

## Weekly Economic Bulletin

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### Contents

<b>1</b>	<b>News Feature</b> <ul style="list-style-type: none"><li>• IIP growth rises to 13.8% on jump in capital goods production</li><li>• FM expects industry to grow by 12-13% this yr</li><li>• PlanCom sees more than 8.5% growth this fiscal</li></ul>	Page 1-2
<b>2</b>	<b>Overseas Investment</b> <ul style="list-style-type: none"><li>• Forex reserves swell by \$2.5 bn to \$285 bn</li><li>• Policy for special manufacturing zones likely this year: DIPP</li></ul>	Page 2-4
<b>3</b>	<b>Trade News</b> <ul style="list-style-type: none"><li>• India gives \$72.55 million line of credit to Laos</li><li>• Taiwan keen to tap Indian electronics, auto parts sectors</li><li>• Japan, India to sign free trade agreement</li><li>• Talks in advanced stage for free trade pact with EU: Ministry</li><li>• Trade with Poland likely to double over the next three years</li></ul>	Page 4-7
<b>4</b>	<b>Sectoral News</b> <ul style="list-style-type: none"><li>• Growing coastal shipping accounts for 27% of traffic</li><li>• Digital information in India to grow 60 fold by 2020: EMC</li><li>• Mobile trading set to take off in October</li><li>• Textile &amp; apparel exports to US rise by 20% in July</li><li>• Govt to announce sops for tyre industry in October</li><li>• India oil product exports may double in 3 years</li></ul>	Page 7-11
<b>5</b>	<b>News Round-up</b> <ul style="list-style-type: none"><li>• India ranks 77 in Forbes best countries for business</li><li>• India's services sector outperforms others on export front, says Unctad</li></ul>	Page 11-12

## News Feature

### **IIP growth rises to 13.8% on jump in capital goods production**

Belying fears of a slowdown, industrial growth accelerated to 13.8 per cent in July from 7.2 per cent in the corresponding month last year, on the back of a 63 per cent jump in capital goods production.

Among the main industry segments, manufacturing activity expanded by 15 per cent from 7.4 per cent a year ago. Mining sector grew by 9.7 per cent from 8.7 per cent while electricity generation growth slowed down to 3.7 per cent when compared to previous 4.2 per cent growth.

Capital goods industry and consumer durable goods production expanded by 22.1 per cent in July, the same rate witnessed a year ago.

Experts earlier had predicted the industry growth in single-digit number for the month of July because of the base effect.

The double-digit growth in July is commendable because industrial expansion in the previous month was revised down to 5.67 per cent from the earlier estimates of 7.1 per cent.

Industrial growth for the first four months of this fiscal stood at 11.4 per cent from 4.7 per cent a year ago.

The country's GDP had grown by 8.8 per cent in the first quarter, against six per cent in the April-June period of last fiscal.

<http://economictimes.indiatimes.com/news/economy/indicators/IIP-growth-rises-to-138-on-jump-in-capital-goods-production/articleshow/6529242.cms>

### **FM expects industry to grow by 12-13% this yr**

Enthused by 13.8 per cent industrial growth in July, Finance Minister Pranab Mukherjee pegged industrial expansion at 12-13 per cent this year.

He also said the manufacturing sector, which generates jobs, was performing well.

"I expect average industrial growth to be between 12-13 per cent this year. Manufacturing, which generates employment is doing well," Mukherjee told reporters.

When asked whether RBI will further tighten monetary policy to combat inflation, the Finance Minister said, "Government and RBI are watching. Let us see. We will take actions as the situation demands."

RBI is expected to raise its short-term borrowing and lending rates at its September 16 mid-quarter review.

Overall inflation for the month of July was 9.97 per cent, while figures for August are expected next week. Food inflation shot up to 11.47 per cent towards the end of August from 10.86 per cent in the previous week.

Industrial growth figures for July exceeded expectations by accelerating to 13.8 per cent in July from 7.2 per cent a year ago. Most experts had earlier pegged the growth to be lower, in single digit figure.

Manufacturing grew by 15 per cent in July against 7.4 per cent a year ago.

However, industrial growth stood at 11.4 per cent in the first four months of this fiscal.

The government expects the Industry sector, which constitutes little less than 20 per cent to India's economy, to grow by 8.5 per cent this fiscal.

<http://economictimes.indiatimes.com/news/economy/indicators/FM-expects-industry-to-grow-by-12-13-this-yr/articleshow/6530351.cms>

### **PlanCom sees more than 8.5% growth this fiscal**

The Planning Commission felt that there is case for revising economic growth projections upwards from the present 8.5 per cent, given the impressive 13.8 per cent industrial expansion in July.

"These July figures, I would say, are better than what I had expected. On the whole, taking together April-July, it thus suggests we are on track at least to achieve the growth rate target...Infact, there may be a good case to marginally increase it (GDP target)," Planning Commission Deputy Chairman Montek Singh Ahluwalia told.

He, however, didn't give any exact figure. The government had fixed a target of 8.5 per cent growth for the economy this fiscal. GDP growth during the first quarter was 8.8 per cent, up from six per cent in the year-ago period.

As per the data released, the country's industrial growth accelerated to 13.8 per cent in July from 7.2 per cent in the corresponding month last year.

The capital goods production jumped by a huge 63 per cent during the month.

<http://economictimes.indiatimes.com/news/economy/indicators/PlanCom-sees-more-than-85-growth-this-fiscal/articleshow/6530335.cms>

### **Overseas Investment**

#### **Forex reserves swell by \$2.5 bn to \$285 bn**

Foreign exchange reserves continued to rise for the second consecutive week, jumping by USD 2.49 billion to USD 285.33 billion on the back of a healthy increase in foreign currency assets and gold reserves.

The forex reserves had stood at USD 282.84 billion in the previous week, according to the data released by the Reserve Bank.

Foreign currency assets, a major component of the country's forex reserves, grew by a healthy USD 1.736 billion to USD 258.384 billion for the week ended September 3, from USD 256.648 billion the week earlier, the RBI data showed.

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.

Meanwhile, the gold reserves jumped USD 730 million to 4.635 billion for the reporting week, while both the special drawing rights (SDRs) and reserve position in the International Monetary Fund saw only a marginal rise, according to the apex bank data.

The SDRs rose by USD 14 million to USD 4.995 billion, whereas the country's reserve position in the IMF inched up by USD 6 million compared to the previous week to USD 1.941 billion, the apex bank said.

The country's foreign exchange reserves had risen by USD 293 million last week, after plummeting by over USD 4.7 billion in the fortnight before it.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-reserves-swell-by-25-bn-to-285-bn/articleshow/6531662.cms>

### **Policy for special manufacturing zones likely this year: DIPP**

The Centre is likely to announce the policy for units in the proposed special investment zones by end of this year, a move that is aimed at increasing the share of manufacturing in the overall economic growth.

The government expects these special areas -- National Manufacturing and Investment Zones (NMIZs) -- will help in increasing the share of manufacturing from 15 per cent of the GDP at present to 25 per cent by 2022.

"We are seriously considering to put this (NMIZ) policy for public consumption by the end of this year (2010)," Director in the Department of Industrial Policy and Promotion (DIPP) Rajat Kumar said at the sidelines of PHDCCI meet.

The DIPP, part of the industry ministry, has received large number of suggestions on its concept paper for setting up NMIZs, which are being planned as mega industrial zones and subsume SEZs, industrial parks and warehousing units.

Kumar said an inter-ministerial discussion on the issue is likely in October or November.

The paper had suggested radical steps including freedom to downsize workforce and curtailing workers' right to join unions.

It also says that state governments should acquire land for the NMIZs, which could be promoted mainly by the private sector.

Besides, it has recommended low-interest loans for units opting for clean technology or products in the NMIZs.

Although the policy is still awaited, Commerce and Industry Minister Anand Sharma recently announced that the first NMIZ would come up in Rajasthan.

<http://economictimes.indiatimes.com/news/economy/indicators/Policy-for-special-manufacturing-zones-likely-this-year-DIPP/articleshow/6519435.cms>

## **Trade News**

### **India gives \$72.55 million line of credit to Laos**

Giving a further boost to its relations with ASEAN countries, India announced a line of credit worth \$72.55 million to Laos for undertaking hydro-electric projects, pushing its total investments in this country to \$162 million.

The two countries also renewed a three-year cultural exchange programme from 2011-13 which will facilitate closer cooperation in the field of education, health, culture and art, youth affairs and sports, and mass media.

President Pratibha Patil, told her Laos counterpart Choummaly Sayasone that India will grant a line of credit worth \$72.55 million for two projects.

"Laos had requested on February 1, 2010 for a line of credit of \$72.55 million for two hydro-electric projects. In today's talks, the President announced the line of credit," Vijaya Latha Reddy, secretary (East) in the ministry of external affairs, told reporters, after the meeting.

The line of credit is for 230 KV double circuit transmission line from Nabong to Thabok and sub-stations worth \$34.68 and 15 MW Nam Boun 2 hydro project worth \$37.86 million, Indian officials said.

Indian Ambassador to Laos Jitendra Nath Misra said India's investment in the country - including those already spent and the ones pledged - have reached \$162 million after the \$72.55 million line of credit announced today.

Laos has requested for another line of credit worth \$30 million for development of irrigation projects in four provinces and this is under process, sources said.

Patil and her counterpart Sayasone commissioned the Paksong-Jiangxai-Bangyo transmission line project worth \$18 million at the Ho Kham Palace in Laos.

"India gave a line of credit of \$33 million in 2008 for development of three projects. Angelique International is the implementing agency and WAPCOS is the project

management consultant for them. On the Laos side, it is Electricity Commission of Laos," Reddy said.

Patil and Sayasone held a one-on-one meeting which was followed by a meeting of senior officials of the two countries.

Reddy said Laos was a good investment destination for India, especially in the field of power transmission and irrigation projects.

India at present extends 94 per cent duty-free tariff to Lao and plans to make it 100 per cent in the near future.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-gives-7255-million-line-of-credit-to-Laos/articleshow/6530555.cms>

### **Taiwan keen to tap Indian electronics, auto parts sectors**

India is the next major market of focus for Taiwanese companies in the electronic, machinery and auto component sectors.

While the Taiwan Formosa Industrial Park in the SEZ at Sri City in Andhra Pradesh (ground breaking function for this was held on Thursday) is a major boost in this direction, a couple of Taiwanese companies are planning joint ventures in India , according to Ms Maggie Liu, Manager, Exhibition Department, Taiwan External Trade Development Council.

Ms Liu, who was part the Taiwanese delegation at the EMMA Expo India 2010 – the Best Sourcing Fair from Taiwan, said India's trade has been strong with Asian countries such as China, Vietnam, Indonesia and Malaysia but not with Taiwan.

"We want to change this. There is now a growing interest among Taiwanese companies to tap the large Indian domestic market right from electronic components to finished goods and machinery," she said.

#### *Bilateral trade*

The bilateral trade between Taiwan and India was around \$6,700 million. This, Ms Liu said, was not even half of Taiwan's trade with Malaysia or Indonesia. "Despite having a strong presence in the electronics products, we are yet to penetrate the Indian market. This could be due to cultural issue as there are a large number of Indian origin people living in Malaysia or Indonesia or due to lack of marketing," she said.

This year's EMMA Expo with 180 exhibitors has been a 'great success.' The exhibitors are happy with the response from the type of visitors who were mostly 'serious trade officials than just common people.' When compared to last year, the number of visitors this year grew by nearly 20 per cent to over 6,000 people. This was despite the fact that the exhibition was held in the mid week than the usual week end, she said.

*On display*

The three-day expo, concluded at the Chennai Trade Centre, showcased 35 brands and 158 products including the first hand products that have won Taiwan Excellence awards. Some of the leading Taiwanese companies in the expo were ASUSTek, D-Link, China Motor Corporation and Lien Chief Machinery.

<http://www.thehindubusinessline.com/2010/09/11/stories/2010091152031000.htm>

### **Japan, India to sign free trade agreement**

Japan says it plans to sign a free trade pact with India that will scrap tariffs on 94 percent of traded goods.

Foreign ministry official Norifumi Kondo said that tariffs would be reduced over 10 years.

Kyodo News agency said Tokyo has asked New Delhi to cut tariffs on Japanese vehicles, while India asked Japan to import more generic drugs and expand job opportunities in Japan for Indian workers.

Japan's exports to India - mainly vehicles and electronic goods - totaled \$7.8 billion in the fiscal year ended March 2010. Japan's imports from India, which include oil, steel and jewelry, were worth \$4.7 billion, according to the ministry.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Japan-India-to-sign-free-trade-agreement/articleshow/6524731.cms>

### **Talks in advanced stage for free trade pact with EU: Ministry**

The Government will be signing Free Trade Agreements (FTA) with the European Union, Japan and Malaysia in the next few months, a Commerce Ministry official said.

“We will be signing an FTA with EU in the next few months. The talks are in an advanced stage. We will also be signing similar agreement with Japan before the year-end and then shortly thereafter with Malaysia,” Mr A.S. Mangotra, Additional Secretary, Commerce Ministry, said addressing the 117th annual conference of the United Planters Association of Southern India.

#### *Challenge to planters*

Stating that FTAs would pose challenge to Indian agriculture products and planters, he said trade with other countries has to be two-way and there had to be some quid pro quo.

Mr Mangotra said the outlook for the plantation sector was comfortable but the industry will have to replace ageing plantations and tackle the problem of labour shortage.

The Government, on its part, will try and help the sector in sharing social costs incurred in meeting various welfare programmes for the plantation labour. “A panel has been set up to look into it and I am heading it. Let's see what best we can help,” he said.

The Centre has fixed a two per cent target for re-plantation and rejuvenation of plantations this fiscal and the Government would extend all possible help to the industry meet the target.

In his presidential address, Mr T.V. Alexander, President of Upasi, said the additional cost arising from out of meeting the social and welfare measures to plantation labour was eroding the competitiveness of the sector.

<http://www.blonnet.com/2010/09/15/stories/2010091551741800.htm>

### **Trade with Poland likely to double over the next three years**

Indo-Polish bilateral trade is likely to double to \$2 billion by 2013, the Indian Ambassador to Poland, Mr Deepak Vohra, said.

Speaking at an event organised by the Confederation of Indian Industry for the high-level Polish business delegation, he added that import and export between the two countries has crossed \$1 billion now.

Also present at the event, Ms Banashri Bose Harrison, Joint Secretary, Ministry of External Affairs said that Poland is the largest trade and investment partner in Central Europe and in the next five years is likely to be amongst the top five trade partners in Europe.

The Central European country is keen to boost bilateral trade ties and is looking for new business opportunities in renewable energy, infrastructure and innovative technology, clean and green environment technology and waste management. Some of the other sectors where Poland is looking for new investments are education, health care and hospitality.

The bilateral trade at present is in sectors such as Agro, textiles, defence, heavy engineering, mining, IT, agro food processing and other such sectors. About 20 Indian companies have made capital investment in Poland so far.

Several opportunities for Indian companies in disinvestment/privatisation process in Poland are available and Poland is keen on looking at JVs in the defence sector.

The Indian and Polish business delegation also discussed ways to strengthen bilateral relationship in diverse fields.

<http://www.blonnet.com/2010/09/10/stories/2010091053120400.htm>

### **Sectoral News**

#### **Growing coastal shipping accounts for 27% of traffic**

Mr A. Subbiah, Chairman in-charge of Tuticorin Port Trust, in a statement said that Tuticorin Port, since inception in 1974, has facilitated coastal shipping by offering the lowest tariff for salt from Tuticorin.

During 1999-2000 and 2009-10, the share of coastal traffic was about 42.32 lakh tonnes and 65.03 lakh tonnes to the overall traffic of 99.93 lakh tonnes and 237.87 lakh tonnes respectively.

Accounting for 27 per cent of the total traffic, coastal shipping has grown at 4.39 per cent CAGR (cumulative annual growth rate) during 1999-2000 to 2000-01, he said.

He further said that at Tuticorin Port, thermal coal, petroleum coke, iron and steel material, salt, industrial coal are some of the major import cargo unloaded for coastal shipping trade.

Sulphuric acid, phosphoric acid, gypsum, ilmenite sand, construction material, caustic soda lye and containerised cargo are some of the major export cargo loaded via coastal shipping at Tuticorin Port.

For the year 2009-10, he continued, the Port handled 65.03 lakh tonnes of coastal cargo primarily consisting of thermal coal, containerised cargo, sulphuric acid, phosphoric acid, industrial coal, pet coke, caustic soda lye. The Port also handled about 71,979 TEUs in 2009-10 in coastal shipping.

The coastal container traffic from Mundra and Pipavav ports account for the major share at 43,614 TEUs and 11,724 TEUs respectively. The coastal movement to Kandla Port is about 5,053 TEUs and Okha Port is about 1012 TEUs.

The total share of ports from Gujarat is about 62,585 TEUs out of 71,979 TEUs handled.

The exporters from Gujarat have found coastal shipping from the Gujarat Port to Tuticorin Port quite economical because of the excellent facilities and productivity of the terminal at Tuticorin and Gujarat Ports. Due to the concessional tariff given by Tuticorin Port for coastal traffic, coastal movement of cargo is expected to pick up in the years to come, he added.

<http://www.thehindubusinessline.com/2010/09/10/stories/2010091051391600.htm>

### **Digital information in India to grow 60 fold by 2020: EMC**

India's share of digital information is expected to grow 60-fold by 2020, driven by the roll-out of 3G and BWA networks, digitisation of television networks, and increased technology adoption among individuals, small and medium enterprises, enterprises and in Government services like the Unique ID project, Census, among others, said a study.

The findings of 'The Digital Universe in India' sponsored by EMC, provider of information infrastructure technology, stated that India's 2010 tally for digital information equals information stored in 2.5 billion iPads of 16GB.

It would mean more than 464,000 separate towers of iPads of 16GB stacked flat on top of each other, each as high as India's famed Qutub Minar. Or if the 2.5 billion iPads were laid end-to-end, they would be equal to a continuous line of more than 197 million Tata Nano cars.

“The digital information explosion will create significant challenges for India’s CIOs and IT managers for two reasons. First, enterprises have responsibility for the storage, protection and management of 80 per cent of the digital universe’s data, and this liability will only increase as social networking and Web 2.0 technologies continue to impact the enterprise,” said Manoj Chugh, President, EMC India and SAARC and Director of Global Accounts for EMC Asia Pacific & Japan.

“Second, while digital information will grow 60-fold, enterprise investments in IT and staffing will grow only in single digits. The cumulative effect is driving CIOs to transform traditional infrastructures into private cloud data centers that offer internal and external customers IT as a service,” he added.

The EMC-IDC study further points out that 50 per cent more digital information is created today in India than the capacity that exists to store it. This number will grow to 80 per cent over the next decade. The study revealed that over the next decade (2010 to 2020), digital information in India will grow from 40,000 petabytes to 2.3 million petabytes, twice as fast as the worldwide rate.

He further added that: “The digital information deluge will translate into a significant market opportunity in India over the next decade. This is why EMC continues to invest in scaling its operations as a part of its previously announced \$2 billion investment commitment through 2014.”

To help address customers’ increasing challenges to store, protect and manage ever-growing digital information, EMC is rolling out its private cloud strategy in India and forging industry partnerships locally and globally to help customers move quickly toward private cloud computing environments.

<http://www.business-standard.com/india/news/digital-information-in-india-to-grow-60-fold-by-2020-emc/407616/>

### **Mobile trading set to take off in October**

Exchanges are likely to start mobile trading from early October. Mobile trading has been cleared by SEBI.

“In early October...we will enable any registered broker or a client to trade from anywhere in the country through their mobile phones. Even clients can place orders, view positions and view trades from anywhere in the country and trade,” said a statement from the NSE.

According to experts, data security and legal authenticity of a transaction are the two most important factors that could make or break Internet-based trading through a mobile phone.

According to the NSE, mobile trading will be facilitated on NOW software that the exchange provides to its brokers free. The market data will also be provided free on the brokers’ cell phones (and later on to investors’ cell phones). It will be done in a similar way as Internet trading is done now, the NSE added.

<http://www.thehindubusinessline.com/2010/09/09/stories/2010090951761000.htm>

## **Textile & apparel exports to US rise by 20% in July**

According to textile and apparel industry sources, exports to the US have risen by close to 20 per cent for the month of July. While the square metre equivalent (sme) of textile and apparel exports from India rose from 1606.225 million sme in July 2009 to 1924.060 million sme in July 2010.

“The order books from the US and other countries have begun increasing gradually. The month of July has shown almost 20 per cent rise in textile and apparel (T&A) imports from India for US, which is also the exports for the month of May-June for India. Moreover, due to rise in cotton and yarn prices in India as well as decline in prices in the US, unit realization for Indian exporters has also been improving marginally,” said DK Nair, general secretary, Confederation of Indian Textile Industry (CITI).

Seconding Nair is A Sakthivel, president of Tirupur Exporters’ Association (TEA), who said that the while overall exports from the region is almost stagnant, exports to the US has been increasing gradually. Annually, Tirupur exports textiles worth Rs 11,500 crore, 40 per cent of which goes to the US.

While the rise in T&A imports for US for the month of July from India has been 19.79 per cent in sme, in terms of unit realization the growth has been around 14 per cent.

According to Rakesh Chaudhary, executive director, South Gujarat Textile Exporters Association (SGTEA), the unit realization is expected to grow in couple of months.

However, CITI also expressed concerns over cotton availability and pricing for future exports.

“The availability of cotton has been an issue. If cotton is exported, there would not be enough cotton for producers to source within the country and production might be affected. This, in turn, may affect the exports, Nair added.

<http://www.business-standard.com/india/news/textileapparel-exports-to-us-rise-by-20-in-july/407885/>

## **Govt to announce sops for tyre industry in October**

The government is likely to lower import duties on rubber to help the tyre industry, which is facing cost pressure because of a supply crunch of raw materials.

"We will try to sort out the problems in a month," Commerce Secretary Rahul Khullar said.

He said the government would announce a series of measures, including restructuring of duties, to help the industry.

"We are aware of the problems and trying to sort it out. But I can't give you all the details now," Khullar told.

India tyre industry has been requesting the government to make rubber imports duty free as gap between domestic and international prices of rubber has widened.

India currently levies 20 per cent import duties on rubber.

Most tyre companies are incurring huge losses because of the erosion in margin.

<http://economictimes.indiatimes.com/news/economy/policy/Govt-to-announce-sops-for-tyre-industry-in-October/articleshow/6546940.cms>

### **India oil product exports may double in 3 years**

India's petroleum products exports could reach 80-90 million tonnes per year in 2-3 years, from nearly 40 million tonnes currently, Oil Secretary S. Sundareshan told.

India's product exports were 4.79 million tonnes in July, up from 4.09 million tonnes in June, latest government data show.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-oil-product-exports-may-double-in-3-years/articleshow/6536493.cms>

## **News Round-Up**

### **India ranks 77 in Forbes best countries for business**

Despite the second highest growth in the world among major economies in 2009, India ranks 77 in Forbes Best Countries for Business list even as the US dropped from No. 2 to No. 9.

"India is developing into an open-market economy, yet traces of its past autarkic policies remain," noted the US business magazine placing India ahead of Sri Lanka (83), China (90) and Pakistan (92) in its fifth annual ranking of 128 economies.

"Economic liberalisation, including reduced controls on foreign trade and investment, began in the early 1990s and has served to accelerate the country's growth, which has averaged more than 7 percent per year since 1997," it said.

Capitalising on its large educated English-speaking population, India has to become a major exporter of information technology services and software workers, Forbes noted.

<http://economictimes.indiatimes.com/news/economy/indicators/India-ranks-77-in-Forbes-best-countries-for-business/articleshow/6526101.cms>

### **India's services sector outperforms others on export front, says Unctad**

Against the odds of weak overseas demand from advanced countries, the Commerce Ministry might be battling and battling for exporters of merchandise goods, but the star export performer remains India's unsung services sector.

Acknowledging the growing clout of India's services export, the UN Conference on Trade & Development (Unctad) has said India has benefitted from the opportunities offered by globalisation, mainly as an exporter of tradable services, while growth in its manufacturing sector has been driven primarily by domestic demand at much lower though 'credible' rates.

### *Stable growth*

In its Trade & Development Report (TDR), released worldwide, the UN body has stated that India's manufacturing industry has grown much more slowly than China's, but growth was 'significant and relatively stable even after the Asian crisis of 1997'. Illustrating this, it said over the three periods, 1980-89, 1990-96 and 1997-2003 (the years after the Asian financial crisis), China's manufacturing value added grew at average annual rates of 2.1, 11.8 and 14.1 per cent respectively, whereas the corresponding figures for India were 5.6, 8.7 and 4.7 per cent (Unctad secretariat calculations).

Driving home the point that India's external trade was seldom as extensive as China's, Unctad said during the period 1997-2003, fewer Indian industries were as export dependent as those in China. In most manufacturing categories (at the three-digit SITC level) exports accounted for less than one fifth of production.

But apparent consumption (which factors in imports) was "significantly" higher than domestic production, indicating a sizeable share of imports in domestic consumption. This could be ascribed to the demand for imported luxury goods, resulting from trade liberalisation, a growing middle and upper middle class of consumers and the inability of Indian producers to meet this demand, Unctad said point-blank.

Stretching this point to its corollary, Unctad argues India provides "a market for a number of manufactured and semi-manufactured imports and will continue to do so."

<http://www.blonnet.com/2010/09/15/stories/2010091551041900.htm>