

## Weekly Economic Bulletin

Date: October 2 - 8, 2007

Issue No. 233

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## News Feature

### India beat China in overseas mergers

Indian companies have surpassed their Chinese counterparts in making cross border merger and acquisitions with a 126 per cent annual growth, while the Asia Pacific region registers a 36 per cent rise in overseas M&As, says a report.

So far this year, India has recorded a 126 per cent jump in the amount spent on M&A deals outside the Asia Pacific region, compared to the previous year's figure.

<http://www.financialexpress.com/news/India-beat-China-in-overseas-mergers/224407/>

### Exports grow 19% in August despite appreciating rupee

Despite appreciation of the rupee vis-à-vis the dollar and its adverse impact on exporters' margins, the country's export is cruising on a high growth path with the latest figure for August notching up a growth of close to 19 per cent in dollar terms and cumulative export growth during April to August 2007 at 18.36 per cent.

Provisional figures compiled by the Directorate-General of Commercial Intelligence and Statistics (DGC&S) show that exports during August 2007 were \$12,686.38 million, which was 18.91 per cent higher than the level of \$10,668.78 million during August 2006. In rupee terms, exports amounted to Rs 51,787.31 crore, which was 4.31 per cent higher than the value of exports during August 2006.

<http://www.blonnet.com/2007/10/02/stories/2007100251870100.htm>

## Overseas Investment

### Govt clears 13 FDI proposals

Government has cleared 13 foreign direct investment (FDI) proposals totaling Rs 393.36 crore that includes Maruti's proposed joint venture (JV) with Japanese Futaba Industrial Co and Bloomberg's plan to increase paid-up capital and enhance down-linking activities.

The country's largest car company Maruti Udyog's proposal to set up a JV with Futaba Industrial Co has been cleared with foreign equity of up to 51 per cent amounting to Rs 45.90 crore, an official release said.

Finance Minister P Chidambaram approved these proposals recommended by foreign investment promotion board (FIPB).

International newswire Bloomberg's proposal to downlink its TV programmes into India and also to increase paid-up capital involving infusion of Rs 85 lakh has been cleared.

However, the proposal of Ford Automotive Finance Company India Private has been rejected.

Other important proposals include induction of foreign equity of Rs 232.58 crore (72.5 per cent) by Secunderabad-based Aster Infrastructure offering telecom services and Hyderabad-based KVK Energy's proposal to bring in 70 per cent foreign equity of Rs 97.06 crore to make investment in downstream operating companies.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=300341](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=300341)

### **FDI increases 80% in 2006-07**

The massive surge in investment by foreign institutional investors (FII) after the Fed rate cut has prompted RBI to propose further liberalisation in norms of foreign investment by Indian companies, residents and mutual funds.

FII inflows stood at a staggering \$1.5 billion and the Central bank proposed to increase outward investment to control liquidity and rein in rupee. May be further liberalisation of norms would increase outflow of funds and help to control the liquidity position, but the fact is that India's investment abroad has already been increasing rapidly.

In five years, between 2001-02 and 2006-07, total international assets of India has increased at an annual compound rate of 24.2% against 12.6% annual rise in total international liabilities. The net international liabilities as a result, have gone down by over 40% from Rs 3,37,285 crore in 2001-02 to Rs 1,97,390 crore in 2006-07.

India's direct investment abroad, of which equity capital and reinvested earnings account for 90%, has increased by more than five times from Rs 19,550 crore in 2001-02 to Rs 1,04,494 crore last year. In 2006-07 alone the direct investment outflows increased by 80% over 2005-06. In contrast, direct investment inflows to India during 2001-02 to 2006-07 has increased by about two and a half times from Rs 1,21,043 crore to Rs 3,15,339 crore.

<http://economictimes.indiatimes.com/articleshow/2423632.cms>

### **DIPP to raise FDI in civil aviation space**

The department of industrial policy and promotion (DIPP) would soon give its go-ahead for raising foreign direct investment (FDI) from the existing 49% to 74% in helicopter services, non-scheduled aircrafts and regional airlines.

The finance ministry has approved the proposal of the civil aviation ministry and the policy change is expected to be announced next year.

“The civil aviation ministry’s proposal for FDI hike in these services is well grounded as the government is allowing higher FDI in scheduled domestic airlines. However, it would not be part of this year’s review but may be announced next year. This increase would help greater connectivity among small and remote sectors,” sources in DIPP said.

The civil aviation ministry is of the view that an upward shift in FDI cap would significantly boost feeder airline business, which is at present being given short shrift.

The civil aviation policy, which is under cabinet consideration, has proposed a need to open up areas like non-scheduled operations and helicopters services.

<http://economictimes.indiatimes.com/articleshow/2423626.cms>

### **FDI policy review for Cabinet**

The review and streamlining of foreign direct investment (FDI) by the Department of Industrial Policy and Promotion would be sent to the Union Cabinet within 10 days for its endorsement and more areas for FDI such as stock exchanges, commodity exchanges and civil aviation for aircraft maintenance and repair would be opened up, the Union Minister for Commerce and Industry, Mr Kamal Nath, said.

Addressing a news conference, the Minister, however, said that the FDI policy for retail is no longer an issue as it is more about big versus small and the State Governments had to deal with this increasingly.

He said that the streamlining of FDI policy was comprehensive to cover existing anomalies so that investors come to India.

<http://www.blonnet.com/2007/10/07/stories/2007100751560300.htm>

### **Forex reserves up by \$11.8 bn at \$247.7 bn**

The country's foreign exchange reserves shot up by a whopping \$11.871 billion to \$247.762 billion for the week ended September 28, the Reserve Bank said.

The forex reserves had increased by \$3.704 billion at \$235.891 billion for the week ended September 21.

Foreign currency assets increased by \$11.383 billion to stand at \$239.955 billion as against \$228.572 billion a week before, according to Reserve Bank data released.

Foreign currency assets expressed in US dollar terms included the effect of appreciation or depreciation of other currencies, such as the Euro, Pound Sterling and Yen, held in its reserves.

During the week, gold reserves also increased by \$486 million to \$7.367 billion, while special drawing rights (SDRs) remained static at USD two million.

The reserve position in the IMF improved by \$2 million to stand at \$438 million.

<http://economictimes.indiatimes.com/articleshow/2432918.cms>

## **Trade News**

### **India-Britain trade to rise sharply: Bilimoria**

Bilateral trade between India and Britain is on a new high and is set to shoot up in the near future, according to British Indian entrepreneur and UK chairman of Indo-British Partnership (IBP) Karan Bilimoria.

"There has been a great awakening, especially in the last one year, in Britain about opportunities in India for British companies," Bilimoria said.

"The Tata-Corus deal and the recent acquisition of Hutch in India by Vodafone are just the beginning," said Bilimoria, who is also the vice-chairman of the London Chamber of Commerce and Industry's Asian Business Association.

This year, during Jan-Feb, bilateral trade in goods between the two countries grew by seven percent to £968 million. Britain is also the third largest investor in India after Mauritius and the US for the period Aug 1991-Mar 2007.

Between Jan-Mar 2007, the highest number of approvals for FDI from Britain was in the trading sector and the highest value of FDI approvals was in telecommunication at Rs.7,044.16 million.

There is more to come, according to Bilimoria.

"IBP has already got £1 million as UK government funds," he said, stating that it reflected British Prime Minister Gordon Brown's desire to have increased trade links with India.

<http://economictimes.indiatimes.com/articleshow/2422949.cms>

### **India, Philippines sign trade pacts**

India and the Philippines, expanded their political and economic ties by signing nine pacts in areas ranging from trade to energy and health to fighting terrorism.

External affairs minister Pranab Mukherjee and secretary of foreign affairs of the Philippines Alberto G Romulo signed a joint declaration on a framework of bilateral co-operation, which seeks to establish a multi-faceted partnership between India and the Philippines.

The declaration was signed after Prime Minister Manmohan Singh held talks with visiting Philippines President Gloria Macapagal Arroyo on a wide range of bilateral and global issues, including the UN reforms, climate change and the fostering human rights crisis in Myanmar.

India has called for a probe into the use of violence to quell pro-democracy protests in Myanmar and has supported a UN call for the release of pro-democracy icon and Nobel laureate Aung San Suu Kyi.

Both leaders stressed on the need for the junta to push broad-based and inclusive political reforms in Myanmar.

The two sides also inked a joint declaration to combat international terrorism, envisaging information sharing, cooperation amongst law enforcing agencies, and in capacity building, and preventing and suppressing financing of terrorist acts.

Three more agreements on the establishment of a joint commission, visa-free travel for holders of official and diplomatic passports of both countries and co-operation between training institutes for diplomats were signed by Mukherjee and Romulo.

A memorandum of understanding on enhanced cooperation in the field of renewable energy was signed by minister of state for new and renewable energy Vilas Muttemwar and the Philippines secretary of energy Angelo T Reyes.

Agreements were also signed for utilisation of a \$15-million credit line between Philippines and the Exim Bank of India, and other between the State Trading Corporation of India and the Philippines International Trading Corporation.

<http://www.financialexpress.com/news/India-Philippines-sign-trade-pacts/225048/>

### **Sino-US joint venture launched for cross-border acquisitions**

A Sino-US joint venture has been launched in the financial service sector to help companies from both countries as well as third country organisations with cross-border mergers, acquisitions and private equity investments.

The Chicago-based Huamei Capital Company Inc. will also offer risk management and investment services to a growing number of Chinese companies seeking to invest abroad.

Both Chinese and US groups each have a 50 per cent stake in the venture. China Merchants Securities Holdings (HK) Co Ltd (CMS), a subsidiary of China Merchants Group, being its Chinese founder.

Former US senator Adlai Stevenson is the co-chairman of Huamei and Leo Melamed, chairman emeritus of the Chicago Mercantile Exchange, is the vice chairman of the joint venture company.

MVC Capital Inc. acts as a strategic investor in Huamei.

<http://economictimes.indiatimes.com/articleshow/2425531.cms>

### **India, Iran review ties**

India and Iran reviewed their relations along with important global issues at a high-level meeting at the United Nations and decided to convene their bilateral Joint Commission soon.

External Affairs Minister Pranab Mukherjee and his Iranian counterpart Manouchehr Mottaki reviewed the bilateral relations including areas of cooperation during an half hour meeting on the sidelines of the United Nations General Assembly's annual session.

They decided that the bilateral Joint Commission should meet soon. Officials said they also reviewed the situation in Afghanistan but did not give any details. Mukherjee, who left New York after leading the Indian delegation to the high-level UN General Assembly session, also met with Foreign Minister of Barbados Dame Bille Miller and discussed bilateral relations. Officials said they also agreed to find ways to increasing the existing cooperation especially in the field of information technology.

Addressing the UN General Assembly, Mukherjee emphasised the need for a comprehensive reform of the world body. Aspiring for the permanent membership of UN Security Council, India has pressed for the launch of inter-governmental negotiations to make the world body "more democratic, representative and responsive".

<http://economictimes.indiatimes.com/articleshow/2424928.cms>

### **France-India trade poised to double in 5 yrs: Envoy**

The French Ambassador to India, Mr Jerome Bonnafont, said that bilateral trade between India and France is poised to double in the next five years across several areas, including aeronautics.

Speaking at the inaugural function of Schneider electric plant near Hyderabad, Mr Bonnafont said that the current \$5-billion bilateral trade between the two countries, which is about \$2.5 billion either side, is set to double by 2012.

France and India have excellent trade ties and there is immense scope to expand this association in the areas of aeronautics, where France has big presence, manufacturing, and other trade services.

Mr Bonnafont said "the French Government was supportive of India's economic growth and various endeavours and this could only get better as we go along."

“We are in favour of India playing a larger role in the global scenario and support a permanent membership for India in the UN Security Council and fuller role in G8,” he added.

France sees India of strategic importance and with its common traits of democratic values. This bonding has the potential to translate into growing mutual trade.

With nuclear energy playing a key role in France accounting for about 80 per cent of total power generated, the two countries see opportunities for collaborations in nuclear power, he said.

Earlier, the Andhra Pradesh Chief Minister, Dr Y.S. Rajasekhara Reddy, said some “forces” in India are trying to scuttle the 123 agreement with the US. The agreement has the potential to help the power-starved country with nuclear power.

“While China is going ahead entering into partnerships with other countries and strengthening their nuclear power generation capabilities, we are still debating on the 123 agreement which the Prime Minister, Dr Manmohan Singh, is keen to conclude. France can play a role in India’s nuclear power plans,” Dr Reddy felt.

<http://www.blonnet.com/2007/10/04/stories/2007100453001000.htm>

### **‘Indo-Thai FTA vital for speedy two-way investments’**

Even as hectic efforts are on through a mega road show in Bangkok — by the Ministry of Department of North Eastern Region (DONER) in close collaboration with Indian Chamber of Commerce, Kolkata — to attract large scale investments from Thailand into the north eastern region, a lot may now depend on how soon the Free Trade Agreement talks between India and Thailand conclude successfully.

Talking at the sidelines of the North East India Trade and Investment Opportunities Week programme, Mr Krirk-Krai Jirapaet, Minister of Commerce, Thailand, said an Indo-Thai FTA would be the deciding factor for speedy two-way investments, including Thai investments into the North East. “It’s a question of shared prosperity and shared benefits. No country can afford to trade in a lopsided manner.”

<http://www.blonnet.com/2007/10/06/stories/2007100651851900.htm>

## **Sectoral News**

### **India's consultancy sector to grow to Rs 17K cr by '10**

Fuelled by increased demand for consultancy services by domestic and foreign firms, the sector in India is projected to grow at an annual rate of 30 per cent to become a Rs 17,000 crore industry, an ASSOCHAM study said.

The consulting industry in India currently stands at Rs 13,000 crore.

Rising opportunities due to a booming economy and growing demand for consultancy services would result in a 28-30 per cent growth in the sector that would touch over Rs 17,000 crore by 2010, ASSOCHAM said in its paper on Opportunities for Consultancy.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Indias\\_consultancy\\_sector\\_to\\_grow\\_to\\_Rs\\_17K\\_cr\\_by\\_10/articleshow/2422289.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Indias_consultancy_sector_to_grow_to_Rs_17K_cr_by_10/articleshow/2422289.cms)

### **Five Indian cities among top 10 global emerging IT hubs**

Reflecting the immense potential of India's information technology and outsourcing prowess, five Indian cities are among the top 10 global emerging outsourcing destinations with Chennai topping the list.

Among the top 10 cities, Hyderabad is ranked at the second position followed by Pune (3rd), Kolkata (5th) and Chandigarh (9th).

The study jointly carried out by Cyber Media's Global Services magazine and investment advisory firm Tholons has drawn up a list of 'Top 50 Emerging Outsourcing Cities' and India is represented with six cities including Coimbatore (21st) while China has five cities.

<http://economictimes.indiatimes.com/articleshow/2432594.cms>

### **Cipla overtakes GSK to become top Indian pharma company**

Cipla has established its lead in the domestic pharma retail market to become the no. 1 company for the first seven months this year.

Cipla's market share of 5.16% is way ahead of drug major GlaxoSmithKline (GSK) at 4.89% for the cumulative period January-July 2007, according to the latest ORG-IMS figures. Ranbaxy follows closely with a market share of 4.86% during the corresponding period this year.

For the corresponding period (January-July) last year, GSK was leading with a share of 5.32%, followed by Cipla at 5.17% and Ranbaxy at 5.05%.

For the month of July alone this year, Ranbaxy has regained its top position with a market share of 4.96%, followed closely by Cipla 4.89% and GSK at 4.6%. In May, Cipla for the first time had overtaken Ranbaxy, which had been topping the charts as far as market shares are concerned. Cipla, Ranbaxy and GSK have been the major contenders for the top slot for the last couple of years.

The fourth and fifth positions have been occupied by Nicholas Piramal and Zydus Cadila for some time now, and for the first seven months this year were 3.97% and 3.64% respectively.

On a moving annual total (MAT) basis for the 12-month period ended July, Cipla was again the market leader at 5.07%, followed by Ranbaxy at 4.95%, and GSK close behind at 4.93%.

“The figures are a broad indicator of the industry trend. We are more keen to work on our overall growth”, Cipla joint MD Amar Lulla told.

<http://economictimes.indiatimes.com/articleshow/2423654.cms>

### **Gems and jewellery exports rise 27% in first half**

The appreciating rupee, for once, has had a beneficial impact on the totally-import-based gems and jewellery export industry as it was able to log a robust 27 per cent export growth during the first half of the current fiscal at \$9.4 billion, as compared to \$7.4 billion in the corresponding period of 2006.

Addressing a news conference here to highlight the achievements and export scenario of the industry, the Gems and Jewellery Export Promotion Council (GJPC) Chairman, Mr. Sanjay Kothari, said that from being the world’s largest manufacturer of cut and polished diamonds to becoming the leading global gems and jewellery hub, India’s gems and jewellery industry is now on a high growth trajectory. He said that exports from the industry fetched \$17.1 billion in 2006-07 against \$16.64 billion in 2005-06, showing a growth of 26 per cent.

He said the cut and polished diamonds segment exports were \$10.90 billion, while gold jewellery exports fetched \$5.21 billion last year. Coloured gemstones exports yielded \$246.48 million last fiscal, against \$232.35 million in 2005-06.

Mr. Kothari said that the council intends to take a large contingent of 25 diamond industry representatives to China in the first week of December to showcase Indian diamond industry’s wares for sale in the Middle Kingdom.

<http://www.thehindubusinessline.com/2007/10/05/stories/2007100552031000.htm>

### **News Round – Up**

#### **'India top talent destination for World Inc'**

With the baby-boomer population in the US reaching retirement and the average age increasing in most of the western countries, global corporates are looking at India to get the right talent, experts say.

Companies based in nations like the US, France and Germany believe that the south Asian country has a talent pool matching the global standards, they said.

"India is topmost on the list of preferred destinations for countries facing an internal talent crunch situation," global management consultancy firm Boston Consulting Group (BCG) partner and director James V Abraham.

<http://www.financialexpress.com/news/India-top-talent-destination-for-World-Inc/223952/>

### **'India one of world's greatest cultures'**

London Mayor Ken Livingstone has described India as one of the world's greatest cultures and said he is looking forward to his forthcoming visit to India.

After a meeting with India's External Affairs Minister Pranab Mukherjee, the Mayor said, "India is an emerging economic superpower and one of the world's greatest cultures. The importance of London's relations with India is already very great and is only going to grow further. That is why London was proud to stage India Now, a three-month celebration of India in the summer.

"I am looking forward to my forthcoming visit to India and opening London offices in Mumbai and Delhi. These will further strengthen our ties in business, society and culture."

During his meeting with the External Affairs minister, the Mayor welcomed the further strengthening of the capital's ties with India. The Mayor stressed the importance of London's links with India in all spheres and the contribution made by the Indian community to London in both business and culture.

The Mayor told Mukherjee that joint economic benefits from close relationship between London and India would be part of the focus of his visit to India.

[http://economictimes.indiatimes.com/ET\\_Cetera/India\\_one\\_of\\_worlds\\_greatest\\_cultures/articleshow/2427300.cms](http://economictimes.indiatimes.com/ET_Cetera/India_one_of_worlds_greatest_cultures/articleshow/2427300.cms)