



# INDIA NEWS

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## **Visit of the Swiss President to India**

The President of the Swiss Confederation, H.E. Ms. Micheline Calmy Rey, paid a state visit to India from November 4-8, 2007. The Swiss President started her visit by attending the inauguration of the Fourth International Conference on Federalism in New Delhi. Thereafter, she visited the cyber-city of Hyderabad in Andhra Pradesh and the historical city of Agra in Uttar Pradesh. In Hyderabad, she visited a SDC financed micro-finance project BASIX for poor women, as well as the CII-Godrej Green Business Centre, which has developed several green technologies of relevance to India and the world. In New Delhi, the Swiss President had meetings with the Indian President, the Vice President, the Prime Minister, the External Affairs Minister, the Chair Person of the UPA and the leader of the opposition. The visit confirmed the excellent bilateral relations that exist between Switzerland and India since India's independence in 1947. In the course of the discussions, the two sides decided to add substance to the Friendship Treaty that was signed by the two countries on August 14, 1948 and agreed to look at ways and means of entering into joint partnership on global issues such as water, trade, climate change, human rights, local governance, small arms & development and terrorism. The Swiss President conveyed to the Indian leaders that India has been identified by Switzerland to be of "economic priority" and that Switzerland was looking forward to the start of talks on the India-EFTA free trade arrangement.

## **Inauguration of the statue of Mahatma Gandhi in Geneva**

A statue of Mahatma Gandhi was installed in Ariana Park in Geneva on November 14, 2007, in a ceremony that was both solemn and festive at the same time. The statue was jointly unveiled by the Mayor of the City of Geneva, Mr. Patrice Mugny,

Ambassador Pierre Combernous, in charge of the Political Division dealing with Asia in the Swiss Foreign office, and the Indian Ambassador, H.E. Amitava Tripathi, in the presence of more than 300 people that included city dignitaries, heads of UN organizations, ambassadors and distinguished members of the Indian community. The 600 kg bronze statue was commissioned by the Indian Council for Cultural Relations (ICCR) and was completed and dispatched in record time as a gift of the Government of the Republic of India to the City of Geneva. The inauguration was followed by a cultural programme, which included playing of drums from Kerala, singing of songs dear to Mahatma Gandhi by school children of the city of Geneva and a delightful Kathak recital.

## **India surpasses China in overseas mergers**

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

## **India now a \$4 trillion economy**

In his speech 'India's Socio-Economic Agenda: Development with Democracy' at the Norwegian Nobel Institute in Oslo Finance Minister P Chidambaram said that India's economy, which swelled close to a trillion dollars last year, is actually worth four trillion dollars when measured in terms of purchasing power parity (PPP) and accounts for 6.3 per cent of the global economy. At market prices GDP has increased from \$20 billion in 1950-51 to \$912 billion in 2006-07 and is expected to cross a trillion dollars in the current year, he said.

### **India becomes 5th largest holder of forex reserves**

India joined the elite group of world's five biggest holders of foreign exchange reserves as it added around \$4.5 billion last week to take the kitty to \$261 billion. India surpassed South Korea, which had \$257 billion in forex reserves as of September-end, to stand at the fifth spot. While India reports its reserve position every week, South Korea does so on a monthly basis.

### **'India to grow at 10% in the next decade' - Lehman**

Lehman Brothers Asia, a US-based brokerage firm has said in a report titled "India: Everything to Play For" that India's economy is at a take-off stage and is poised to grow as much as 10 per cent every year in the next decade. The economy, which has averaged 8.6 per cent growth each year since 2003, is increasing consumption and investment spending just as China and South Korea did during the early stages of their economic development. According to the report, India's equity market will outperform developed and emerging market indices over the next five years, and the Indian Rupee will appreciate significantly against the US dollar. "The launch of the firm's Indian economic report reflects the intense interest that global investors have in the world's emerging economies, especially India, and it marks yet another milestone in the expansion of Lehman Brothers in Asia," said Tarun Jotwani, chairman and CEO, Lehman Brothers, India.

### **India's economic growth impressive: IMF**

A senior IMF official has said that India's recent economic performance has been impressive but it needs to reduce its high public debt and undertake structural reforms to further deregulate its economy to have a sustainable and more broad-based growth. IMF Director Asia Pacific Department, David Burton said that India has done remarkably well in recent years. But it faces a number of challenges. It has still high public debt, although it's made impressive progress in reducing its fiscal deficit in the last few years. It's recently been facing some inflation pressures,

although they've taken steps to tighten monetary policy and those appear to have been reasonably effective so far. and of course, above all, there's a range of structural reforms that India needs to take to further deregulate and open its economy so that it can have more broad-based growth, particularly in the manufacturing sector going forward, to drive growth and to drive the employment creation that it will need, particularly with its relatively young population and the need to provide jobs for new entrants in the labour force."

### **India emerges second-biggest FDI magnet**

India has emerged as the second most-attractive location after China, ahead of the US and Russia, for global foreign direct investment (FDI) in 2007. According to UNCTAD's world investment report, India's ranking in inward FDI performance index has also improved to 113 in 2006 from 121 in 2005. China is the most preferred investment location, followed by India, the US, the Russian Federation and Brazil, the report said. The share of India and China in total global FDI outflows has also risen. While both accounted for 10% of total FDI outflows in 2005 in the Asian region, it increased to 25% in 2007. While China's outflows increased 32% to \$16 billion in 2006, Indian outflows witnessed a four-time rise since 2004. On the increased flow of FDI into India, the report pointed out that while foreign retailers such as Wal-Mart had started to enter the Indian market, a number of US companies such as General Motors and IBM are rapidly expanding their presence in the country. So are several large Japanese MNCs such as Toyota and Nissan. Global FDI inflows soared in 2006 to reach \$1,306 billion, showing a growth of 38%.

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

The massive surge in investment by Foreign Institutional Investors (FIIs) 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 Indian Rupee. Further liberalisation of norms could 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 US \$ 86483.3 million in 2001-02 to US \$ 50612.8 million 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 US \$ 5012.8 million in 2001-02 to US \$ 26793.3 million 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 US \$ 31036.6 million to US \$80856.1 million

### **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. This increase would help greater connectivity among small and remote sectors," sources in DIPP said.

### **India's consultancy sector to grow to US \$ 4358.98 million by 2010**

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 US \$ 4358.98 million industry, an Assocham study said. The consulting industry in India currently stands at US \$ 3333.34 million. 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 US \$ 4358.98 million by 2010, Assocham said in its paper on Opportunities for Consultancy.

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

With the baby-boomer population in the US reaching retirement age 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.

### **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.

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

London Mayor Ken Livingstone has described India as one of the world's greatest cultures. 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.

### **India most reformed among emerging markets**

India is the most reformed among emerging markets owing to the economic reforms undertaken by the government, according to a new survey by the Commonwealth Business Council. According to the biennial Business Environment Survey for 2007, the availability of free-flowing funds for investment from countries such as India and China means access to finance is no longer a critical issue for developing countries. CBC Director General Dr Mohan Kaul said that India's economic reforms are taking place on various fronts, ranging from privatisation, deepening the financial sector, tax reforms and pricing of goods and commodities.

### **Textile, apparel sourcing set to rise 12%: CII-E&Y report**

Confederation of Indian Industry-Ernst & Young's textile and apparel report 2007 has forecast a higher growth trajectory for India's textile and apparel sector with sourcing from India by global retailers set to increase at a combined annual growth rate of 12 per cent. The expected sourcing market in 2008, which is anywhere between \$22-25 billion, is projected to go up to \$35-37 billion by 2011. The trigger for this growth is likely to come from top global retailers who will seek to take advantage of India's abundant multi-fibre based raw material, well-established production bases, design capabilities and knowledge/skilled labour. The Government's pro-textile industry initiatives too will give fillip to retail sourcing from India, said the CII-E&Y report 'India in Global textile econ-system' released at the 'CompTex 2007' textile conference. Of the \$49-billion textile and apparel industry, the domestic industry

accounts for \$30 billion and the remaining is accounted by exports. Most Indian textile companies are expanding capacities across value chain in areas like design, yarn, fabric, garments and retail forays. Globally, the textile and apparel sectors on consolidation are also shifting to Asian countries and this has brought challenges and opportunities for the Indian textile industry, said Retail and Consumer Practice of Ernst & Young India. The CII-E&Y report forecast the global textile/apparel trade to grow from the present \$450 billion to \$700 billion by 2010 and the demand for apparel and woven textiles to grow by 25 per cent to about 35 million tonnes by then, of which 85 per cent would be sourced from Asian countries. The sector wise advantage for India is its strong position as the third largest cotton producer in the world and it accounts for 22 per cent of global spindle age and 61 per cent of global loom age.

### **IT exports to touch \$80 bn by 2011**

The Government said it expects IT exports to touch 80 billion dollars by 2011, growing at an average rate of 30 per cent annum. "Our IT exports were a few million dollars in the early 90s and now it is around 37 billion dollars... We expect the IT exports turnover to touch 80 billion dollars by 2011, growing at an annual rate of 30 per cent annum," IT Minister A Raja said. "We are confident that our exports will boom despite the perceived odds against outsourcing and increasing competition," he said.

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