle parts and accessories), which could be increased by more than 500 per cent (USD396 million). The rapid growth of Malaysia’s middle class – the nation is expected to transition to a high-income-economy by 2024 – is likely to drive an upsurge in demand for vehicles.32 However, a possible constraint is a 35 per cent tax on imported vehicles, and several non-tariff measures that significantly raise the cost of importing cars.33

India could increase exports of copper and copper products to Malaysia by more than 500 per cent. Currently, Malaysia imports much of its copper from China, South Korea and Japan. China is one of the world’s major copper producers, while the presence of South Korean and Japanese companies in Malaysia – shipbuilders and car manufacturers, for example – may explain the high levels of copper imports from these countries, as companies look to source products and parts from their home markets. As more Indian companies look outwards and establish a presence in Malaysia, they could drive similar partnerships, and copper exports from India to Malaysia may grow.

Exploring the Malaysia and India opportunity

### Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Potential Exports</th>
<th>Actual Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles, vehicle parts and accessories</td>
<td>USD396m</td>
<td>USD51m</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>USD271m</td>
<td>USD107m</td>
</tr>
<tr>
<td>Wholesale and retail trade services</td>
<td>USD149m</td>
<td>USD350m</td>
</tr>
<tr>
<td>Copper and copper products</td>
<td>USD137m</td>
<td>USD24m</td>
</tr>
<tr>
<td>Transportation and storage services</td>
<td>USD126m</td>
<td>USD542m</td>
</tr>
</tbody>
</table>

### Opportunity to increase exports

- **USD1,701m**
- **Total potential exports: USD8,535m**
- **Actual exports USD6,834m**

### Key findings

- Our model estimates that India could increase high-potential exports to Malaysia by USD1.7 billion annually, or 25 per cent.
- The largest export opportunity is found in goods at approximately USD1 billion (compared to a USD671 million services opportunity).
- Top 5 sector export opportunities: vehicles, vehicle parts and accessories; accommodation and food services; wholesale and retail trade services; copper and copper products; and transportation and storage services (see chart below).

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28. View WorldExports.com article: “India’s Top 10 Imports” 2020
29. View Business Standard article: “Paper firms raise prices by 2-3% due to increase in raw material costs” 2018
30. View The Economic Times' article: “Elon Musk explains why Tesla cars may not come to India anytime soon” 2019
31. View the IBEF page on the Automobile Industry in India 2020
32. View the World Bank in Malaysia overview 2020
33. View the 2013 National Trade Estimate Report on Foreign Trade Barriers between the U.S. and Malaysia.
Trade corridor: Singapore and India

India and Singapore have a history of close commercial and cultural ties. Since the markets first signed the Comprehensive Economic Cooperation Agreement (CECA) in 2005, bilateral trade has increased by more than 60 per cent. India is now Singapore’s largest South Asian trading partner, and Singapore has overtaken Indonesia to become India’s largest trading partner in the ASEAN region. In 2015, Indian Prime Minister Narendra Modi and Singaporean Prime Minister Lee Hsien Loong signed the India-Singapore Strategic Partnership to elevate relations. In their Trade Opportunity Report, Singapore’s financial services sector offers companies in Singapore a potential annual increase of USD680 million in opportunities.”

Chow Wan Thonh, Regional Head of Client Coverage, Corporate, Commercial & Institutional Banking, ASEAN and South Asia

Key findings

- Our model estimates that Singapore could increase high-potential exports to India by just under USD2.2 billion annually, or 11 per cent.
- The opportunity is spread relatively evenly between goods and services.
- Top 5 sector export opportunities: financial services; electrical machinery; IT services; vehicles, vehicle parts and accessories; and pharmaceutical products (see chart below).

**Singapore to India: Forward with finance**

Asia-Pacific’s emerging fintech hub could look to expand in India

**Combined opportunities identified for increased trade: USD 3.6bn annually**

**Opportunity to increase exports USD 2,164m**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>USD680m</td>
<td>USD1,801m</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>USD669m</td>
<td>USD3,253m</td>
</tr>
<tr>
<td>IT services</td>
<td>USD264m</td>
<td>USD526m</td>
</tr>
<tr>
<td>Vehicles, vehicle parts</td>
<td>USD138m</td>
<td>USD118m</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>USD76m</td>
<td>USD75m</td>
</tr>
</tbody>
</table>

**Total potential exports: USD 21,042m**

**Actual two-way trade in high-potential sectors: USD 34.1bn**

**Top 5 high-potential sector opportunities**

India and Singapore enjoy a longstanding and fruitful trading relationship. Having been in both markets for more than 160 years, the Singapore-India corridor is key to Standard Chartered’s growth strategy. Standard Chartered supports many of our Indian clients’ business strategy by helping them set up procurement or distribution arms in Singapore and our India footprint provides local expertise to Singapore companies that are keen to expand into the South Asian market. In the past three years, our Singapore-to-India corridor revenue has delivered double-digit growth and we expect this trend to continue, given the strong economic ties between the two countries. Singapore businesses have in recent years actively participated in India’s smart cities projects and technology-driven areas. As India accelerates its financial inclusion initiative and digital transformation, we see tremendous opportunities for other sectors including financial services. According to our Trade Opportunity Report, India’s financial services sector offers companies in Singapore a potential annual increase of USD680 million in opportunities.”

Chow Wan Thonh, Regional Head of Client Coverage, Corporate, Commercial & Institutional Banking, ASEAN and South Asia

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34 This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (e.g., commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

35 View Channel News Asia article: “India, Singapore improve economic cooperation in enhanced trade agreement” 2018

36 View the Singaporean Prime Minister’s announcement of the Official Visit by Indian Prime Minister Narendra Modi - Nov 2015
The largest opportunity is in financial and insurance services exports. With Singapore rapidly transforming into the Asia-Pacific region’s fintech hub, the Indian market is an attractive place for growth. In particular, fintech firms in Singapore could support India’s rapidly evolving e-commerce industry. The mobile wallet industry has an estimated compound annual growth rate of 150 per cent and is set to reach USD4.4 billion by 2022.37 In recent years, the Monetary Authority of Singapore has signed fintech Cooperation Agreements with Indian authorities – the Government of Andhra Pradesh, the Department of Economic Affairs and the Government of Maharashtra – to strengthen cooperation and innovation in financial services in their respective markets.38 In 2019, the National Stock Exchange of India announced its open trading API sandbox,39 opening up the Indian market to groundbreaking Singaporean fintech solutions.

There are sizable opportunities for India’s textile and fashion industries: exports of clothing and knitted clothing to Singapore could both be increased by more than 500 per cent. India is the second-largest exporter of textiles in the world and has an advantage in the production of clothing due to economies of scale and labour costs.40 This is especially important for the knitted clothing industry, which is still very labour intensive. As a highly developed market with a wealthy consumer base, Singapore is an excellent destination for India’s clothing producers.

Key findings
- Our model estimates that India could increase high-potential exports to Singapore by just under USD1.4 billion annually, or 9 per cent
- The overwhelming majority of this opportunity lies in goods exports at nearly USD1.4 billion, compared to a tiny USD3 million services opportunity
- Top 5 sector export opportunities: jewellery; clothing and clothing accessories; vehicles, vehicle parts and accessories; knitted clothing; and pharmaceutical products (see chart below)

Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewellery</td>
<td>USD192m</td>
<td>USD261m</td>
</tr>
<tr>
<td>Clothing and clothing accessories</td>
<td>USD178m</td>
<td>USD24m</td>
</tr>
<tr>
<td>Vehicles, vehicle parts and accessories</td>
<td>USD168m</td>
<td>USD37m</td>
</tr>
<tr>
<td>Knitted clothing</td>
<td>USD149m</td>
<td>USD12m</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>USD99m</td>
<td>USD71m</td>
</tr>
</tbody>
</table>

Total potential exports: USD16,629m
Opportunity to increase exports: USD1,397m
Actual exports: USD15,232m

Key findings
- Our model estimates that India could increase high-potential exports to Singapore by just under USD1.4 billion annually, or 9 per cent
- The overwhelming majority of this opportunity lies in goods exports at nearly USD1.4 billion, compared to a tiny USD3 million services opportunity
- Top 5 sector export opportunities: jewellery; clothing and clothing accessories; vehicles, vehicle parts and accessories; knitted clothing; and pharmaceutical products (see chart below)
Trade corridor: Thailand and India

Bilateral trade between India and Thailand has grown eight-fold since 2000. India’s aims for the Act East policy were reciprocated by Thailand’s Act West policy and the bond between the markets has been further strengthened by collaboration through the ASEAN-India Free Trade Area. In 2019, during an ASEAN Economic Ministers’ Meeting in Thailand, ministers discussed reducing tariff rates under the ASEAN Trade in Goods Act (ATIGA), eliminating almost all import duties and contributing to the goal of doubling intra-ASEAN trade between 2017 and 2025.41

There’s great potential for increased collaboration between Thailand and India, and this study highlights interesting opportunities for Thai companies seeking growth in India. With the Thai government’s plans to embrace an innovation-driven economy, the country is in a strong position to use technology and automation to strengthen its manufacturing industry and increase exports to key markets, including India. According to our Trade Opportunity Report, there lies a potential double-digit growth in Thai exports to India.”

Plakorn Wanglee, President & Chief Executive Officer, Thailand & Representative Offices

Key findings

• Our model estimates that Thailand could increase high-potential exports to India by over USD1.2 billion annually, or 14 per cent
• The majority of this opportunity lies in goods exports (USD966 million)
• Top 5 sector export opportunities: iron and steel (including iron and steel products); man-made staple fibres; optical, photographic and medical apparatus; man-made filaments; and transportation and storage services (see chart below)

There’s great potential for increased collaboration between Thailand and India, and this study highlights interesting opportunities for Thai companies seeking growth in India. With the Thai government’s plans to embrace an innovation-driven economy, the country is in a strong position to use technology and automation to strengthen its manufacturing industry and increase exports to key markets, including India. According to our Trade Opportunity Report, there lies a potential double-digit growth in Thai exports to India.”

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41 This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (e.g. commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

42 View the Joint Media Statement for the 51st ASEAN Economic Ministers’ (AEM) Meeting 201930 31

Thailand to India: Making tracks
Indian construction boom holds potential for Thai iron and steel companies

Bilateral trade between India and Thailand has grown eight-fold since 2000. India’s aims for the Act East policy were reciprocated by Thailand’s Act West policy and the bond between the markets has been further strengthened by collaboration through the ASEAN-India Free Trade Area. In 2019, during an ASEAN Economic Ministers’ Meeting in Thailand, ministers discussed reducing tariff rates under the ASEAN Trade in Goods Act (ATIGA), eliminating almost all import duties and contributing to the goal of doubling intra-ASEAN trade between 2017 and 2025.41

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42 View the Joint Media Statement for the 51st ASEAN Economic Ministers’ (AEM) Meeting 201930 31
Thailand could increase exports of iron and steel to India by more than 100 per cent (USD191 million). Although our study of high-potential exports generally excludes commodities, this sector is included because it encompasses semi-finished products made of iron and steel as well as the metals in primary forms. India is the third-largest consumer of finished steel globally and, in 2019, it replaced Japan as the second-biggest producer of steel. The demand for steel products in India is rising and is expected to triple to 230 million tonnes by 2030-31.60 This rapid growth is due to recent house building programmes, expansion of highway and railways networks, developments in domestic shipbuilding and the growth in the automotive sector. A predicted USD650 billion Indian construction boom over the next 20 years could further increase demand for steel exports from Thailand.43

Exports of IT services from India to Thailand could be increased by more than 500 per cent (nearly USD1.1 billion). Thailand is a market of particular interest for Indian IT firms. Spending on IT services in Thailand increased by more than 9 per cent from 2017 to 2018, and a recent study found that almost two-thirds of Thai firms are planning to use external resources such as technology vendors, system integrators, and cloud/telecom service providers for relevant initiatives.44 Our study also reveals that exports of copper and copper products from India to Thailand could be increased by over 500 per cent. While Thailand currently sources much of its copper from China, South Korea and Japan, this may shift as more Indian companies establish themselves in Thailand and source copper from their home market. Realising this opportunity is likely to rely on displacing incumbent importers and supplying Indian companies as they move abroad.

Key findings

- Our model estimates that India could increase high-potential exports to Thailand by almost USD2.6 billion annually, or 48 per cent.
- It is services, rather than goods, exports that have the most room for growth at USD1.7 billion.
- Top 5 sector export opportunities: IT services; wholesale and retail trade; cotton (including sewing thread, yarn and fabric); accommodation and food services; and copper and copper items (see chart below).

Top 5 high-potential sector opportunities

- IT services: USD1,051m
- Wholesale and retail trade services: USD347m
- Cotton (including sewing thread, yarn and fabric): USD216m
- Accommodation and food services: USD141m
- Copper and copper items: USD112m
Vietnam to India: Strategic sourcing
This valuable trade route has potential for further development

Key findings
- Our model estimates that Vietnam could increase high-potential exports to India by USD633 million annually, or 10 per cent.
- There is slightly more room for increasing goods exports (USD339 million) than services (USD294 million).
- Top 5 sector export opportunities: wholesale and retail trade services; transportation and storage services; cotton (including sewing thread, yarn and fabric); office admin and other business support services; and knitted clothing (see chart below).

Actual and potential exports:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actual Exports</th>
<th>Opportunity to Increase Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and retail trade services</td>
<td>USD141m</td>
<td>USD87m</td>
</tr>
<tr>
<td>Transportation and storage services</td>
<td>USD114m</td>
<td>USD66m</td>
</tr>
<tr>
<td>Cotton (including sewing thread, yarn and fabric)</td>
<td>USD14m</td>
<td>USD78m</td>
</tr>
<tr>
<td>Office admin and other business support services</td>
<td>USD18m</td>
<td>USD67m</td>
</tr>
<tr>
<td>Knitted clothing</td>
<td>USD10m</td>
<td>USD36m</td>
</tr>
</tbody>
</table>

Combined opportunities identified for increased trade:
USD 10.5bn

Actual two-way trade in high-potential sectors:
USD 1.1bn

representing 11% of actual two-way trade

Vietnamese and Indian efforts to grow trade between the two markets have clearly been working, with bilateral trade growing at the steepest rate ever recorded. As Vietnam plays an increasingly important role in global supply chains, its relationship with India is likely to strengthen further – especially with India investing close to USD2 billion in over 200 projects in Vietnam. As this study shows, India presents many opportunities for Vietnamese companies seeking new and fruitful avenues for growth.

Nirukt Sapru, Chief Executive Officer, Vietnam and ASEAN & South Asia Cluster Markets, Standard Chartered

India and Vietnam have a strong bond, with trade relations strengthened by the implementation of the ASEAN Free Trade Area and India’s Act East policy. India is now one of Vietnam’s top 10 trading partners, and Vietnam ranks as India’s fourth-largest ASEAN trading partner. With global uncertainty forcing corporates to consider diversifying their supply chains away from China, the India-Vietnam trade route could become increasingly important for international businesses.

India and Vietnam have a strong bond, with trade relations strengthened by the implementation of the ASEAN Free Trade Area and India’s Act East policy. India is now one of Vietnam’s top 10 trading partners, and Vietnam ranks as India’s fourth-largest ASEAN trading partner. With global uncertainty forcing corporates to consider diversifying their supply chains away from China, the India-Vietnam trade route could become increasingly important for international businesses.
India to Vietnam: Scope for services
India could increase exports in IT and other business support services

Key findings
- Our model estimates that India could increase high-potential exports to Vietnam by USD475 million, or 12 per cent.
- The opportunities sit relatively equally between goods (USD273 million) and services (USD201 million).
- Top 5 sector export opportunities: IT services; office admin and other business support services; zinc and zinc items; iron and steel (including iron and steel products); and man-made staple fibres (see chart below).

Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD215m IT services</td>
<td>USD102m</td>
</tr>
<tr>
<td>USD39m Office admin and other</td>
<td>USD83m</td>
</tr>
<tr>
<td>business support services</td>
<td></td>
</tr>
<tr>
<td>USD23m Zinc and zinc items</td>
<td>USD27m</td>
</tr>
<tr>
<td>USD29m Iron and steel (including</td>
<td>USD18m</td>
</tr>
<tr>
<td>iron and steel products)</td>
<td></td>
</tr>
<tr>
<td>USD48m Man-made staple fibres</td>
<td>USD21m</td>
</tr>
</tbody>
</table>

Opportunity to increase exports: USD475m
Total potential exports: USD4,621m
Actual exports: USD4,146m

In dollar terms, Vietnam has the smallest opportunity to expand its exports to India of any market, suggesting Vietnamese companies are close to maximising this trade route. Located in a strategic position for access to other Southeast Asian markets, and with an increasingly open approach to international trade, Vietnam is becoming a popular manufacturing and sourcing location.

One of Vietnam’s most interesting opportunities is found in cotton exports, a goods category that includes sewing thread, yarn and fabric. Vietnam is one of the world’s top five exporters of textiles, and several factors may help to drive increased cotton exports to India. India suffered severe droughts in 2018-19, which led to a dramatic rise in cotton imports. And retaliatory tariffs imposed by India on US goods are creating opportunities for other markets to increase their exports. At an industry event in 2019, Nguyen Hong Giang of the Vietnam Cotton and Spinning Association (VCOSA) identified the opportunity for India to import more yarn from Vietnam to produce cotton fabrics.

Exploring the Vietnam and India opportunity

Spotlight on ASEAN

The ASEAN region is one of the world’s most important trading blocs, with a population of 650 million and a combined GDP of USD2.97 trillion. In 2009, India and leaders from the ASEAN region signed an agreement that created the ASEAN–India Free Trade Area (AIFTA), removing tariffs on a wide range of goods and services. Bilateral trade has been steadily rising since, and there is a huge opportunity to increase trade further.

Combined opportunities identified for the ASEAN markets in our study (Indonesia, Malaysia, Singapore, Thailand, Vietnam) to increase high-potential exports to India:

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Value (USDm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>6.7bn</td>
</tr>
<tr>
<td>Thailand</td>
<td>191m</td>
</tr>
<tr>
<td>Indonesia</td>
<td>680m</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10.7bn</td>
</tr>
<tr>
<td>Singapore</td>
<td>87m</td>
</tr>
</tbody>
</table>

46 View Reuters article: “India’s cotton imports to surge as output hits 9-year low: body” (2018)
47 View the fifth issue of the ASEAN Economic Integration Brief (AEIB) 2019
The Trade Opportunity

US and Europe
Trade between the US and India – the largest partnership in our study – has grown steadily since the mid-1990s. With its large consumer market, increasingly digitally-savvy population and developing infrastructure, India is a market that deserves strong consideration for US companies seeking international growth. This report reiterates how India is extremely important for US exporters -- in particular, US Financial Services and US Technology services companies as the country is likely to be one of the main beneficiaries of supply chain diversification in the wake of COVID-19 disruption.

Jeremy Amias Vice Chairman, Americas, Standard Chartered

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**Key findings**

- Our model estimates that the US could increase high-potential exports to India by just over USD5.7 billion annually, or 13 per cent.
- Services represent the biggest opportunity overall (approximately USD4.9 billion), with the goods opportunity worth USD650 million.
- Top 5 export opportunities: financial services; office admin and other business support services; IT services; cotton (including sewing thread, yarn and fabric); and vehicles, vehicle parts and accessories (see chart below).

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**Combined opportunities identified for increased trade:**

USD 6.5bn annually

**Opportunity to increase exports:**

USD 5,703m

**Total potential exports:**

USD 49,947m

**Actual exports:**

USD 44,244m

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**Top 5 high-potential sector opportunities**

- USD 6,215m Financial services
- USD 7,457m Office admin and other business support services
- USD 1,043m IT services
- USD 336m Cotton (including sewing thread, yarn and fabric)
- USD 363m Vehicles, vehicle parts and accessories

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This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (e.g. commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

**India to US: Closely knit**

India's largest export opportunity is in knitted clothing.

**Key findings**

- Our model estimates that India could increase high-potential exports to the US by USD818 million annually (less than 1 per cent).
- This is split fairly evenly between goods and services, although the goods opportunity is slightly higher (USD502 million).
- Top 5 sector export opportunities: knitted clothing; financial services; construction services; feathers and down, and items made of feathers and down; and ceramic products (see chart below).

**Opportunity to increase exports**

Total potential exports: USD115,932m

Actual exports: USD115,114m

**Top 5 high-potential sector opportunities**

- Knitted clothing: USD378m
- Financial Services: USD286m
- Construction services: USD31m
- Feathers and down, and items made of feathers and down: USD22m
- Ceramic products: USD16m

**Exploring the US and India opportunity**

The US financial services sector could increase exports by 56 per cent (just under USD3.5 billion). India is predicted to be the fourth-largest private wealth market globally by 2028. The most prominent sectors within this booming industry are banking and insurance. The Government of India is looking to extend the reach of these services by introducing measures to facilitate access for small and medium-sized businesses, and access to insurance services is also increasing in rural areas.

The US could also expand IT services exports to India. Silicon Valley in the US – the world’s undisputed global tech hub – has close ties with India’s homegrown tech industry. India’s ICT market is estimated to be worth USD180 billion and projected to reach USD350 billion by 2023. The Digital India initiative, launched in 2015 to improve digital infrastructure and internet connectivity, has created opportunities for international companies. While the US is one of India’s top export destinations, there are also many prospects for the US to export IT services to India. As India’s cloud services market grows rapidly, so does the market for international cybersecurity services, which is expected to reach USD35 billion by 2023. Further high-potential areas for US exports include e-commerce services; solutions for business process outsourcing; and healthcare IT such as remote diagnostics and telemedicine solutions. There is also rising demand for mobile applications, led by the growing popularity of mobile streaming services, as well as augmented and virtual reality technology.

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50 View the IBEF page on Financial Services in India 2020
51 View International Trade Administration (ITA) page on US Exports and Investments in the Information and Communication Technology sector 2019
52 Information and Communication Technology
Trade corridor: France and India

India and France enjoy significant trade and commercial co-operation, with trade negotiations conducted at an EU level. In 2018, French President Emmanuel Macron and Indian Prime Minister Narendra Modi acknowledged the importance of the growth in bilateral trade between their countries and pledged to raise trade in goods to EUR15 billion by 2022. Both leaders also expressed a desire to relaunch EU-India trade pact negotiations, which aim to reduce or eliminate tariffs on goods, facilitate trade in services, and boost investments between the two sides.53

Trade between France and India has grown strongly but export levels are still below their full potential. Trade agreements and tariff removal have helped significantly, but further guidance is needed to help companies gain full access.”

Caroline Eber-Ittel, CEO & Country Head, Client Coverage, France

53 This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (e.g., commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

54 See The Economist Times article: “India, France commit to boost bilateral trade; relaunch EU FTA” 2018

Key findings

- Our model estimates that France could increase high-potential exports to India by USD721 million annually, or 7 per cent.
- Goods represent the biggest opportunity overall at USD371 million, with services offering a USD349 million opportunity.
- Top 5 sector export opportunities: wholesale and retail trade services; financial services; accommodation and food services; vehicles, vehicle parts and accessories; and wood pulp and scrap paper (see chart below).

France to India: Wholesale trade

The largest France to India export opportunity is found in wholesale and retail trade services.

Actual two-way trade in high-potential sectors: USD 20.3bn53

Combined opportunities identified for increased trade: USD 2.4bn annually representing 12% of actual two-way trade

Key findings

- Our model estimates that France could increase high-potential exports to India by USD721 million annually, or 7 per cent.
- Goods represent the biggest opportunity overall at USD371 million, with services offering a USD349 million opportunity.
- Top 5 sector export opportunities: wholesale and retail trade services; financial services; accommodation and food services; vehicles, vehicle parts and accessories; and wood pulp and scrap paper (see chart below).

Top 5 high-potential sector opportunities

- Wholesale and retail trade services: USD849m
- Financial services: USD460m
- Accommodation and food services: USD471m
- Vehicles, vehicle parts and accessories: USD43m
- Wood pulp and scrap paper: USD57m
- Opportunity to increase exports: USD12m
- Actual exports: USD34m

Total potential exports: USD 10,935m

Actual two-way trade in high-potential sectors: USD 2.4bn

Opportunity to increase exports: USD 721m

Opportunity to increase exports: USD 721m
India to France: Tech potential
India’s world-famous IT services sector could look to France for further growth

**Key findings**

- Our model estimates that India could increase high-potential exports to India by just over USD1.7 billion annually, or 17 per cent.
- Services exports offer the most potential (USD1.3 billion).
- Top 5 sector export opportunities: IT services; jewellery; textiles (including furnishing fabrics); iron and steel (including iron and steel products); and cotton (see chart below).

**Opportunity to increase exports**
USD1,703m

**Total potential exports:**
USD 11,768m

**Actual exports**
USD10,066m

**Top 5 high-potential sector opportunities**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT services</td>
<td>USD1,274m</td>
<td>USD2,374m</td>
</tr>
<tr>
<td>Jewellery</td>
<td>USD84m</td>
<td>USD68m</td>
</tr>
<tr>
<td>Textiles (including furnishing fabrics)</td>
<td>USD61m</td>
<td>USD139m</td>
</tr>
<tr>
<td>Iron and steel (including iron and steel products)</td>
<td>USD51m</td>
<td>USD23m</td>
</tr>
<tr>
<td>Cotton (including sewing thread, yarn and fabric)</td>
<td>USD45m</td>
<td>USD10m</td>
</tr>
</tbody>
</table>

France’s largest opportunity to increase exports to India lies in wholesale and retail trade services, indicating interesting possibilities for France’s hard-pressed retailers. This sector includes the sale of household goods, food, vehicles and machinery, both directly to consumers and to retailers. It also includes the services related to the sale of these goods, such as sorting, assembling and packing for distribution.

India’s large young adult consumer base, combined with growing disposable incomes and relaxed foreign direct investment policies, could make it a particularly attractive place for French retailers. India’s retail industry is one of the fastest-growing and is currently the world’s fifth-largest retail market. Due to growing investment and the rise of online shopping, India is also set to become the world’s fastest-growing e-commerce market. This presents French businesses with an opportunity to capitalise on this increasingly tech-savvy market.

India’s greatest opportunity to increase exports to France (in dollar terms) is in IT services: exports could be increased by nearly USD1.3 billion.

The Indian government has introduced tax exemptions for start-ups, to harness the economic benefits of strengthening IT capabilities. Indian companies in this sector already have a comparative expertise and cost advantage; Indian companies only need 15 to 20 percent of the cost that a US IT company needs to operate. The sector is also expanding its capabilities, with AI and machine learning projected to add USD1 trillion to the Indian economy by 2035, some of this supported by exports.
Germany and India have a strong relationship, founded on India’s strategic and economic partnership with the EU. Germany is India’s largest trading partner in Europe, and the seventh-largest foreign direct investor. There are more than 1,700 German companies active in India and more than 600 Indo-German Joint Ventures currently in operation.\textsuperscript{57}

The India-Germany trade corridor is already strong and successful, but there are still areas of possible growth. Germany’s substantial opportunity to increase organic chemicals exports to India by USD234 million and the opportunities for India’s services sector are of particular interest.”

Heinz Hilger, CEO & Country Head, Client Coverage, Germany

\textsuperscript{56} This is the sum of services exports from the OECD TiVA database and goods exports from UN Comtrade data, excluding goods sectors where there is no or negligible opportunity to add value to the exported product (e.g. commodity or commodity-like sectors). The data is time-averaged for 2016-2018. Please see the Methodology on p56 for further information.

\textsuperscript{57} View MEA Embassy of India in Berlin Bilateral Brief on India-Germany Relations 2018.
India to Germany: Increasing IT
Services offer the greatest scope

Key findings
- Our model estimates that India could increase high-potential exports to Germany by nearly USD2.6 billion annually, or 16 per cent.
- Services represent the majority of the opportunity at just under USD2.5 billion, with IT services alone representing over USD2.2 billion.
- Top 5 sector export opportunities: IT services; transportation and storage services; jewellery; real estate services; and telecommunications (see chart below).

Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD3,573m</td>
<td>IT services USD2,242m</td>
</tr>
<tr>
<td>USD548m</td>
<td>Transportation and storage services USD157m</td>
</tr>
<tr>
<td>USD50m</td>
<td>Jewellery USD27m</td>
</tr>
<tr>
<td>USD43m</td>
<td>Real estate services USD27m</td>
</tr>
<tr>
<td>USD36m</td>
<td>Telecommunications USD27m</td>
</tr>
</tbody>
</table>

Total potential exports: USD 18,351m
Opportunity to increase exports: USD 2,561m
Actual exports: USD 15,790m

Exploring the Germany and India opportunity

Germany's largest sector opportunity is in organic chemicals, where exports could be increased by 45 per cent (USD234 million). Organic chemicals were India’s fifth-largest import in 2019, with purchases rising four per cent from 2018. The biggest category was cyclic hydrocarbons (which includes benzene, widely used as a fuel and industrial solvent), with a total import value of USD2.3 billion, which fell 20 per cent from 2018. Imports of hydrocarbon derivatives, however, rose by 15 per cent, with a total value of USD1 billion.

Spotlight on the EU-India relationship

The EU is India’s largest trading partner, accounting for 13 per cent of India’s total trade in 2018 at EUR92 billion. Since 2008, trade in goods has risen 72 per cent between India and the EU, with services increasing to EUR37 billion. More than 6,000 EU companies are present in India, providing 5.7 million jobs directly and indirectly. The partners have been trying to agree a free trade deal since 2007, although discussions were suspended in 2013 and remain on hold.

Bilateral high-potential trade between India and the EU markets in our study – France and Germany – is currently worth USD56.9 billion, and our study identifies a combined opportunity of USD5.7 billion to increase it.

58 View European Commission webpage on EU-India Trade
Trade corridor: UK and India

The UK and India share strong links through the Commonwealth but as India’s significance on the global stage has grown, the UK has slipped from being India’s second-biggest trade partner (1998-99) to its seventeenth-largest (2018-19). However, concerted efforts are underway to rejuvenate ties. In April 2018, leaders from India and the UK worked on a renewed trade partnership, addressing barriers to trade and considering ways to optimise collaboration. Resulting initiatives include the UK-India Tech Partnership, pairing entrepreneurs and SMEs from the two countries, encouraging innovation and unlocking access routes to markets.

There are challenges ahead for UK businesses, and openness and flexibility will be critical. As the country seeks to rebuild its economy in the wake of the COVID-19 crisis, and focuses on navigating a post-Brexit world, strengthening trading relationships and sourcing new export opportunities will be key. The size of India’s economy and its growing middle class make it an increasingly attractive prospect for UK businesses. The two markets are closely tied - linked by people, ideas, institutions and technology - and India is a high priority for the UK government in terms of post-Brexit trade negotiations. For British businesses looking for trade routes to growth, India is an obvious choice.

Jeremy Amias, Vice Chairman, Americas, Corporate, Commercial & Institutional Banking, Standard Chartered Bank, Americas
India to UK: Tech boom
India to UK opportunity dominated by IT services

Key findings
- Our model estimates that India could increase high-potential exports to the UK by nearly USD1.8 billion annually, or 10 per cent.
- Just over USD1.2 billion of this comes from India’s opportunity to increase IT services exports to the UK.
- The other top sector export opportunities are textiles (including furnishing fabrics); iron and steel (including iron and steel products); jewellery; and cotton (see chart below).

The UK could increase exports of transport and storage services to India by half (USD495 million), and boost exports of aircraft and spacecraft (including parts) by 63 per cent. The latter would represent a USD175 million increase and could include some of the UK’s most strategically important export lines such as helicopters, aero plane parts and satellites. India’s air passenger numbers have grown substantially in recent years, and India has launched 269 satellites from 32 countries using its Polar Satellite Launch Vehicle since the 1990s. The Indian Space Research Organisation has a multi-year program that aims to achieve a soft-landing on the moon in late 2020 and to take Indian astronauts into space by 2022. The demand for data and services from Earth observation satellites is predicted to reach USD7.2 billion globally by 2028. With India currently importing more than 80 per cent of the electronic components for its satellites and rockets, Britain’s aerospace exporters have significant opportunities in the growing market.

Exploring the UK and India opportunity

Top 5 high-potential sector opportunities

<table>
<thead>
<tr>
<th>Opportunity to increase exports</th>
<th>Actual exports</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD3,203m IT services</td>
<td>USD1,224m</td>
<td>IT services</td>
</tr>
<tr>
<td>USD283m Textiles (including furnishing fabrics)</td>
<td>USD161m</td>
<td>Textiles (including furnishing fabrics)</td>
</tr>
<tr>
<td>USD75m Iron and steel (including iron and steel products)</td>
<td>USD107m</td>
<td>Iron and steel (including iron and steel products)</td>
</tr>
<tr>
<td>USD393m Jewellery</td>
<td>USD69m</td>
<td>Jewellery</td>
</tr>
<tr>
<td>USD24m Cotton (including sewing thread, yarn and fabric)</td>
<td>USD44m</td>
<td>Cotton (including sewing thread, yarn and fabric)</td>
</tr>
</tbody>
</table>

UK-India trade relations and the ‘Brexit Effect’

The UK officially left the EU in January 2020, although tariff and quota-free trade continues during the transition period (currently set to end in December 2020). When the transition period ends, the UK has to consider building strong trading relationships with the rest of the world to source new export opportunities. To find out how an exit from the EU could impact the UK’s trading relationship with the 10 other markets in this study, we developed a separate model that takes the ‘Brexit effect’ into account. Our estimates reveal a substantial ‘trade diversion’ with the UK seeing a dip in export potential with EU members France and Germany, and a boost to export potential with the rest of the world. Exports to India, the focus of this study, could see an increase of around 15 per cent.

<table>
<thead>
<tr>
<th>Country</th>
<th>Change in export potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>-6%</td>
</tr>
<tr>
<td>France</td>
<td>-2%</td>
</tr>
<tr>
<td>USA</td>
<td>16%</td>
</tr>
<tr>
<td>India</td>
<td>15%</td>
</tr>
<tr>
<td>Singapore</td>
<td>11%</td>
</tr>
<tr>
<td>South Korea</td>
<td>10%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15%</td>
</tr>
<tr>
<td>Thailand</td>
<td>15%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>18%</td>
</tr>
</tbody>
</table>

62 View Government of India about us page for the Indian Space Research Organisation
63 View World Economic Forum article: “3 things to know about India’s space programme” 2019
64 View Northern Sky Research article: “The Future of Satellite-Based Earth Observation” 2020
65 View The Economic Times article: “India’s lack of electronics manufacturing ecosystem is hurting Isro’s space plans” 2020
Methodology

The Standard Chartered Trade Opportunity Report reveals the size of the export opportunities between India and 10 of its most dynamic and economically diverse trading partners — France, Germany, Indonesia, Malaysia, Singapore, South Korea, Thailand, the UK, the US and Vietnam. We project bilateral export opportunities using a gravity trade model, taking into account GDP, geographic distance, and other relevant variables.

Our study examines trade at a sector level, across both goods and services. We excluded all goods sectors from our data-set where there was no or negligible opportunity to add value to the exported product (e.g. commodity or commodity-like sectors). We refer to the sectors included in the study as ‘high-potential’ sectors or exports. These sectors play a critical role in export performance, collectively representing 82 per cent of total trade on these routes.

To calculate the export opportunity, we subtracted potential exports in a given sector — as indicated by our model — from actual exports in that sector to highlight areas of trade overperformance and, the key focus of our study, potential opportunities to increase exports. If this figure is a negative number this is the size of the opportunity for that particular sector to increase its trade. If the figure is positive, this indicates an overachievement and is thus not reported in the findings. All figures are in USD, unless otherwise stated. If the sector opportunities identified have less than USD10 million of actual exports, we removed them from the study.

Calculating the trade opportunity by market

To calculate how the sector-level figures translated to a market level, we aggregated all of the opportunities to reveal the total opportunity by market.

About the gravity trade model

The gravity model is a workhorse of trade literature and is one of the most robustly validated economic theories. At its heart is the Newtonian relationship determining the force of pull between two celestial objects: the size of each and the distance between them. In a trade setting, these are GDP of exporter and importer and the distance between the two economies. Additional correlates address relevant trade frictions.

Equation:

\[ X_{ij} - Y_i + Y_j - d_{ij} + \text{frictions} \]

Where:

\[ X_{ij} \] is exports from market \( i \) to market \( j \)
\[ Y_i \] is market \( i \) GDP
\[ Y_j \] is market \( j \) GDP
\[ d_{ij} \] is the distance between market \( i \) and market \( j \)

frictions are other variables that might influence export flow (such as common border, common legal origin, membership in regional-trade area, history of armed conflict, and other frictions).

Data

The data source for the goods sector is the UN Comtrade database. We removed all goods sectors from our data-set where there was no or negligible opportunity to add value to the exported product (e.g. commodity or commodity-like sectors). For goods, the models are estimated on a cross-section of time-averaged data from 2016-2018.

Vietnam trade data for 2018 is not available in UN Comtrade. The 2018 values have therefore been constructed from a parallel series of mirror trade data.

Services data is imputed from the latest available ‘gross exports’ data from the OECD Trade in Value Added (TiVA) database. As with the goods data, for services, the models are estimated on a cross-section of time-averaged data from 2016-2018.

Model-fit

The average r-squared of the 61 goods sectors we modelled and included in this study was 0.78. Of the 13 TiVA service sectors we modelled, the average r-squared was 0.75.

Choice of markets

The 10 markets we selected for this study (France, Germany, Indonesia, Malaysia, Singapore, South Korea, Thailand, the UK, the US and Vietnam.) were chosen to provide a broad overview of the opportunity for exports to and from India. They were selected based on a blend of criteria including the volume of their trade with India, stability of diplomatic relations, the diversity of their exports and the availability of data.

Impact of extraneous variables such as COVID-19 on global trade

Gravity trade models are reliant on historic data. Historic data does not take into account current or future variables that could or are impacting global trade – such as COVID-19. The opportunities identified in this study therefore provide a useful and timely indication of the trade routes exporters should be looking to take advantage of, once the global economy starts to recover from the impact of COVID-19.

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66 UN Comtrade Database
67 View OECD Trade in ValueAdded (TiVA) database
68 A 90% squared is a statistical measure of how close the data are to the fitted regression line. The higher the R-squared value, the closer the line of best fit.
Sector Glossary

<table>
<thead>
<tr>
<th>Comtrade Code</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Drinks, spirits and vinegar</td>
<td>Includes soft drinks and mineral waters, along with alcoholic drinks such as wine and beer. Pure alcohol and vinegar also feature in this category.</td>
</tr>
<tr>
<td>23</td>
<td>Food wastes and animal food</td>
<td>Food by-products such as offal, vegetable waste and manufacturing waste product. Also includes animal food.</td>
</tr>
<tr>
<td>26</td>
<td>Inorganic chemicals</td>
<td>Chemicals that do not contain carbon compounds.</td>
</tr>
<tr>
<td>29</td>
<td>Organic chemicals</td>
<td>Chemicals that contain carbon compounds, including hydrocarbons, phenols, aldehydes and acids.</td>
</tr>
<tr>
<td>30</td>
<td>Pharmaceutical products</td>
<td>Medicines as packaged products, along with boxed bandage products. Also included is organic materials used for scientific purposes.</td>
</tr>
<tr>
<td>32</td>
<td>Tanning and dyeing extracts</td>
<td>Tanning and dyeing extracts including pigments, paints and varnishes.</td>
</tr>
<tr>
<td>33</td>
<td>Perfumes and cosmetics</td>
<td>Perfumes in the raw and packaged form, cosmetic products and make-up.</td>
</tr>
<tr>
<td>36</td>
<td>Miscellaneous chemical products</td>
<td>Remaining chemical products not separated out are classified together. This includes finishing agents, refractory cements, anti-freezing preparations and bio diesels amongst others.</td>
</tr>
<tr>
<td>47</td>
<td>Wood pulp and scrap paper</td>
<td>Wood pulp in various forms, waste and scrap paper and paperboard.</td>
</tr>
<tr>
<td>48</td>
<td>Paper and paper items</td>
<td>Paper in all forms including rolls, sheets, tissues and books.</td>
</tr>
<tr>
<td>52</td>
<td>Cotton (including sewing thread, yarn and fabric)</td>
<td>Raw cotton carded or combed, cotton yarn and cotton fabric.</td>
</tr>
<tr>
<td>54</td>
<td>Man-made filaments / textile materials</td>
<td>Sewing thread of man-made filaments, synthetic or artificial filament yarn, woven fabrics of synthetic or artificial filament yarn.</td>
</tr>
<tr>
<td>55</td>
<td>Man-made staple fibres</td>
<td>Synthetic and artificial staple fibres, sewing thread, yarn, woven fabrics of synthetic fibres.</td>
</tr>
<tr>
<td>59</td>
<td>Knitted fabrics</td>
<td>Knitted or crocheted fabrics.</td>
</tr>
<tr>
<td>61</td>
<td>Knitted clothing</td>
<td>Knit or crocheted clothing in all forms including accessories.</td>
</tr>
<tr>
<td>62</td>
<td>Clothing and clothing accessories</td>
<td>Clothing in all forms, including accessories not knitted or crocheted.</td>
</tr>
<tr>
<td>63</td>
<td>Textiles (including furnishing fabrics)</td>
<td>Textiles, including blankets, bed linen and curtains.</td>
</tr>
<tr>
<td>66</td>
<td>Feathers &amp; down, &amp; items made of feathers &amp; down</td>
<td>Feathers and down and articles made of feathers and down.</td>
</tr>
<tr>
<td>69</td>
<td>Ceramic products</td>
<td>Ceramic goods, including bricks, blocks, tiles, pipes, paving, kitchenware, sinks, sanitary fixtures and ornamental articles.</td>
</tr>
</tbody>
</table>

Jewellery
Jewellery articles and parts, including precious metals, precious/semi-precious stones, cultured pearls and imitation jewellery.

Iron and steel (including iron and steel products)
Iron and steel in primary form as well as bars, rods, wire, shapes and sections.

Copper & copper products
Unrefined copper as well as bars, tubes, pipes and wire.

Aluminium and aluminium products
Unwrought aluminium as well as aluminium in many forms including foil, tubes, structures, household articles.

Machinery and mechanical appliances
Domestic and business-based machinery (large- and small-scale), including generators, turbines, refrigerators and washing machines.

Electrical machinery
Electric machinery, sound, television sets and accessories.

Vehicles, vehicle parts and accessories
All vehicles, parts and accessories other than railways rolling stock. This includes cars, goods vehicles, motorcycles, bicycles and trailers.

Aircraft, spacecraft and parts
Aircraft, spacecraft and parts.

Optical, photographic and medical apparatus
Optical, photographic, cinematographic, medical or surgical instruments and apparatus.

Furniture
Furniture, including seating, beds and light fittings.

Construction services
General construction and specialised construction activities for buildings and civil-engineering works.

Wholesale and retail trade services
Wholesale and retail sale of any type of goods and the services incidental to the sale of these goods.

Transportation and storage services
Passenger transport by rail, road or water and associated activities. Courier activities and warehousing and storage associated with the transport of goods.

Accommodation and food services
Short stay accommodation and food services for immediate consumption.

Telecommunications
The activities of providing telecommunications such as transmitting voice, data, text, sound and video.

IT services
Information technology activities and the processing of data and other information service activities.

Financial services
Financial service activities, including insurance and pension funding activities and activities to support financial services.

Real estate services
Real estate services such as buying and selling real estate.

Office admin and other business support services
Office administrative, office support and other business support activities (including call centres).

Education services
Education services at all levels for any profession.
Standard Chartered

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