

Weekly Economic Bulletin

Date: September 04- September 10, 2007

Issue No. 229

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News Feature

'India will emerge among top 3 economic powers in 25 yrs'

Global chip giant Intel announced an alliance of 16 companies under its 'World Ahead Program' to apply technology in health, education and rural empowerment in the country, while its Chairman Dr Craig Barrett exuded confidence that India would emerge among the top three economic powers in the next 20-25 years.

Dr Barrett, who is currently on the last leg of his India visit, said while the country had been a bit slow in bringing out semiconductor policy, thereby missing the window on Intel's manufacturing facility for now, India is still rated high on its list for future capacity building.

Asking the Government not to protect legacy technologies, he said that the company was in discussion with the Government for "including WiMax in 3G spectrum capabilities".

"My past comments on the need for Government to be technology-neutral are generic, and not targeted at India, in particular. New broadband and wireless technologies can improve connectivity for countries such as India and therefore countries need to make sure that they take a technology-neutral approach and not protect legacy technologies," Dr Barrett.

Responding to media queries on the company's chip manufacturing plans, he pointed out that Intel worked out its manufacturing capacity planning "years in advance".

He further asserted that India would become a strong economic powerhouse in the coming years.

"If India continues to grow at over 8 per cent, one can do the maths and see how long it takes for India to come in the top three economies worldwide. Countries like India and China will have faster rate of growth than the developed nations. Depending on how you do the maths it is inevitable, in 20-25 years," he said.

<http://www.thehindubusinessline.com/2007/09/06/stories/2007090650900400.htm>

July exports up 18.5% in dollar terms

India's exports continue to maintain high growth tempo despite the appreciating rupee vis-à-vis dollar, as export growth during July 2007 was 18.52 per cent in dollar terms at \$12,494.11 million, against \$10,542.14 million in July 2006.

Provisional figures released by the Department of Commerce based on data compiled by the Directorate-General of Commercial Intelligence & Statistics (DGCI&S) reveal that cumulatively, the country's exports during the first four months of the current fiscal (April-July) registered a relatively healthy growth of 18.22 per cent at \$46,797.61 million, against \$39,586.71 million during the corresponding period of 2006.

<http://www.blonnet.com/2007/09/04/stories/2007090452040100.htm>

Overseas investment

India to receive \$20 bn FDI a year till 2011: Report

India is likely to receive foreign direct investment of \$20.4 billion every year during 2007-11, even as executives around the world see developing countries as having "heightened political risk".

According to a report by Economist Intelligence Unit, compiled in cooperation with Columbia Programme on International Investment (CPII), there is "significantly heightened political risk perceptions among the investors".

This, the report said, is especially in the case of emerging markets where all four forms of political risk - political violence, FDI protectionism, threats associated with geo-political tensions and government instability - are seen increasing over the next five years.

For developed countries also, there is a widespread concern about rising FDI protectionism, the threat of terrorism in the United States and Britain and impact of geo-political tensions ranging from effects of possible conflict with Iran and Islamic radicalism to Russian-Western frictions.

http://economictimes.indiatimes.com/India_to_receive_20_bn_FDI_a_year_till_2011/articleshow/2341072.cms

FII investment ceiling in PSU banks to stay at 20%, for now

The government said that no proposal is under consideration to raise the ceiling of foreign institutional investors' (FII) holding in public sector banks from the current level of 20%. The government has received representations from public sector banks to increase the foreign investment limit.

"However, at present, there is no proposal under the consideration of the government to amend the limit," minister of state for finance P K Bansal said. Analysts say that limiting FII holdings in banks attract domestic investors.

FII investments have almost touched the 20% ceiling in nearly half a dozen public sector banks including Allahabad Bank, Andhra Bank, Bank of Baroda, Punjab National Bank and Union Bank of India.

Further, the Reserve Bank of India is monitoring a dozen private banks that have more than 15% FII holding. Banks including Centurion Bank of Punjab, Development Credit Bank, Federal Bank, HDFC Bank, Axis Bank and YES Bank, among others, are being monitored.

In cases where the 20% limit has been reached in public sector banks, fresh purchases by FIIs are barred. According to RBI, in public sector banks, FIIs can invest up to 20% of the paid-up capital and 49% in case of private sector banks.

“I think FII ownership is not an issue. Most banks have a pedigree of FII investors. These are strong global funds,” a CEO of a private bank said.

<http://economictimes.indiatimes.com/articleshow/2348964.cms>

FDI proposals worth Rs 284 cr gets nod

The Centre cleared 17 proposals involving a total foreign direct investment (FDI) of Rs 284.76 crore, including that of a group firm of French banking major Societe Generale for undertaking financial services.

The French firm, Sogeparticipations, plans to inject Rs 205.8 crore in India to set up a wholly owned subsidiary for providing financial services. The subsidiary plans to undertake portfolio management and investment advisory services. However, the company would have to meet the conditions of Press Note 1, as per which it must secure approval of Societe Generale’s existing joint venture with State Bank of India that provides asset management services.

The 17 proposals have been approved by finance minister P Chidambaram on recommendations of Foreign Investment Promotion Board (FIPB). These also include a joint venture by Arvind Mills and Netherlands-based lifestyle company Diesel Fashion for selling Diesel’s garments and accessories in the country, which will bring FDI of Rs 5.10 crore.

Another proposal that has been cleared is of Dutch advertising firm Publicis Group to acquire Capital Advertising Private Ltd, which will bring in FDI of Rs 0.03 crore. The government also approved Delhi-based JTEKT Sona Automotive India Ltd’s proposal to set up a joint venture with a foreign equity of 51% from JTEKT Corporation of Japan.

Proposals by two foreign firms New Vernon Pvt Equity and Passport Global Master Fund SPC Ltd of British Virgin Islands picking up 5% stake each in Delhi Stock Exchange for a total of Rs 21.22 crore were also cleared. With this, DSE will have FDI of 25% of so far.

<http://www.financialexpress.com/news/FDI-proposals-worth-Rs-284-cr-gets-nod/214646/>

Trade News

India, Mexico to sign three pacts

India and oil-rich Mexico are set to energise their ties when Mexican President Felipe Calderon Hinojosa arrived for a visit accompanied by over 100 top corporate honchos eager to do business with Asia's fast-growing economy.

India and Mexico, the Latin American country located thousands of kilometres away, will sign three agreements, including an extradition treaty and pacts on mutual legal assistance in criminal matters and the avoidance of double taxation.

Calderon will hold talks with Prime Minister Manmohan Singh and discuss with him a range of bilateral and global issues, including intensification of business ties between the two countries.

Bilateral trade between India and Mexico reached \$1.8 billion, of which \$1.1 billion consisted of India's exports and \$0.7 billion imports.

<http://economictimes.indiatimes.com/articleshow/2348453.cms>

Latvia for strong ties with India

Latvia, one of the countries of the Baltic Sea region, is looking forward to develop political and economic relationship with India, the nation's President Valdis Zatlers said.

"We are looking forward to developing relationship with India, one of the biggest democracies of the world. We have something to learn from each other," Zatlers told.

Describing India as a future superpower and a 'really democratic society', he said Latvia wanted to forge both political as well as economic relationship with the country.

Latvia, which last week sent a non-resident ambassador to India, is also planning to open an embassy in the country in "due course of time", he said.

To a query on what kind of trade relations the two countries can have with each other, the President said: "There would be no restrictions."

According to the Investment and Development Agency of Latvia (LIAA), the country is interested in developing economic relations with India in sectors like tourism, IT, infrastructure, engineering, pharmacy and financial services.

"We are a small country, open for investment and are a free market... We have experience of rapid development in the last 15 years. We changed from a planned economy to a liberal free economy," Zatlers added.

<http://economictimes.indiatimes.com/articleshow/2347157.cms>

Mexico, Bulgaria to strengthen economic relations with India

In keeping with the growing international interest in India, heads of states from Mexico and Bulgaria are visiting India this week after a gap of over two decades.

Bulgarian Prime Minister Sergei Stanishev, who will be here for a five-day visit that starts on September 10, will be the first head of state from Bulgaria to visit India since 1974, while Mexican President Felipe Calderon Hinojosa's state visit to India comes after a gap of 22 years.

Both visits are clearly aimed at pushing economic engagement with India. The Bulgarian Prime Minister will launch a Bulgaria-India business forum, while the Mexican President, is bringing a business delegation of over 100 members.

In a bid to promote trade and investment, India and Mexico will sign an agreement on the avoidance of double taxation.

Another indication that trade and investment will be the focus of the visit is that a high level working group on trade and investment, which was set up to look at ways of promoting trade and investment, the ministry of external affairs said. Early this year, the two countries had also signed a bilateral investment promotion and protection agreement.

Trade between India and Mexico has been growing fast in recent years with bilateral trade up to \$1.8 billion in 2006 with \$1.1 billion as India's exports and \$0.7 billion as imports.

<http://economictimes.indiatimes.com/articleshow/2351575.cms>

China buys 50,000 tonnes of soymeal from India

China has bought 50,000 tonnes of soymeal from India in what traders believe are the first purchases in more than a year from the South Asian nation.

Traders at a regional grains conference added that China was likely to buy another 100,000 tonnes of soymeal from India in coming months.

"China is a bit short of soybeans right now. That's why they're eyeing Indian meal to fill the gap," one trader said.

<http://economictimes.indiatimes.com/articleshow/2336273.cms>

Free trade can get India-China close

Booming Sino-Indian trade must be freed from all barriers and closer interaction between the businesses of the two nations can bring about faster rapprochement between the two Asian giants, a top Indian executive has said.

"I think if we increase trade between the two nations and not get bound and restricted by issues like dumping, trade deficit or trade surplus. Let trade flow. Make it competitive, make it open and accessible," CEO and Managing Director of Ranbaxy Laboratories Limited, Malvinder Mohan Singh told.

"At the end of the day, it is the demand and supply," Singh said amid concern in India that the growing trade surplus in trade may hurt it.

Indian exports to China touched \$ 6.9 billion during January-June, up 29.29 per cent over the corresponding period in 2006.

<http://economictimes.indiatimes.com/articleshow/2336828.cms>

Japan wants India in more dialogues

Japan has said it wants India to join its security dialogue with Australia and the US but insists that the step is not aimed at isolating China.

"India shares common interests - liberalism and democracy - with us," Mitsuo Sakaba, a spokesman for Japanese Foreign Minister Nobutaka Machimura, said adding that all four countries should now get together to discuss "regional situations" and cooperation.

US President George W Bush, Australian Prime Minister John Howard and his Japanese counterpart Shinzo Abe met for talks set to focus on security issues including North Korea and China.

It will be the first time that the security dialogue involving the three countries will be held at the highest level, a development that has clearly made Beijing unhappy.

A deeply concerned Beijing had lodged protest against the quadrilateral or Quad when the three countries and India set up their "strategic partnership" in Manila last May.

Tokyo is now backing plans to hold the trilateral summit regularly and is urging its allies to let India join. "If we can hold such a forum regularly, it will contribute to peace and stability of the region," Sakaba was quoted

<http://economictimes.indiatimes.com/articleshow/2346107.cms>

Sectoral News

'India remains favourite outsourcing destination'

When it comes to outsourcing, India continues to rule as the favourite global destination, even though factors like emergence of cheaper destinations, employee and salary crunch are adversely affecting the sector, a recent study shows.

India holds an edge as it commands global confidence to produce perfect turn around time (TAT), a recent study by recruitment solutions provider Elixier Solutions shows. TAT is the time needed for performing a task, especially receiving, completing, and returning an assignment.

"At present outsourcing business in India is increasing at a rate four times more than any other country and the country has the resource and margin to meet the competition," a partner in Elixier Solutions Vipul Prakash said. According to the study, growing at a rate of 40% annually,

India is the lead player in this sector followed by China at the second spot with a growth rate of 25%.

<http://economictimes.indiatimes.com/articleshow/2341679.cms>

Mobile boom helps India reach Internet goal before time

India has surpassed its Internet subscriber target of 40 million, more than three years ahead of time. Department of Telecommunication (DoT) had set a goal of 40 million Internet subscribers through 'various technologies' by 2010, which has been met in 2007.

As of March 31, 2007, India had about 9.2 million Internet subscribers on personal computers (PCs) and 31.3 million subscribers on mobile phones (both GSM/CDMA). The DoT had set a 40 million subscribers target in its broadband policy of 2004. DoT is now planning to set a new target.

<http://economictimes.indiatimes.com/articleshow/2341785.cms>

Spices export jump 29% in April-July

India's spices exports in April-July rose 29% in volume to 152,650 tonne due to good demand for chilli and fenugreek, a Spices Board official said.

In value terms, exports increased 42% to Rs 1,385 crore, he said.

In the first four months of 2007/08, spices exports achieved 40% of the full-year target. India is likely to export 3.8 lakh tonne in 2007/08, according to data from the Spices Board.

"The main factor is chilli...the quantity has almost doubled," said an official.

India exported 71,500 tonne of chilli in April-July. The demand from traditional buyers like Malaysia and Sri Lanka was on the rise, the official said.

Exports of pepper, cardamom (large), coriander, fennel, fenugreek picked up from last year.

Pepper exports rose 42% to 10,100 tonne and fenugreek exports doubled to 5,850 tonne, according to the Spices Board.

The international supply situation in pepper is likely to benefit Indian exporters, the official said.

<http://www.financialexpress.com/news/Spices-export-jump-29-in-AprilJuly/214939/>

Global tea exports rise 6.11 mkg

Global tea exports have risen by 6.11 million kg (mkg) so far this year over the same period of last year.

An analysis of the information available with the Tea Board, the global exports so far this year totalled 529.24 mkg against 523.03 mkg last year.

The biggest gainer has been Kenya where the trade posted an increase of 29.94 mkg to reach 151.31 mkg.

<http://www.blonnet.com/2007/09/04/stories/2007090451681200.htm>

News Round – Up

India numero uno travel destination: Survey

Described once as a land of snake charmers, India has now emerged as the numero uno travel destination-trailing beauties of Italy, Thailand, Australia and New Zealand, according to survey by a tourism magazine.

India's rise from the fourth spot last year was contained in a survey conducted by a widely read British magazine Conde Nest Traveller, which gives away Readers Travel Awards, considered to be the Oscar awards of the tourism industry.

"India was the 10th most preferred destination in 2004, 4th in 2006 and is now at the top in 2007 and that is where we want to be," Union Tourism Minister Ambika Soni said while receiving the award at a ceremony in London.

<http://www.financialexpress.com/news/India-numero-uno-travel-destination-Survey/214425/>

India Inc on top in Forbes list

China may be the 'world's factory,' but Indian companies, led by software giants TCS and Infosys, continue to outshine and dominate the annual ranking of big-cap, profitable companies in Asia.

A total of 12 Indian companies made it to the third annual 'Forbes Asia Fabulous 50 List', followed by Taiwan with 10 and China with seven, Forbes Asia said in a press release.

Four of India's IT outsourcing companies made the cut including the biggest, Tata Consultancy Services (TCS) that writes software for leading American firms.

Its revenues leapt 45 per cent in the last year and its market capitalisation has doubled since listing three years ago to cross the USD27 billion mark, the release said.

<http://www.financialexpress.com/news/India-Inc-on-top-in-Forbes-list/214801/>

India 2nd most targeted nation for M&As in APAC banking space

India has emerged as the second most targeted nation for mergers and acquisitions in the Asia-Pacific banking industry with deals worth 10.3 billion dollars in 2007 so far, a report shows.

According to the data compiled by global consultancy firm Dealogic, total value of M&As - domestic and cross border - in the banking space in Asia-Pacific jumped to 70.5 billion dollars in 220 deals during the first eight months, up 40 per cent from 50.5 billion dollars through 197 deals a year ago.

With 72 deals valued at 36.3 billion dollars, Japan leads the tally, followed by India and South Korea. South Korea recorded 10 M&A deals valued at 7.6 billion dollars, the Dealogic data showed.

Meanwhile, cross-border M&As touched 23.8 billion dollars in 69 deals in 2007 so far. The figures nearly doubled from 12 billion dollars through 45 deals during the same period last year.

Interestingly, the top five deals this year accounted for 46 per cent of the total volume, compared to just 15 per cent last year. The top five deals were led by the acquisition of 59.74 per cent stake in State Bank of India by the Indian government for 8.7 billion dollars from the country's central bank - RBI.

<http://economictimes.indiatimes.com/Destination India gets hot for MAs in banking space/articleshow/2343584.cms>

India ranks 69th in global economies freedom index

India improved its ranking in providing freedom to do business in terms of personal choice and competition since it launched economic reforms in 1991 but still remains at 69 among 141 countries.

According to the Economic Freedom of the World Report 2007 released by Commerce and Industry Minister Kamal Nath, India's overall ranking on the global economic freedom index improved to 69 in 2005 from 80 in 1990. However, the ranking which had improved to 60 in 2004 went back to 69 in 2005, the report said.

The rating on a scale of 10 improved from 4.9 to 6.6. "This is one of the largest increases in the last 15 years of any country," the report said.

Among the five components of the EFW index, the largest increase for India is in 'Freedom to Trade Internationally,' where India's score improved to 7.0 in 2005 from 3.9 in 1990.

Factors like lower unemployment, higher per capita GDP, higher income for the poor characterise nations with high level of economic freedom, it said.

The report compares the level of economic freedom in 141 countries. As a global index, it measures the degree to which policies and institutions of these countries are supportive of economic freedom, which includes elements like personal choice, voluntary exchange, freedom to compete and security of privately owned property.

<http://economictimes.indiatimes.com/articleshow/2337548.cms>