

## Weekly Economic Bulletin

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## News Feature

### **Most Indians happy, foresee better future**

Notwithstanding the problems facing them, Indians are a happy lot. In fact, 64% of them say the next generation will enjoy a better quality of life.

According to Global Opinion Trends 2002-2007, a survey conducted by the Pew Global Attitudes Project in 47 countries and involving 45,000 interviews has concluded that the world seems to be a happier place for people living in the developing world. Their incomes may be low and their lives tough, but the mood is upbeat. They are more satisfied with their personal lives, incomes and national conditions as compared to the developed world. And they are optimistic about the future as well.

This is in sharp contrast to the prevailing mood in many developed nations like the US, the UK, Germany and France, where people are not overly excited about the present—possibly because their per capita GDP gains have been less robust compared to those of many developing countries. They are not too enthusiastic about the future as well—most have negative feelings about the kind of life the next generation will lead.

The survey, the largest ever undertaken by Pew Global Attitudes Project, examines how people around the world view their lives and their futures, their countries and national institutions, as well as their most pressing national problems.

<http://economictimes.indiatimes.com/articleshow/2234814.cms>

### **Southeast Asian countries can't ignore India: ASEAN official**

India's rapidly increasing economic power status and its "look East policy" has made it an entity which cannot be ignored and southeast Asian nations are keen to forge close ties with it, a senior ASEAN official said.

"India's success story is real and every country wants to take part in the India pie," the official said.

ASEAN ministers and senior officials have gathered to attend the annual ASEAN ministerial meeting and the ASEAN Regional Forum (ARF).

<http://economictimes.indiatimes.com/articleshow/2245253.cms>

## Overseas investment

### **Foreign investors, hedge funds may get FII tag**

The government and securities market regulator Sebi have agreed to allow foreign individuals, corporates and other investors such as hedge funds to register directly as foreign institutional investors — a move designed to increase transparency and reduce transaction costs for these investors.

The proposal, which has already been discussed at the regulator's board meetings, is set to be formalised at a meeting next month, said a senior official. By facilitating the entry into local markets without the need to lean on well-entrenched large foreign broking firms registered with Sebi, policy makers hope to see a waning of participatory notes (P Notes).

P Notes are derivative instruments issued by FIIs here to overseas investors who may not be eligible to invest directly. They offer underlying Indian stocks, with the holder of the instrument entitled to benefits such as dividends and capital appreciation.

<http://economictimes.indiatimes.com/articleshow/2243111.cms>

### **FII investments past \$10 bn this yr**

It's raining dollars in Indian stock markets. Net investments by foreign institutional investors (FIIs) crossed the \$10 billion-mark in the current calendar year.

The net investment touched \$10.16 billion from January to July 2007, much higher than \$7.99 billion in the entire 2006 calendar year. July has also seen the highest single month net FII inflow at \$5.81 billion.

Rashesh Shah, MD, Edelwiss Capital, said apart from participating in mega public offers, ADRs, and FCCB conversions, FIIs have started investing in the secondary markets over the last few weeks.

FIIs reached the landmark figure that saw the Sensex rising 166.65 points, or 1.1 per cent, to 15,732.20.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292122](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292122)

### **FDI in SSI units may be freed from export strings**

In a move that comes as a big boost to foreign companies looking to invest in sectors reserved for small-scale units, the government plans to scrap the mandatory export obligation imposed on such investments. As of now, FDI in sectors reserved for SSIs is permitted only if the company concerned agrees to export 50% of the production.

As many as 114 items are reserved for SSIs and the list includes espresso coffee maker, electric kettle, chemicals, dyes, PVC footwear, pens and steel items. Foreign investors have been demanding that export obligation on investment in these areas should be scrapped.

The SSI department has discussed the issue with the department of industrial policy & promotion (Dipp), senior government officials said. While there is unanimity on the need to scrap the mandatory export obligation, the modalities are yet to be decided. The government wants to avoid political criticism while going ahead with the liberalisation, they added.

Scrapping the mandatory export obligation would also lead to procedural simplification since clearance from Foreign Investment Promotion Board (FIPB) would not be necessary for such investments. As of now, all foreign companies investing in SSI sectors have to come through the board. Once the export obligation is scrapped, then investment in these segments could take place through the automatic route.

<http://economictimes.indiatimes.com/FDI in SSIs may be freed from export/articleshow/2228820.cms>

### **‘Govt will soon allow FDI from Bangladesh’**

The Union Government will soon allow foreign direct investment (FDI) from Bangladesh, according to Mr Jairam Ramesh, Union Minister of State for Commerce.

“However, there will be no across-the-board or automatic relaxation,” Mr Ramesh said pointing out that permission would be granted on case-to-case basis.

Bangladeshi entrepreneurs were interested in investing in India in such sectors as pharmaceuticals, textiles and paper, he said.

<http://www.blonnet.com/2007/07/29/stories/2007072951010300.htm>

### **Forex reserves rise to \$222 bn**

Country's foreign exchange reserves rose to a record \$222.043 billion from \$218.956 billion, the Reserve Bank of India said in its weekly statistical supplement.

The RBI said foreign currency assets expressed in US dollar terms included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

<http://economictimes.indiatimes.com/articleshow/2239020.cms>

### **Steel magnate L N Mittal offers biggest FDI**

LN Mittal said his company Arcelor Mittal intends to set up fresh steel capacity of 24 million tonnes a year through separate plants in Orissa and Jharkhand and asked the Centre to expedite allocation of captive mines for the purpose.

After a meeting with steel minister Ram Vilas Paswan, Mittal said raw material and infrastructure support from the government were a must for setting up this capacity - which is double the capacity he had originally planned to create in India at an investment estimated at \$18 billion. Though Mittal is a latecomer to India, the investment will make him the single-largest FDI investor in India.

Mittal's son and Arcelor-Mittal CFO Aditya Mittal said detailed project reports had been prepared after completion of feasibility studies "but the issue of mining lease remained a sticking point. We have even placed orders for equipment worth \$15 million. We are waiting for the mining lease". Mittal senior made it clear that he wanted ore from the Chiria mines and would not settle for anything less. "When we signed the MoU with the Jharkhand government, they suggested that the mines (Chiria) would be suitable for us. We will meet CM Madhu Koda and get a fair idea on the issue."

<http://economictimes.indiatimes.com/News/News By Industry/Steel magnate L N Mittal offers biggest FDI /articleshow/2235136.cms>

## **Trade News**

### **India, Korea begin talks on opening markets**

India and South Korea commenced talks by discussing their initial offers in the Comprehensive Economic Partnership Agreement (CEPA) aimed at opening their markets to each other through reduction as well as elimination of duties.

The official level discussions will take up a host of issues including how a particular item would qualify for duty reduction through the process known as 'rules of origin,' covering substantial items of trade.

According to official and industry sources, Indian negotiators would have to tackle the conflict of interest between Korean firms like LG and Hyundai, which have set up large manufacturing base here, and their compatriots in Seoul which are keen only to sell goods to Indian consumers without investing in setting up facilities.

"However, in the long run, the conflict can square off when forces of cost advantages come into play. India has so far maintained the cost advantage not only in services but manufacturing as well," an official of industry body Ficci said.

The two countries had started talks on CEPA - similar to a Free Trade Agreement (FTA) - in March 2006. After a green signal from a Joint Study Group, Seoul and New Delhi have held several rounds of technical level talks.

Both India and South Korea are in the process of signing a large of number of FTAs covering merchandise goods, services and investment.

<http://economictimes.indiatimes.com/articleshow/2230249.cms>

### **'Our links with India stronger than ever'**

Be warned. The rest of the world isn't about to sit around meekly while India and China take over; and it's time for the policy makers of pro-globalisation countries to pull together and stop

the world from collapsing back 'into an era of protectionism'. That's the message straight from 10, Downing Street and its new tenant, Gordon Brown.

"It is the people who are benefiting from globalisation who are seeing themselves as its victims. We are working together with the Indian government on what your prime minister — I met him in my last visit — has called 'inclusive globalisation' to ensure that a free market, and investment flows, are not affected. Europe can join America, India and Brazil in an economy that is open, and not closed — a global society," the British prime minister said.

First, the good news. Despite the recent events in Australia and Glasgow, there seems to be no shift in Mr Brown's policy of active engagement with India. The UK government is to kick off an Anglo-Indian dialogue between the two countries on a host of policy issues in the next few months.

In his first ever media interaction at 10, Downing Street, Mr Brown told ET: "Our relations with India are stronger than ever, bilateral trade is improving, an increasing number of Indian students are coming to the UK." In return, he'd probably appreciate it if India would return to the table in the recently collapsed WTO talks, and with some changes in position.

<http://economictimes.indiatimes.com/articleshow/2228845.cms>

### **US trade body sees \$150 bn opportunity in India N-deal**

The US-India Business Council (USIBC) says the India-US nuclear deal will create jobs and opportunities in India and across the US with the Indian nuclear industry planning a \$150 billion expansion.

"Government officials on both sides who are working on this historic initiative deserve our deepest gratitude and respect for their vision and statesmanship," said USIBC president Ron Somers, hailing the progress on implementation of the 123 agreement.

Conclusion of the 123 agreement and approval by the Congress would represent a major stride toward US-India civil nuclear cooperation, which would create jobs and opportunities in India and across the US, said the organisation spearheading US industry's advocacy campaign in favour of the deal.

India's nuclear industry has announced plans to expand its installed nuclear power capacity of 3,500 MW to 60,000 MW over the next 26 years. The expansion is valued at \$150 billion.

India's rapidly expanding economy, growing at more than nine percent, is confronting a major energy deficit. India's energy security challenge portends major collaborations with American companies, USIBC said.

<http://economictimes.indiatimes.com/articleshow/2235241.cms>

### **India, Bhutan ink deal on hydel project**

India and Bhutan crossed another milestone in bilateral economic relations by signing a defining agreement on setting up a new Rs 3,500 crore hydel project that will provide power to the South Asian giant.

Visiting External Affairs Minister Pranab Mukherjee and his Bhutanese counterpart Lyonpo Khandu Wangchuk inked the landmark agreement for the largest-ever hydel project to be built in the Himalayan Kingdom with Indian assistance.

The 1,095 mw Punatsangchu-I plant, a run-of-the river project, is expected to be completed in eight years to become yet another symbol of hydel power emerging as a key pillar in Indo-Bhutanese relations.

"The agreement is historic and takes mutually beneficial cooperation to greater heights," Mukherjee told reporters on the second day of this three-day official visit to the Himalayan Kingdom.

<http://economictimes.indiatimes.com/articleshow/2240677.cms>

### **India, Pakistan look to cement trade ties**

In the backdrop of increasing bilateral trade, India and Pakistan will look at increasing items in the trading basket during commerce secretary-level talks that are set to take .

Sources said New Delhi would be putting some fresh ideas on the table when commerce secretary GK Pillai and his Pakistani counterpart Syed Asif Shah hold discussions under the composite dialogue process. One such idea is to look at the export of cement from Pakistan. India is likely to discuss the issue of including cement in bilateral trade during the talks.

<http://economictimes.indiatimes.com/articleshow/2237424.cms>

### **Japanese grant for grassroots projects in India**

Japan announced a grant of Rs 36 lakh to two Indian NGOs to support rehabilitation care and vocational training projects undertaken by them.

The monetary funding is being done under Japan's 'Grant Assistance for Grassroots Projects' scheme, according to a release from the Japanese Embassy.

The two beneficiary NGOs are Anchal Charitable Trust which has been providing education and rehabilitation to challenged children in Delhi's slum areas, and Foundation for Arts that has been providing pottery training to poor women and artisans in Khurja area of Uttar Pradesh.

The grassroots projects scheme provides assistance in the fields of primary healthcare, education, care of handicapped people, poverty alleviation, enhancing status of women and public welfare.

<http://economictimes.indiatimes.com/articleshow/2239028.cms>

## **Sectoral News**

### **Telcos plan Rs 60,000 crore expansion**

The investment will finance mobile networks, infrastructure growth.

Indian telecom companies are investing over Rs 60,000 crore in 2007-08 to finance a massive expansion of their mobile networks, infrastructure and subscriber numbers.

The money being invested in just 12 months is equivalent to 60 per cent of the cumulative investments in their wireless mobile business since the sector was opened up for private investment in 1995.

As many as 80,000 new towers are in the process of being built across the country, almost doubling the number of towers in existence (1,00,000).

In 2007-8, the target is to add around 80 million new mobile subscribers — more than half the current total mobile base — taking the total figure to 230 million.

Said T V Ramachandran, secretary general of Cellular Operators' Association of India, "What operators did in the last 16 years in terms of investment and expansion, they are now squeezing that in just one year."

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292723](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292723)

### **Spices exports jump 25% in Q1**

Export of spices increased 25% to 1,11,420 tonnes in the first quarter of the current year. In value terms, the exports increased by 36% to touch Rs 967.30 crore during the quarter.

Exports in dollar terms stood at \$234.53 million during the quarter against \$156.63 million during the same period of the previous year.

The achievement in the first quarter is 29% of the quantity target of 3,80,000 tonnes for the year. Exports earnings in the first quarter are 27% of the value target of Rs 3,600 crore for the year.

Spices such as pepper, large cardamom, chilli, coriander, fennel, fenugreek and nutmeg and mace performed better than last year. Among the value-added spices, curry powder and spice oils and oleoresins have done better.

<http://economictimes.indiatimes.com/articleshow/2243178.cms>

### **Innovation to add \$50 bn to Indian IT kitty**

Innovation can add an additional USD 50 billion to the revenue pools of Indian IT and ITES industry by 2012, a new study released said.

The Nasscom-BCG Innovation Report 2007 called for a six step approach to build an innovation ecosystem including setting up of an 'Indi Innovation Framework.'

The report recommended that industry body Nasscom should scale its existing initiatives and promote an 'Indi Innovation Framework' involving certification of innovation promising funding initiatives.

IT-ITeS industry will allow it to tap additional revenue streams worth USD 50 billion," Nasscom President Kiran Karnik said.

<http://www.financialexpress.com/news/Innovation-to-add-50-bn-to-Indian-IT-kitty/206781/>

### **Agri biotech among fastest growing in India: USDA**

Riding on the success of Bt cotton, agriculture biotechnology has emerged as one of the fastest growing biotech industries in India in recent years, a latest report of the US Department of Agriculture (USDA) has said.

"It is the third largest contributor among various biotech sectors with total revenues of more than 229 million dollars in 2006-07 fiscal, registering a growth of 55 percent," the report said.

Export revenue from agriculture biotechnology has grown to 11.6 million dollars in 2006-07 from around 8 million dollars in the previous year, it added.

The report, titled 'India Biotechnology' and prepared by Santosh Kumar Singh, claimed Bt cotton coverage has surged over the past five years to cover 70 percent of total cotton area in 2007.

<http://economictimes.indiatimes.com/articleshow/2235880.cms>

### **Railways plans Rs 2,51,000 cr investment**

Indian Railways has submitted a proposal to raise Rs 2,51,000 crore in the 11th Five Year Plan period (2007-2012), a Railway Board member said here.

"We have submitted the draft with the Planning Commission for a 2,51,000 crore investment roadmap during the 11th plan period," Railway Board member (traffic) V N Mathur said on the sidelines of a CII seminar on Logistics.

Mathur said internal generation would be Rs 90,000 crore and market borrowing around Rs 75,000 crore. For the remaining amount, it had sought government's assistance and has submitted a proposal to the Planning Commission.

The amount would be utilised for the dedicated freight corridor, rail gauge conversion and revamp of railway infrastructure.

[http://economictimes.indiatimes.com/Railways\\_plans\\_Rs\\_251000\\_cr\\_investment/articleshow/2231180.cms](http://economictimes.indiatimes.com/Railways_plans_Rs_251000_cr_investment/articleshow/2231180.cms)

### **Gems & jewellery exports up 13 pc**

The country's gems and jewellery exports have registered a 12.89 per cent and 21.58 per cent growth in the rupee and USD terms respectively in the first quarter ended June 30, despite a sharp rupee appreciation against the dollar in the last six months.

According to figures released by the Gems and Jewellery Export Promotion Council (GJEPC) here, the provisional net exports of gems and jewellery stood at Rs 18,398.55 crore in April-June this year as compared to Rs 16,298 crore in the same period last year.

The gems and jewellery exports escaped the rupee appreciation because of slew of factors. The fact that this sector is import-centric actually helped, said Sanjay Kothari, Chairman of GJEPC, adding that as much as 75 per cent of the raw material needed is imported. India is the largest importer of the rough diamonds.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/Gems\\_jewellery\\_exports\\_up\\_13\\_pc/articleshow/2238856.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Gems_jewellery_exports_up_13_pc/articleshow/2238856.cms)

### **Indian textile export may get Japanese touch**

India is all set to double its share in the world market for textiles and clothing in the next five years, minister of state for industry Ashwani Kumar has said. Japan could play an important role in helping India reach the target by collaborating in the area of textile design, manufacture and marketing, the minister said at the opening of the India-Japan friendship year fashion show in Osaka.

Japanese designer Hiroko Koshnoi and her Indian counterpart Manish Arora presented textile collection from India to Japanese businessmen to showcase the potential Indo-Japanese collaboration holds in the world of textiles and garments.

Mr Kumar pointed out that with growing demand for Indian textiles, the country was seriously targeting doubling its market share from the current 3.5% to 7% in 2012. Exports are expected to touch \$110 billion from the existing \$51 billion in five years time, he said. "Textile is the next big wave in India. We hope to get Japan's support in achieving our goals. It can only be a win-win situation," he said.

Ms Koshnoi is already supplying her designs to India where they are mass-produced and exported to other countries. "I would now like to exclusively produce garments for the Indian market with Indian fabric.

<http://economictimes.indiatimes.com/articleshow/2237689.cms>

### **Lenovo plans to invest \$11 mn in new India unit**

Computer maker Lenovo Group Ltd plans to invest USD 11 million over five years in a new manufacturing unit in the northern Indian state of Himachal Pradesh, the firm's global manufacturing vice president, Jeff Gallinat, said.

<http://www.financialexpress.com/news/Lenovo-plans-to-invest-11-mn-in-new-India-unit/206958/>

## **News Round – Up**

### **India execs most optimistic on economy, inflation: McKinsey**

Indians executives are the most optimistic in the world in terms of expectations for growth in economy, their industries as well as improvement in inflation levels in their countries, a new McKinsey study shows.

Except North America, a majority of executives across the world expect economic conditions to improve in the next six months with Indians coming on the top with as much as 81 per cent expressing a positive outlook, shows a survey conducted by international management consulting firm McKinsey.

The robust economic growth projections come despite a growing threat from inflation across the world, the study noted. In India, the latest government data showed inflation rising to 4.41 per cent in week ended July 14 after being unchanged for two straight weeks.

While fuel prices were steady during the latest reported period in India, the McKinsey study found that nearly two-third of the executives worldwide saw oil and gas costs as the biggest driver of the inflation.

Indian executives were the most optimistic about decline in inflation over the next six months, while a majority of executives from neighbouring China expected inflation to rise further from its current level. As much as 39 per cent of Indian executives expected inflation to decline, while 36 per cent saw it rising higher in the next six months.

[http://economictimes.indiatimes.com/News/Economy/Indicators/India\\_execs\\_most\\_optimistic\\_on\\_economy\\_inflation\\_McKinsey/articleshow/2241866.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/India_execs_most_optimistic_on_economy_inflation_McKinsey/articleshow/2241866.cms)

### **S&P gives better rating to its India focus**

Two Years after its successful open offer for Crisil, Standard & Poor's (S&P) has drawn up a plan to make India a strong regional base. S&P will also be applying for a licence to set up a credit information bureau in India through its local arm Crisil.

The international rating agency announced the elevation of R Ravimohan, MD, Crisil, as managing director and region head of S&P in South Asia. Mr Ravimohan's place will be taken

by Roopa Kudva, Crisil's ED and chief rating officer. In addition, Subir Gokarn, currently chief economist of Crisil, will take on the additional role of chief economist in Asia-Pacific for Standard & Poor's. He will be responsible for shaping S&P's macro-economic views in Asia-Pacific and expanding its research and commentary on the region's rapidly growing economies.

Describing India as one of the fastest-growing markets and a regional hub, Thomas Schiller, executive MD and regional head-Asia-Pacific, S&P, said India today accounted for a third of S&P's total manpower. This includes close to 2,500 employees under the Crisil group and the rest employed by CapitalIQ — an S&P company that provides workflow solutions to financial institutions across the world.

<http://economictimes.indiatimes.com/articleshow/2240008.cms>

### **Centre expects to create 3-5 million jobs through SEZs by 2009**

The Centre expects investments to the tune of Rs 300,000 crore to flow into special economic zones with a potential to generate 3-4 million jobs, both directly and indirectly, by 2009 once all SEZs get notified, according to G K Pillai, commerce secretary, Government of India.

"We have more or less stabilised the SEZ policy though there were some controversies,"he said, addressing a seminar on SEZs, organised by Industrial Economist and Observer Research Foundation.

There are 133 notified SEZs in the country now which have attracted investments to the tune of Rs 43,133 crore (\$10 billion). Over 35,000 people have been employed directly in these SEZs, besides generating double the number of jobs indirectly to support SEZ operations .

We expect the investment to go up to Rs 100,000 crore creating 1lakh jobs by the end of the year in the 133 notified SEZs, he added.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292081](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292081)