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CONTENTS

News Feature

PM hopes G20 will help put global economy on track

Prime Minister Manmohan Singh expected the summit of world's 20 leading economies (G20) to signal a "strong and coordinated approach" to put the global economy back on track, while addressing medium term structural issues.

Singh also underscored the need for swiftly taking the difficult decisions to address the economic challenges in Europe and elsewhere against the backdrop of the sovereign debt crisis in Eurozone.

"It is important for the Cannes Summit to signal a strong and coordinated approach to put the global economy back on track, while addressing medium term structural issues," he said in a departure statement before leaving for the two-day Cannes Summit in French Riviera.

The Prime Minister said much more needs to be done to combat the debt crisis despite measure of confidence being restored in the market after the twin summits of the European Union and Eurozone a few days ago.

Noting that the Eurozone is a historic project, he said, "India would like the Eurozone to prosper, because in Europe's prosperity lies our own prosperity".

Developing economies such as India need a conducive global economic environment to address the vast challenges they face, he said.

"In an increasingly interdependent world, we have to be wary of contagion effects and the import of inflationary pressures in our economy. We need to ensure that developing countries have access to requisite funds through multilateral development banks and invest surpluses to meet their infrastructure and other priority needs," Singh said.

The issue of global governance will also come up for discussion during the G20 meet.

"This is an issue of importance to India, and we will work with others to develop effective and representative global governance mechanisms and carry forward the process of reform of the international monetary and financial system," he said.

http://www.financialexpress.com/news/pm-hopes-g20-will-help-put-global-economy-on-track/869455/0

'India's $500 bn export target acheivable'

India will achieve its USD 500 billion export target for 2014 on account of increasing demand in new markets like Latin America and Africa, a study released today said.

Export trends shows India's dependency on the US market has reduced by great margin and in 2011, the UAE emerged as the country's top export destination, PHD Chamber Chief Economist S P Sharma said, adding that China and Singapore have emerged among its top five export destinations.

"Due to various government policies and benefits given under the foreign trade policy, there has been a diversification in the export destinations of the country.

There had been big change in export trends over the last 10 years," he said.

He said India's engagement with regions like ASEAN has reduced dependency on developed economies.

The US and Europe, which account for over 40 per cent of India's exports, now contribute less then 30 per cent, he said.

Further, he said that although the world economy is on the verge of a severe slowdown, India has managed to maintain its exports growth momentum.

During the April-September period this fiscal, India's exports grew by 52.1 per cent to USD 160 billion.

http://www.financialexpress.com/news/indias-500-bn-export-target-acheivable/871611/0

Overseas Investment

Forex reserves jumps over $2-bn to $320.4 bn

The foreign exchange reserves rose by USD 2.032 billion to USD 320.39 billion on the back of a jump in foreign currency assets.

Total forex reserves had risen by USD 858 million in the previous reporting week to USD 318.358 billion.

Foreign currency assets, the biggest component of the foreign reserves, were up by USD 1.931 billion for the reporting week to USD 284.445 billion for the week ended October 28, the Reserve Bank said in its

weekly data.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of the non- US currencies, such as the euro, pound and yen, held in the reserves, the apex bank said.

Gold reserves remained unchanged at 28.667 billion, the apex bank data said. Both the special drawing rights (SDRs) and reserve position in the IMF were up during the reporting week, RBI said.

The SDRs increased USD 64 million to USD 4.606 billion while India's reserve position in the IMF also increased by USD 37 million to USD 2.672 billion, the RBI data showed.

http://economictimes.indiatimes.com/news/economy/finance/forex-reserves-jumps-over-2-bn-to-320-4-bn/articleshow/10610922.cms

FIIs allowed to invest in debt instruments of non-banking finance firms

Foreign institutional investors can now invest in debt instruments issued by non-banking financial companies categorised as 'Infrastructure Finance Companies' by the Reserve Bank of India, in addition to the debt instruments issued by infrastructure companies.

FIIs would now be allowed to invest in non-convertible debentures or bonds issued by infrastructure NBFCs, the RBI said in a notification.

The earlier lock-in-period of three years for FII investment in these instruments has been reduced to one year up to an amount of $5 billion, within the overall limit of $5 billion. This lock-in-period shall be computed from the time of first purchase by FIIs.

In April, the limit for FII investment in NCDs and bonds issued by Indian infrastructure companies was increased from $5 billion to $25 billion. This subject to conditions that such instruments would have a residual maturity of five years and above, the investments would have a lock-in-period of three years and 'infrastructure' would be as defined under the extant External Commercial Borrowings policy.

The residual maturity of five years and above stipulated would now refer to the original maturity of the instrument at the time of first purchase by an FII, the RBI notice said.

http://www.thehindubusinessline.com/todays-paper/tp-money-banking/article2595828.ece

RBI eases share transfer rules under FDI

Reserve Bank of India has eased rules regarding share transfers between Indians and non-resident investors, in a move to liberalize and rationalize policies governing foreign direct investments (FDI) in the country, it said in a statement.

Reserve Bank of India has now allowed transfer of shares between resident and non-resident investors under the foreign direct investment route without its prior permission with certain exceptions, it said.

In 2010/11 (April-March), FDI inflows into India had declined an annual 25 percent to $19.42 billion, while the inflows during the April-June quarter more than doubled to $13.44 billion compared to year-ago quarter.

http://www.financialexpress.com/news/rbi-eases-share-transfer-rules-under-fdi/871278/

Trade News

India-Canada aims to strengthen ties in energy sector

India and Canada want to triple their bilateral trade and are banking on alliances and investments in energy sector. Both countries are aiming at increasing bilateral trade to $ 15 billion by 2015 from $ 4.2 billion in 2010.

Canadian minister for international trade and the Asia Pacific Gateway Edward Fast is on visit to India to interact with local industrialists. He met representatives from Essar, Adani, Suzlon and various state ventures in Ahmedabad."We have just scratched the surface and the bilateral trade can grow beyond $ 15 billion by 2015 if we do our groundwork well. We understand that comprehensive economic partnership agreement between the two will infuse confidence among Canadian investors to come to India. In December, Canada and India will kick off the third round of negotiations towards the agreement," said Fast. While addressing industry members at Gandhinagar, he added that the proposed agreement will result in GDP growth of close to $ 6 billion. Bombardier, Niko, GeoGlobal Resources and McCain Foods are some of the Canadian companies that are present in Gujarat.

Pandit Deendayal Petroleum University hosted the meet on behalf of the government of Gujarat. Referring to the existing alliances between Gujarat and Canada, principal secretary of energy & petrochemicals DJ Pandian said, "Binding between Gujarat and Canada is not new. Through its partnership

with Canadian companies Niko Resources and GeoGlobal Resources, the state venture Gujarat State Petroleum Corporation (GSPC) found gas in Hazira and KG Basin. Canada has vast experience in dealing with renewable energy and Gujarat would like to benefit from the same to meet its target of producing 20% of its energy requirements from the environment friendly means." Hydropower accounts for more than 72% in Canada's electricity basket.

http://articles.economictimes.indiatimes.com/2011-11-05/news/30363906_1_gujarat-and-canada-canadian-minister-canadian-companies

India signs tax info treaty with Jersey

India has signed a tax information exchange agreement with the island of Jersey, the seventh such agreement to be struck by India as part of its efforts to clamp down on tax evasion. But some experts warned the agreement would do little to increase the flow of information.

Mr John Christensen, the Jersey-born director of the international campaign group Tax Justice Network, described the agreement as a “needle in a haystack approach” and “unfit for purpose”.

The Jersey agreement requires India to provide minimum details about the information it wants for it to be considered, and must be “foreseeably relevant” to the administration and enforcement of domestic laws, according to a statement from the Indian High Commission in London.

“The down side is that you have to have enough information to persuade the courts in Jersey that you need access to that information,” he said.

The automatic exchange of information when a person of one country opens an account in another – as is the case within Europe under the savings tax directive – would be the only effective solution, he said.

He noted the Prime Minister, Dr Manmohan Singh's comments at the G20 meeting in Cannes, describing his call for a move to automatic exchange as an “incredibly important development”.

“G20 countries should take the lead in agreeing to automatic exchange of tax-related information with each other, irrespective of artificial distinctions such as past or present, for tax evasion or tax fraud,” Dr Singh told the G20.

“He is the first significant politician globally to come forward to the G20 and step up our game here,” said Mr Christensen.

India has signed information exchange

agreements with Liberia, the Bahamas, Bermuda, Virgin Islands, Isle of Man, and the Cayman Island, and concluded negotiations with a total of 16.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2598875.ece

India-China trade to touch $100 bn in 4 yrs: Assocham

Indian-China trade would touch $100 billion in the next four years from the present $ 63 billion, says industry body Assocham.

As per the Associated Chambers of Commerce and Industry of India, the two Asian giants can emerge as world's largest trading partners by 2030.

"China has already raced past United States, Britain and Japan to become India's largest trading partner. Indian companies can gain substantially by accessing Chinese capital goods at attractive prices by way of imports," Assocham said in a statement here.

Indian exports to China jumped 68.8 per cent to $19.6 billion in 2010-11, from $11.6 billion in the previous year. Imports increased 41 per cent to $43.5 billion from $30.8 billion in the same period.

India is the tenth largest trade partner of China, and its seventh largest export market. In India's total trade, China's share has increased to over 10 per cent.

However, Assocham expects that government's proposal to hike tariff and non-tariff barriers on imports of some Chinese goods or to impose a complete ban on items like power and telecom equipment will send negative signals to India's trade partners and affect investment climate in key sectors.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-china-trade-to-touch-100-bn-in-4-yrs-assocham/articleshow/10644016.cms

Sectoral News

TRAI proposes easier M&A rules

In order to enable consolidation in the sector, the Telecom Regulatory Authority of India proposed to ease up merger and acquisition norms.

The regulator said that merged entity could own up to 25 per cent of the spectrum in a given circle and it could have a combined market share of up to 60 per cent.

TRAI, in May 2010, had suggested to bring a

spectrum cap of 14.4 Mhz on the merged entity. It also had said that the combined market share should not be more than 30 per cent. The regulator has now said that if the combined market share of the merged entity is below 35 per cent then it can go through without any approvals. Mergers will also be allowed if the market share reaches up to 60 per cent but subject to scrutiny by TRAI. This means that an operator such as Bharti Airtel which has market share of just over 20 per cent can acquire any of the new players or even those with 10-15 per cent market share.

Larger spectrum

The merged entity can also own larger quantum of spectrum. For example, in Karnataka over 90 Mhz of 2G spectrum has been allocated and if TRAI proposals are implemented, the merged entity can own 22.5 Mhz of spectrum. In addition, the merged entity can buy spectrum through an auction or any market-based mechanism.

“The Authority noted that fragmentation of spectrum, a valuable but finite resource, was not desirable in the telecom industry where size is increasingly becoming an advantage in the delivery of telecommunication services to the people. It, therefore, felt that consolidation of spectrum was something to be facilitated,” TRAI said.

It has also scrapped its earlier proposal to have at least six operators in each circle post a merger. The regulator said the number of operators in a circle does not have any relevance.

There are nearly 13 operators in each circle at present. As at the end of December 2009, seven major players had a share of 98.65 per cent of the telecom market while six new players had a collective share of only 1.35 per cent. Even as at the end of June 2011, the seven major players continue to enjoy a significant share of 93.82 per cent while the six new players cumulatively have a share of only 6.18 per cent.

http://www.thehindubusinessline.com/todays-paper/tp-info-tech/article2595791.ece

'India's mobile phone demand seen at 350 mn'

Demand of mobile phones in India is expected to reach 350 million units per annum by 2020, says a study by industry body FICCI with market analyst firm Ernst and Young (E&Y).

"India is the world's second-largest telecom market after China, with the total wireless subscriber base crossing 850 million at the end of June, 2011. By 2020, the handset demand is projected to reach 350 million a year," the study said.

At present, Indian mobile handset market is

estimated to be in around 130 million handsets per annum.

It added that 505 million handsets are estimated to be manufactured in India, during the same year.

The study has found that average selling price (ASP) of handsets in the country is estimated to increase to Rs 2,950 by 2020 as compared to Rs 2,300 in 2010.

"In India, handsets are categorised as high, medium, low, and ultra low cost ASP devices. The medium ASP segment is likely to be the fastest growing segment in terms of volume," Prashant Singhal, Telecom Industry Leader, E&Y, said.

He added that affordability of feature-rich handsets is also expected to be a key enabler of handset adoption.

The study sees untapped rural market to provide handset players the next phase of growth.

"The number of 3G subscribers expected to cross 300 million by 2020, fuelling the growth of 3G-enabled handsets. A favourable policy and regulatory initiative conducive for handset manufacturing in India is expected to drive sustainable growth in this segment," the statement said.

The study recommends that there is need to set up handset manufacturing cluster parks that would enable a sustainable ecosystem for the manufacture of mobile handsets in the country.

"A detailed component supply roadmap needs to be developed by starting to manufacture certain parts such as chip-sets, keyboard, plastic elements and battery," the statement said.

The study says that government should create a sizeable export promotion fund for the telecom equipment and services export and handset exports from India may be included in bilateral trade agreements with emerging markets in regions such as South Asia, Africa, Latin America, Russia and Eastern Europe.

http://www.financialexpress.com/news/indias-mobile-phone-demand-seen-at-350-mn/869707/0

India eyes 1 pc global tourists, 25 mn new jobs in next 5 years

At least 1 per cent of the total number of global travellers by 2016, about 25 million new jobs in next five years, additional foreign exchange earnings of $15.7 billion.

These are the targets set for the 12th Five-Year Plan by the Tourism Ministry which wants the government to recognise tourism as the vehicle for inclusive, sustainable and

faster economic growth.

In a detailed presentation made to Prime Minister Manmohan Singh, the Tourism Ministry has outlined the huge potential of the sector in creating new employment opportunities and its direct and indirect contribution to the economy. But that would require a four-fold increase in the budgetary allocation for the sector for the plan period.

The ministry has pitched for an allocation of Rs 21,900 crore for the five-year period, up from Rs 5,156 crore that was given to it in the 11th Plan.

Tourism Minister Subodh Kant Sahai said the tourism potential in this country had remained largely untapped. While China attracts 5.8 per cent of the global international traffic every year, India's share of the world market remains a lowly 0.59 per cent. Much smaller countries in the neighbourhood like Malaysia, Singapore and Thailand attract many more foreign tourists than India.

Sahai said taking India's share of world's tourism market to 1 per cent by 2016 was a realistic target.

The economy is projected to grow at about 9 per cent in the coming years while the growth of the Services sector is likely to be around 12 per cent a year. If the tourism industry keeps pace with the growth in the services sector, India's target of getting 1 per cent of the global travellers by 2016 would be a reality, he said.

India had been clocking a 12-14 per cent increase in the foreign tourist arrivals during the middle of the last decade before the global economic recession badly affected tourist inflows.

In 2010, India's tourist arrivals grew by 8.1 per cent.

http://www.financialexpress.com/news/india-eyes-1-pc-global-tourists-25-mn-new-jobs-in-next-5-years/869829/0

Jute goods export may touch Rs 1,500 cr

Jute goods export from India is likely to touch Rs 1,500 crore this fiscal, a top official of the National Jute Board said.

Jute goods worth Rs 1,400 crore were exported to various countries in 2010-11, and this time it may touch Rs 1,500 crore, the Board's Marketing Officer B Narasimhulu told after opening an exhibition-cum-sale of jute products.

He said the Board, which is under the textiles ministry, has been encouraging small entrepreneurs in making jute products and

providing 20 per cent capital expenditure subsidy for the jute mills.

Besides, it is conducting training programmes for small groups and NGOs for making various jute products, he added.

Narasimhulu said the Board is also organising exhibitions at various places to encourage artisans to set up their stalls free of cost.

He said the week-long exhibition is expected to fetch a sales worth Rs 12 lakh as against Rs 10 lakh last year.

http://www.financialexpress.com/news/jute-goods-export-may-touch-rs-1-500-cr/871253/0

India's coffee exports up 42% : ICO

India's coffee exports rose by 42 per cent to 3,60,540 tonnes in the 2010-11 coffee year ended September this year, according to a report by the International Coffee Organisation (ICO).

Shipments of the brew from the country stood at 2,53,895 tonnes on the 2009-10 coffee year (October-September), ICO data said.

According to the government-owned Coffee Board of India, the country's exports of the brew rose by 31 per cent to 3,60,540 tonnes in the last coffee year against 2,71,859 tonnes in the 2009-10 coffee year.

However, the United States Department of Agriculture (USDA) has put coffee exports from India much lower than that of the Coffee Board and the ICO.

According to USDA, the country's coffee exports rose by 30 per cent to 3,30,000 tonnes in 2010-11 coffee year against 2,53,740 tonnes in the year-ago period.

India largely exports coffee to Italy, Germany, Russia, Belgium and Spain.

The global body on coffee has put the production in 2010-11 coffee year at about 3,03,600 tonnes, while Coffee Board has put the output at 3,02,000 tonnes.

According to USDA, India had produced 3,02,040 tonnes of coffee in the 2010-11 coffee year.

http://www.financialexpress.com/news/indias-coffee-exports-up-42-ico/871589/0

India to continue dominating KPO sector

India will continue to be at the forefront of the development of knowledge process outsourcing (KPO) industry for the foreseeable future, says a report.

However, in the recent years, a number of

other viable KPO sourcing hubs have emerged in the Asia-Pacific region, says a report from independent technology analyst firm Ovum.

The potential KPO delivery locations, including China, the Philippines and Sri Lanka, are unlikely to challenge India's dominant position in the market, but they have enabled many vendors to pursue a multi-shore strategy, it said.

Ed Thomas, Ovum analyst and author of the report, said: "Being able to deliver services from multiple locations means providers can offer existing clients greater flexibility and minimise the risks associated with having all their operations in one facility, while at the same time tapping into fresh labour pools".

The KPO industry is maturing and the range of services being provided has expanded as the market has developed. From its initial beginnings in research and analytics, he definition of KPO currently includes a variety of services, such as legal process outsourcing and clinical trial management, among others.

On the latter topic, Ed Thomas said: "A major challenge facing life sciences companies is the growing cost of R&D and, as a result, a growing number of pharma companies are turning to outsourcing and off-shoring as ways of reducing these costs.

http://www.financialexpress.com/news/india-to-continue-dominating-kpo-sector/872090/

News Round-Up

India to be 5th largest economy: BCG

India is all poised to see huge growth opportunities and become the 5th largest economy (nominal GDP) globally at $4.4 trillion by 2020 (from 9th currently), according to a report released by a Boston Consulting Group, the knowledge partner of the Indo-Japan Summit 2011.

Betting high on the Indian growth prospects, the report says that the subcontinent's consumption basket which is one third of Japan at present will rise phenomenally to almost twice the size of Japan by the year 2030.

Riding on this growth path, the report says, the Indian infrastructure sector is expected to see an investment of upto $1 trillion dollars over the next plan with the investments of billions of dollars in sectors such as power, roads, railways, telecom and irrigation.

Japan which currently has 70 per cent of its exports concentrated in US, Europe, China, S

Korea and Taiwan is looking forward to tap the huge opportunities for Japanese-Indian cooperation across sectors ranging from infrastructure to the pharmaceuticals.

Admitting that Japan is a late entrant in tapping the Indian market, compared to the other European and Asian countries like Korea, Hiroaki Sugita, senior partner and managing director, BCG Japan said that in the last five years there has been a strong rise in the Japanese interest in India which has moved beyond the traditional focus areas of automotive and electronics.

Dwelling on the delay in focusing on India, Sugita said, “The initial focus of Japan was on China, since the Chinese growth story preceded the Indian one, by around six or seven years. It was because of this gap that the Japanese attention to India got delayed by a couple of years.”

Drawing a comparison between the China and India, Hiroaki Sugita said, China is looked at for short term advantage, but India because of certain factors like huge population of young and working people and a vast English speaking base, presents a long term advantage.

http://www.financialexpress.com/news/india-to-be-5th-largest-economy-bcg/870760/0

'India tops G20 in entrepreneurial culture'

India's entrepreneurial culture has become the strongest among G20 nations with a substantial decline in costs and time for starting new businesses in the country, a global study by Ernst & Young said.

The report, however, said that efforts were still needed to lower the business costs, for further simplification of procedures and to make India even more favourable business destination.

Ernst & Young (E&Y) said that the report, prepared on the basis of a survey of 1,000 entrepreneurs across the G20 nations, has substantiated India's premier position as an emerging hub for entrepreneurial activity and innovation.

It said that 98 per cent of the entrepreneurs surveyed believed that Indian culture encourages entrepreneurship, as compared to 80 per cent for the rapid growth markets and 72 per cent for the mature economies.

The study has been released ahead of a G20 Summit in Cannes, France, to be attended by the leaders of the G-20 nations, including Indian Prime Minister Manmohan Singh.

The G20 is a block of the world's 20 leading economies including the US, UK, France, Germany, Japan, China, Russia and India.

The report, released at the G20 Young Entrepreneurs Summit in France, found that the costs of starting a business in India has declined by 5.5 per cent since 2005.

Besides, time to start a business in India has fallen from 56.5 days in 2005 to 29 days in 2010. However, 71 per cent of the respondents from India recommended a further simplification of procedures to start a business.

In the survey, 80 per cent of Indian entrepreneurs reported improved access to funding, including bank loans.

http://www.financialexpress.com/news/india-tops-g20-in-entrepreneurial-culture/870234/0

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