E Cell
Beyond Horizon

Round 2: Case Study

Instructions:-

1. Submission will be made through Unstop.
2. The maximum file size that can be uploaded will be 20 MB.
3. All submissions should be in PDF format.
4. If your document exceeds the size limit, upload a single-page document with team details and a link to the submission file (make sure to give view access).
5. There is no specific word limit for the questions.
6. Keep your answers concise and to the point.
7. It is not mandatory to quote data or attach links to sources but you are welcome to do so where you deem necessary.
8. Each team needs to submit an executive summary and a powerpoint presentation.

China

Prior to 1979, China, under the leadership of Chairman Mao Zedong, maintained a centrally planned, or command, economy. A large share of the country's economic output was directed and controlled by the state, which set production goals, controlled prices, and allocated resources throughout most of the economy.To support rapid industrialization, the central government undertook large-scale investments in physical and human capital during the 1960s and 1970s. As a result, by 1978 nearly three-fourths of industrial production was produced by centrally controlled, state-owned enterprises (SOEs), according to centrally planned output targets. Private enterprises and foreign-invested firms were generally barred

In 1978, (shortly after the death of Chairman Mao in 1976), the Chinese government decided to break with its Soviet-style economic policies by gradually reforming the economy according to free market principles and opening up trade and investment with the West

Economic Reforms

Beginning in 1979, the government established four special economic zones along the coast for the purpose of attracting foreign investment, boosting exports, and importing high technology products into China. Additional coastal regions and cities were designated as open cities and development zones, which allowed them to experiment with free-market reforms and to offer tax and trade incentives to attract foreign investment Removing trade barriers encouraged greater competition and attracted FDI inflows

Economic policymaking in several sectors, especially trade, was decentralized. Economic control of various enterprises was given to provincial and local governments, which were generally allowed to operate and compete on free market principles, rather than under the direction and guidance of state planning.Decentralization of authority became a powerful tool. The provinces and local governments received increasing authority over investment approvals, fiscal resources, and policies. Provinces, municipalities and even counties were allowed, even encouraged, to experiment with reforms. Successful experiments became official policy and were quickly adopted throughout the country

A very effective hybrid institution was the Township and Village Enterprise (TVE). This type of enterprise form operated outside the plan, but was owned and to some extent managed by local governments. These enterprises expanded production and created jobs.

The increase in the numbers of registered companies has happened along with the implementation of a large reform initiative aimed at decreasing the time and cost of starting a new business. In 2013, it used to take more than a month to start a business. Nowadays, leading cities like Beijing have made it possible to register a business within hours. Cross-agency coordination groups were set up both at ministerial and local levels to support the reforms.

Innovation

The government used FDI to gain access to IPR, technology, know-how, famous brands, etc., in order to move Chinese firms up the value-added chain in manufacturing and services, boost domestic innovation and development of Chinese brands, and help Chinese firms (especially SOEs) to become major global competitors

Digital solutions were also a key enabler to facilitate business data collection and sharing and to improve efficiency. Building on its development of e-government services over the past two decades, the government has been investing heavily on digital infrastructure and one-stop shops for business registration. In addition, the central government has created several national platforms on corporate social credit information to support the collection, sharing, and publication of firm registration and operational information. This has largely improved data transparency and facilitated data sharing.

Credit Availability and Taxation

The Chinese central government uses the banking system to boost credit in order to help meet its GDP growth objectives and to, when needed, offset the impact of global economic downturns, such as after the 9/11 terrorist attacks and the global financial crisis.

At present, the preferential tax policies supporting mass entrepreneurship and innovation cover more than 80 items in the three stages of start-up, growth and maturity, granting financial support for the development of small and medium-sized enterprises

Challenges

China is currently undergoing a major restructuring of its economic model. Policies that were employed in the past to essentially produce rapid economic growth at any cost were very successful. However, such policies have entailed a number of costs (such as heavy pollution, widening income inequality, overcapacity in many industries, an inefficient financial system, rising corporate debt, and numerous imbalances in the economy) and therefore the old growth model is viewed by many economists as no longer sustainable

Not only are SOEs dominant players in China's economy, many are quite large by global standards.China's economic growth model has emphasized the growth of heavy industry in China, much of which is energy-intensive and high polluting. The level of pollution in China continues to worsen, posing serious health risks to the population

Singapore

Economic Reforms

In order to attract investors, Singapore had to create an environment that was safe, corruption-free, and low in taxation.After the country suffered its first major recession in 1985, the government commissioned an economy-wide review, which led to a national decision to ascend the global value chain, moving from being competitive in lower cost manufacturing services to being a player in global technology industries.

Singapore entices foreign businesses with friendly legal frameworks and public legislation as well. International businesses setting up shop don’t have to give up their managerial rights to locals, and foreign businesses are subject to the same basic economic laws as local ones.

The country attracted a growing population of Multinational Corporations (MNCs) its local firms and entrepreneurs were subject to the demand for quality and process improvement services. Put differently, by interacting with, and integrating into supply chains, or leading global firms, Singapore companies were forced to become more efficient and operate at higher levels of quality or else they would be overtaken by regional competitors

The early decades of building its population of human capital saw an emphasis on free education for all, and creating the proper syllabus and infrastructure needed for its growing population, ensuring that the country’s students developed skills to serve the pool of MNCs, and also that its own local industries could be viable players within global value-chains. Also important, during its early years the government established a meritocratic bureaucracy that could more easily confer on large political decisions and create policies, which ultimately improved its delivery process.

Then, in the 1980s, once MNCs were a fixture within Singapore’s economy and it had attracted a large amount of foreign investment, the government turned its focus to higher-value manufacturing

Singapore into global value chains, and methodically make it an increasingly competitive player in key industries both regionally and globally. The ecosystem has benefited tremendously from this foundation, characterized by transparency and openness, global connectivity in logistics and financial industries, a strong human capital base and a prevalence of MNCs and a long-term focus on research and innovation

The public sector is taking a lead role in beginning the specialization process, which could ultimately incentivize the private sector to follow suit. Additionally,multiple institutions and programs have been established with sector-specific focuses

Innovation

A key feature of Singapore’s ecosystem is the level of connectivity between the different stakeholders within it. Mentorships, partnerships, and other forms of connectivity are prevalent throughout the ecosystem. Connectivity is fueled by major events.

Singapore is home to several world-class universities with specializations in engineering, technology and other sciences. The government is involving several universities as well as A*STAR in its efforts to build strong linkages between researchers, students,start-ups and industry. In addition,innovation and start-up challenges and incubation programs also encourage aspiring entrepreneurs to start companies in key campuses.Many universities also have programs that establish and strengthen international linkages

Singapore also built specializations in select industries, as it evolved its economic growth strategy. For instance, it built a globally renowned shipping and logistics industry through its port, and also established a foothold as a leader in the region’s financial services sector

Credit and Taxation

Singapore offers more than 75 sector-specific incentives for newly-incorporated and already registered businesses in the form of tax exemption, grant, tax relief, or a reduction of the tax rate. The most incentivized industries in Singapore are finance, high technologies, and trade. Singapore offers corporate tax rates that blow other countries out of the water.For the first three years of taxable income, non-resident corporations are exempted from taxes. The Singaporean government also introduced "Double Taxation Avoidance Agreements," which protects Singaporean suppliers from accumulating taxes on profits made overseas

Singapore allows businesses to repatriate funds back into the country tax-free. As long as the money is being sent from a registered business partner and is not a remittance payment, taxes don't apply.

Regarding venture capital activity specifically, since 2014, Singapore has accounted for well over half of total aggregate value of deals in the ASEAN region as well, and in 2019 Singapore invested approximately 75% of total VC dollars in the region, solidifying its leadership role amongst its neighbors.

Challenges

Start-ups in Singapore were increasingly relying on government support
in the last decade it might be propping up foundering companies that should in
fact cease operations or preferentially fund company whose producing simple innovations rather than producing brand new technologies based
on substantive R&D that have the potential to scale rapidly.Government involvement could create challenges for investors.

Given the country's small size there is inevitably a limited talent pool. Like many other developed economies, the presence of large corporations that can pay larger
salaries and provide the perspective of greater career trajectory, can make it
challenging for start-ups to attract and retain talent.

The ecosystem is finding it difficult, at least initially, to source the necessary skill sets.as neighboring countries such as Vietnam and Indonesia have begun establishing their own start-up ecosystems, regional competition has substantially
increased. A start-up attempting to scale from Singapore into a neighboring market
will now find it more difficult than it may have faced in years past.

Questions

1. Identify the key challenges of the startup ecosystem of both China and Singapore and suggest measures to resolve them.

2. Putting yourself in the shoes of an entrepreneur, what according to you is the biggest challenge of the Indian startup ecosystem.
3. Name one reform from the countries discussed above that you would like to see replicated domestically with or without any variation or moderation. Justify your answer.
4. If you, as a startup founder, had to choose headquarters for your company (assuming seed capital is no bar) which country would you choose? Justify your answer.You may answer conditionally or include personal reasons as well.

Inspiration

- Source 1
- Source 2
- Source3
- Source 4
- Source 5