



INDIA NEWS

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Official Indian participation at WEF

The official Indian delegation to the World Economic Forum (WEF), which took place at Davos from 27 – 31 January 2010 comprised of Mr. Kamal Nath, Hon'ble Minister for Road Transport and Highways; Mr. Anand Sharma, Minister for Commerce & Industry; Mr. Montek Singh Ahluwalia, Hon'ble Deputy Chairman, Planning Commission and H.E. Mr. Shyam Saran, Special Envoy to the Prime Minister on Climate Change. In addition to a strong representation from the Indian industry and a delegation from Confederation of Indian Industries (CII), Hon'ble MPs, Mr. N.K. Singh and Ms. Shobhana Bhartia also participated in the annual meet.

Recovery of exports in specific products SEZs register impressive growth

There are positive indications of recovery of exports of specific products. In October 2009, improvement in export performance has been observed in Iron Ores, Drugs, Tobacco, Spices, Cashew, Oil Meals, Fruits & Vegetables and Marine Products over the corresponding month of the previous year. It is further expected that export will record a positive growth towards the end of the 3rd quarter or the beginning of the 4th quarter of the current financial year. India's Merchandise exports reached a level of US \$ 182.6 billion in 2008-09 from a level of US \$ 63.8 billion in March 2004 recording a Compounded Annual Growth Rate (CAGR) of 23.4 percent. Performance of export during the five year Policy period (2004/05 to 2008/09) clearly reflects a significantly different trend growth as compared to the preceding five years (1999-2000 to 2003-04) when

the export increased only by CAGR of 14 per cent.

Manufacturing posted higher growth

According to a Confederation of Indian Industry (CII) survey, India's manufacturing sector is on an upswing and posted higher growth in the first half (H1) of the current fiscal. Growth rates in most sectors showed positive trends in the first half of 2009-10, compared with the corresponding period in the previous year, led by an increase in production of basic and intermediate goods, as well as consumer durables. Meanwhile, expansion in the manufacturing sector which grew by 9.2 per cent—contributed by construction and mining activities which grew by 9.5 per cent and 6.5 per cent, respectively—led to higher-than-expected 7.9 per cent gross domestic product (GDP) growth in July-September 2009.

Industrial growth crosses 10% in Oct

Indian industry registered a growth rate of 10.3 per cent in October, 2009 providing further evidence of a sustained recovery under way since the second quarter of the current fiscal. The 10.3 per cent year-on-year increase in the official Index of Industrial Production (IIP) comes on a lower base; the same month in 2008 saw a growth of just 0.1 per cent. But even after the base effect is factored in, the pick-up trend is perceptible since around June, following almost three successive quarters of virtual stagnation in the wake of the global economic crisis. Among the major constituents of the IIP, the index for 'manufacturing' recorded a growth of

11.1 per cent in October (against minus 0.6 per cent in the same month of last year), with the rates correspondingly being 8.2 per cent (3.2 per cent) for 'mining' and 4.7 per cent (4.4 per cent) for 'electricity'. During the seven months of the current fiscal, 'manufacturing' grew 7.1 per cent year-on-year (compared to 4.5 per cent in April-October 2008-09), 'mining' 7.9 per cent (3.8 per cent) and 'electricity' 6.5 per cent (2.8 per cent).

Rs 4,551 crore FDI proposals get govt nod

The Government has approved 17 foreign direct investment (FDI) proposals worth Rs 4,551 crore (US \$ 989.34 million), including that of the Federal Agency for State Property Management of the Russian Federation to buy 20 per cent stake in telecom service provider Sistema-Shyam for Rs 3,051 crore (US \$ 663.26 million). Other proposals which have been cleared include those of Delhi-based Scorpios Beverages' which would involve Rs 533.33 crore (US \$ 115.94 million) FDI and AG Mercantile to bring in Rs 329.53 crore (US \$ 71.63 million). Besides, the proposal of Telecom Investments India for Rs 380.-crore (US \$ 82.60 million) FDI was also approved.

100% FDI in renewable

The Minister for New and Renewable Energy, Mr. Farooq Abdullah told Rajya Sabha (Upper House of Parliament) that the Government had allowed 100% Foreign Direct Investment (FDI) in the renewable energy sector and a conducive policy has been put in place to attract foreign companies. He underlined said that over two million solar energy-run appliances had been distributed or installed across the country under the solar energy programme. He highlighted that about 7.7 lakh (0.77 million) solar lanterns, 5.1 lakh (0.51 million) solar home lighting systems, 82,500 solar street lighting system, 7,247 solar water pumping systems, standalone and grid-connected power plants and 6.57 lakh (0.657 million) solar cookers had been distributed or installed in the country till November 30, 2009. He pointed out that the solar energy

systems were not commercially viable due to their initial high costs and his ministry was providing various fiscal and financial incentives to promote these systems.

Moody's and S&P's positive India outlook

According to Moody's Economy.com's latest report titled, 'Asia-Pacific Outlook 2010: Returning Towards Normality', India's economy will expand by more than 8 per cent in 2010, boosted by the fillip from infrastructure and expected tourism spending ahead of the Commonwealth Games in New Delhi, The two emerging giants, namely China and India will drive the regional economy, with GDP growth in China to accelerate towards 9 per cent in 2010. Further, Standard & Poor's report titled, 'Asia-Pacific Economic Outlook Q4 2009: Exit Strategies And Inflation Are Main Issues For 2010 As Region Recovers,' highlights the policy focus gradually shifting from managing the crisis to managing the ongoing recovery. Another report by Standard & Poor's titled, 'Top 10 Expectations For Global Corporate Credit Markets' calls the year 2010 as a turning point, characterized by guarded optimism among emerging markets.

Technology, brand transfer royalty put on automatic route

In a statement issued by the Department of Industrial Policy and Promotion (DIPP) said that payments for technology transfer have been put under the automatic route. Indian companies paying royalty to foreign firms for technology transfer, use of brand name or trademark will no longer require Government approval. This is expected to facilitate greater investment and transfer of technology to India. However, these payments will be subject to Foreign Exchange Management (Current Account Transactions) Rules. The relaxation follows a Government's decision to this effect in early November. At present, automatic ap-

proval was permitted only for foreign technology transfer involving payment of lump-sum fee of US \$ 2 million and royalty of 5% on domestic sales and 8% on exports. In cases where there is no technology transfer involved, royalty up to 2% for exports and 1% for domestic sales is allowed under automatic route on use of trademarks and brand names of the foreign collaborator.

East European nations woo India Inc

East European countries expect a big surge in investment by India in the region. Speaking to the Financial Express, European Bank for Reconstruction and Development (EBRD) business group director-infrastructure Thomas Maier said that Indian companies would make up a significant share of the expected 4 billion euro investment that Eastern Europe would get in 2010. He underlined that the region needed Indian Inc's contribution for its development and EBRD was playing an important role in facilitating this development. Overall investment from Indian companies in the Eastern Europe was \$44 million as on date. EBRD was currently discussing specific investment contracts with Indian companies for the Eastern Europe. Eastern Europe is expected to recover to a 6% GDP growth, from the current level of negative growth, within next one year. Some of the Indian corporate houses that have shown their interest in investing in Eastern Europe include Span Consultants, Intercontinental Consultants and Technocrats, ICRA and Cranes Software. Indian banks are also gradually increas-

ing their trade finance exposure for the region. There are eight Indian banks participated in three transactions in the total amount of Euro 240,000 so far. The country's largest lender, State Bank of India has contributed to the tune of Euro 902 million as on October, 2009. Similarly, there have been 83 export transactions by the Indian companies which are valued at euro 12.2 million financed since 1999.

Ratan Tata receives Italian honour

Tata Group Chairman, Ratan Tata, has been bestowed with the rank of 'Grand Officer' of the Order of Merit, in recognition of the Tata conglomerates service to Italy. Mr. Tata was conferred the rank by Claudio Scajola, Italian Minister for Economic Development, who expressed his hope for increased trade between the countries.

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The information given in the Newsletter is prepared on the basis of various inputs available to the Embassy and is for general reference. It should not be construed as an endorsement of the views contained therein

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