

Weekly Economic Bulletin

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News Feature

India turns world's best FDI hub

India provides higher returns on foreign direct investment (FDI) than any other country in the world, Minister of State for Industry Ashwani Kumar told American investors here.

Speaking at a meeting organised Wednesday evening by the India-American Chamber of Commerce here, Kumar said India was poised for a massive expansion in manufacturing, infrastructure, automobiles and auto-components and food processing sectors, besides telecommunications. He urged investors to seize the opportunity for availing themselves of huge opportunities in these sectors.

"Foreign financial analysts have concluded that India provides maximum return on investments, more than even China," he told the meeting.

Kumar also pointed out the significant change in the structure of India's GDP over the decade-and-a-half of economic reforms.

"The savings rate of the country also has moved from 23 percent to 31 percent during this period. There are over hundred Indian companies with a market capitalisation of over \$1 billion in India. The fundamentals of the economy are sound and strong and the moment for investment is now," he said.

<http://economictimes.indiatimes.com/articleshow/1537797.cms>

Overseas Investment

Fujitsu to invest \$20 mn in India; to hire 2,500

US-based IT consulting firm Fujitsu Consulting, which recently bought Rapidigm India, will invest 20 million dollars and hire 2,500 employees in its India operations during the next two years.

The 20 million dollars will be spent to set up a new centre in Hyderabad and expand the existing Pune and NOIDA development centres of Rapidigm.

"The India centre will be an expertise centre revolving around technologies like Oracle, SAP, and Microsoft," Fujitsu Consulting, a division of Fujitsu, Executive Vice President Steve Kirchoff told reporters here today.

Post acquisition, Fujitsu Consulting's global employee strength will go up to 8,500.

Steve said the investment in India will substantially go up in future as the centre starts catering to the European and Japanese markets.

http://www.financialexpress.com/latest_full_story.php?content_id=127295

German's Osram plans to set up second plant in India

Bullish on the Indian market, the 4.3 billion euro German lighting major Osram plans to set up a second manufacturing plant in the country.

"India is one of the high growth areas in our Asian initiative and we want to strengthen our manufacturing capability in the country," Osram GmbH president Martin Goetzeler said here.

The company's fully owned Indian subsidiary, which has a manufacturing facility at Sonapat in Haryana had a turnover of around Rs 200 crore last year and Goetzeler said the Indian operations were expected to record a CAGR of 20 per cent till 2015.

He said the company was looking at "several options" for its new manufacturing facility in India, which also included going in for a greenfield plant in the country.

Asked what kind of price benefits India offered in comparison to regions like America and Europe, he said the country offered "significant cost advantages" in labour.

<http://economictimes.indiatimes.com/articleshow/1536724.cms>

Harley Davidson eyes India

Harley-Davidson Motor Company, the US-based maker of iconic sportster and cruise motorcycles, has set its eyes on the Indian market. Harley-Davidson will look at tapping the Indian market by using the import route.

In the first week of this month, the company's executives were here, making the rounds of the commerce ministry.

Their agenda was to find out the government's intent regarding the emission norms on high-end motorcycles and to seek a reduction in Customs duty on the bikes, says government officials.

The company's vice-president (government affairs), Timothy K Hoelter, along with the company's Washington DC-based legal advisor, Susan G Esserman, held discussions with commerce ministry officials.

Harley-Davidson's concerns over emission norms are understandable. Although its motorcycles meet the norms in the US and Europe, the current regulation in India does not prescribe any standards for high-end motorcycles.

Harley-Davidson, known for delivering "quality nostalgia", is adored for its "time warped" designs.

Founded in 1903, the company reported global revenue of \$5.34 billion in 2005 with a net income of \$960 million.

Motorcycles contribute around 80 per cent to its revenue, and parts and accessories 15 per cent, while the sales of apparel and collectibles account for the rest.

High-end motorcycles have failed to go much distance with the Indian consumer.

<http://businessstandard.com/common/storypage.php?autono=91591&leftnm=1&subLeft=0&chkFlg=>

Trade News

Govt plans ore export pact with China

Even as the government is moving ahead to cut exports of high grade iron ore to meet the growing domestic demand, it has decided to enter into a long-term ore export contract with China, besides renewing these contracts with Japan and Korea.

“We are thinking of entering into a minimum five-year export agreement with China in view of the growing demand there, after ascertaining their need,” steel minister Ram Vilas Paswan said on the sidelines of the two-day steel outlook conference underway here.

He added that negotiations with Japanese companies were also on and a high level delegation from India would soon visit the country to sign the long-term ore supply agreement.

With China it would first time that any serious attempt is made to enter into a long-term agreement. Though China is the country’s largest importer of iron ore with imports of 59 million tonne in 2004-05 and about 68 mt during the last fiscal year, most of the supplies are undertaken through spot deals.

However, a long-term deal with China would mean that a large portion of iron ore produced in the country will be locked for exports thereby preventing the government to further cut iron ore exports.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=127321

Pak not bound by Safta to grant MFN to India’ To continue trade with India on the positive list

Maintaining that Safta pact could not bind it to grant the most favoured nation status to India, Pakistan has said it would continue to trade with India with a positive list until there was progress on Kashmir and few other issues.

Pakistan’s commerce secretary Syed Asif Shah made the remarks in response to recommendations made by a World Bank report which suggested that Islamabad

should grant MFN status to New Delhi followed by a free trade agreement to tap the “enormous potential” of business and trade that exists between the two countries.

“Safta could not bind Pakistan to grant MFN status to India. Pakistan would continue trade with India through positive list until there is further progress in the composite dialogue,” he was quoted as saying by the Dawn here. Shah, however, said the expansion of the positive list was under consideration. Reports here yesterday said that Pakistan plans to add 100 more items to the positive list for trade, to make the products permissible for imports from India to 882.

Unveiling the report at a seminar in Karachi yesterday, World Bank’s official in Pakistan Zareen F Naqvi, said Pakistan should grant MFN status to India and follow it up with a FTA with New Delhi.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=127323

African countries seek greater participation from India

Many African countries consider India to be a role model and are keenly following its economic growth story, even though the trade volumes do not reflect this reality. This was stated by Mekuria Haile, trade, industry and urban development bureau, head Government of Ethiopia. He called upon India to share its expertise and technology in many fields, particularly small and medium scale ventures, food processing, IT, textiles, leather goods and education to help Ethiopia shape up its economy.

Mr Mekuria asked India to participate in its educational programmes since India had a huge and talented human capital resource. He said Ethiopia had eight universities and this would be increased to 15 in the near future and Indian expertise would be needed here.

He said that Ethiopia intends to set up a textile park and India’s expertise in hand-woven textiles would come in very handy.

Similarly, he said that though hides and skins formed a major part of Ethiopia’s export basket, India’s expertise and cooperation will help minimise costs of transportation so that profits from this could be increased.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=127333

India, B’desh plan BIPA

India and Bangladesh are planning to enter into a bilateral investment protection agreement (BIPA). A broad framework of the agreement, which will provide for pre-establishment most favoured nation (MFN) status and post-establishment national treatment for the investors in the two countries, has already been agreed upon between the two countries. According to official sources, the Union Cabinet is likely to take up the BIPA proposal for clearance shortly.

The BIPA proposal comes at a time when the two countries are already in talks for a free trade agreement. Bangladesh is concerned over its bilateral trade deficit with India. There are also issues related to a porous border and evasion of customs duties. Discussions are being held between the two countries on the desirability of a bilateral free trade agreement (FTA). Both the countries are keen to integrate their economies into the south Asia region under the recently ratified South Asian FTA. India's exports to Bangladesh stood at \$1.7 billion in 2004, while imports from Bangladesh were pegged at \$78 million.

http://www.financialexpress.com/fearchive_frame.php

Sectoral News

IT sector attracts \$8.6 bn investment

The global corporations have pledged investments of \$8.6 bn in the telecom and Information Technology sectors in 2005-06, according to the data compiled by Ministry of Communications and IT.

A consortium of non-resident Indians have proposed investment of \$3 bn for silicon chip manufacturing facility near Hyderabad. The consortium will be supported with technology and equity funding from chip maker AMD and memorandum of understanding to this effect has been signed with Andhra Pradesh government.

The second largest chunk of investment has been announced by largest software maker Microsoft, which has announced investment of 1.7 billion dollars in the country on research and development, education, productivity and governance.

Following Microsoft closely is Intel, which has proposed to invest 31.1 bn in research and development, marketing, education and setting up a venture fund.

Networking major Cisco has announced an investment of 31.1 bn, while EMC said that it plans to invest 3250 mn in India. Ericsson has announced an investment of \$250 mn for telecom manufacturing and research and development in Chennai and Jaipur

<http://economictimes.indiatimes.com/articleshowcnews/1528931.cms>

Infosys beckons US, UK techies

IT behemoth Infosys Technologies intends to go campus hunting this fiscal in the US and the UK to pick up college graduates. The company's first large scale foreign recruitment plan includes hiring 300 college graduates from universities in the US this year and 25 graduates from the UK in '07.

In the first phase, Infosys' university-level recruiting programme in the US will bring more than 100 American college graduates to India in August '06 for training. The initiative is part of an ongoing plan to create a diversified, global workforce. Infosys has increased the percentage of non-Indian employees to 3.02 per cent, hiring from over 25 different nationalities at end of fiscal '05-06.

In the first phase, Infosys' university-level recruiting programme in the US will bring more than 100 American college graduates to India in August '06 for training. They will then return to the US. Infosys began recruiting for entry-level software engineer positions at top universities in the US following a successful pilot programme.

<http://economictimes.indiatimes.com/articleshow/1531956.cms>

TVS aims to tap 5% Asean market by 2009

TVS Motor Company, which is setting up an assembly unit in Indonesia, is targeting to capture 5 per cent of the Asean two wheeler market by 2009. Currently the Asean market for two wheelers is pegged at 8 million units.

The company's 1.2 lakh capacity Indonesian facility will become operational by the end of 2006. The company will invest Rs 250 crore in this facility.

"For touching 5 per cent of the Asean market, we will have to sell four lakh two wheelers in the Asean region in another 3-4 years. Once we crossed the level, we might even think of manufacturing in the region," said Venu Srinivasan, chairman and managing director, TVS Motor Company.

As per the current plan, TVS will be exporting essential components including Engine from its Indian plant to Indonesia.

Once operational, the Indonesian plant will cater to the export requirement of other Asean markets including Malaysia, Philippines, and Thailand.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=91609

Kotak Bank may set up shop in Japan, Korea

Kotak Mahindra Bank is now eyeing the Japanese and Korean markets for setting up banking operations. Apart from these markets, the bank is bullish on the Middle East, Singapore, New York, and London.

Speaking to ET, the bank's vice-chairman and managing director, Uday Kotak said, "The Indo-Japanese corridor looks extremely attractive and profitable as a business proposition. In addition, we are also exploring options in the Middle East, with special focus on Saudi Arabia."

Coming to the bank's local operations, the bank has secured licences to open 45 branches in India in '06-07. This would take the total branch network to 110 by March '07. Mr Kotak said the bank would focus on Punjab and Gujarat due to the specialised focus on agricultural lending. Of the branches to be opened in '06, 25% would be concentrated in these states, he said.

<http://economictimes.indiatimes.com/articleshow/1536144.cms>

News Round – Up.

India's sourcing hub for speciality chemicals now

India is fast-emerging as the sourcing hub for speciality chemicals for industries such as textile, rubber, paper and paints, for many global majors. Most of the global chemical majors, like Ciba Speciality Chemicals, BASF, Clariant and DuPont, have set up sourcing teams in the country to source speciality chemicals. Lanxess, the newly floated chemical company of the Bayer Group, is planning to source \$20m worth of chemicals from India this year for its global operations.

“We source chemicals for the textile, leather and pharmaceutical business from India for our global operations. We expect to increase sourcing from India by 30% for the next few years,” said Joerg Strassburger, managing director, Lanxess India, speaking to ET.

The world's second largest chemicals company DuPont, sees India as a good base to procure speciality chemicals to meet its global needs. The company started sourcing from India in '03 and the target is to increase procurement from India by four times in the next four years, according to company officials.

<http://economictimes.indiatimes.com/articleshow/1536072.cms>

India may become 'price setter' globally, says Lamon Rutten

India could be a “price setter” and not a “price taker” in the next couple of years as global prices have started taking cues from Indian commodities markets, said Lamon Rutten, the joint managing director appointed by Multi Commodity Exchange.

India has the potential to be an official price setter in oilseeds, as the Indian prices have started impacting global oilseed prices, said Rutten. He said India, in future, could have a big impact on crude oil prices as the exchanges here have successful energy contracts, which is missing in the Middle East countries, despite being the producers.

Mr Rutten has been involved in the Indian commodities sector since 1995 and has played important roles at various levels including making recommendations to

government to open commodity trading in the country, Jignesh Shah, managing director of the exchange, said.

http://www.financialexpress.com/fe_full_story.php?content_id=127189

Indians can emerge as global traders in commodities

India is set to emerge as the most trading savvy nation in the commodities arena compared to its other Asian peers in the near future. Language skill in English is expected to be the driver just as it did for the information technology and software industry in the nineties.

“I see a huge potential in India for both its domestic and global markets. Indians have a knack for trading and wide spread knowledge of English can actually aid boost trading,” Charles Farra, managing director, Business Development-Asia Pacific, Chicago Board of Trade (CBOT) told FE on the sidelines of a presentation organised by Kotak Commodity Services.

The 158 year-old CBOT that has gained a market share of 40% in the US market is extending its reach to various countries. The volumes on the exchange jumped after it introduced e-CBOT in October 2005, the 22 hour electronic platform for futures trading.

Mr Farra is in India to encourage the country’s trading community to trade on CBOT which is providing a diverse mix of financial, equity and commodity futures and options-on-futures products.

Agreeing on the fact that Indians were trading savvy, Suresh Kotak, chairman of Kotak Commodities stated that he too earlier used to trade on US markets for cotton and Brazilian markets for castor.

http://www.financialexpress.com/fearchive_frame.php