



FIRST ROUND OF INDIA-EFTA-ATI MEETING HELD IN NEW DELHI

The 1st round of negotiations on the India-EFTA Agreement on Trade and Investment (ATI) was held in Delhi on 6-8 October, 2008. The agreement would pave the way for resurgent trade and investment activities between India and the EFTA countries. Switzerland is already the 10th largest investor in India.

ANNUAL JOINT ECONOMIC MEETING HELD IN NEW DELHI

The 11th annual Joint Economic Meeting (JCM) was held in New Delhi on 20 October, 2008. The high level meeting was led by Dr. Rahul Khuller, Special Secretary, Department of Commerce, Government of India and Ambassador Monika Rühl Burzi, Head of Bilateral Relations, State Secretariat for Economic Affairs (SECO) respectively. Both sides discussed in detail all facets of bilateral commercial relations with an objective to further strengthening trade and investments.

EXPORTS UP BY 31.2% IN JULY 2008 INDIA'S FOREIGN TRADE DATA – JULY 2008

Exports during July, 2008 were valued at US \$ 16345 million which was 31.2 per cent higher than the level of US \$ 12454 million during July, 2007. In Rupee terms, exports touched Rs. 70018 crore (US \$ 17077.56 million), which was 39.1 per cent higher than the value of exports during July, 2007. Cumulative value of exports for the period April-July, 2008 was US\$ 59191 million (Rs. 248498 crore) as against US\$ 47487 million (Rs. 194689 crore) registering a

growth of 24.6 per cent in Dollar terms and 27.6 per cent in Rupee terms over the same period last year. Imports during July, 2008 were valued at US \$ 27143 million representing an increase of 48.1 per cent over the level of imports valued at US \$ 18333 million in July, 2007. In Rupee terms, imports increased by 56.9 per cent. Cumulative value of imports for the period April- July, 2008 was US\$ 100418 million (Rs. 421541 crore) as against US\$ 74840 million (Rs. 306946 crore) registering a growth of 34.2 per cent in Dollar terms and 37.3 per cent in Rupee terms over the same period last year. Oil imports during July, 2008 were valued at US \$ 9480 million which was 69.3 per cent higher than oil imports valued at US \$ 5600 million in the corresponding period last year. Oil imports during April- July, 2008 were valued at US\$ 35006 million which was 54.9 per cent higher than the oil imports of US\$ 22596 million in the corresponding period last year. Non-oil imports during July, 2008 were estimated at US \$ 17664 million which was 38.7 per cent higher than non-oil imports of US\$ 12733 million in July, 2007. Non-oil imports during April-July, 2008 were valued at US\$ 65412 million which was 25.2 per cent higher than the level of such imports valued at US\$ 52243 million in April- July, 2007.

INDIA LIKELY TO GET US \$ 40 BILLION FDI IN 2008-09

With major foreign direct investments (FDI) flowing into the manufacturing sector, India, the world's second fastest growing economy is gearing up to receive US\$ 40 billion in fiscal 2008-09. It has received US\$ 20 billion FDI during January to June 2008, including US\$ 10 billion in the April-June quarter of 2008-09.

While addressing a private gathering, Mr. Ajay Shankar, Secretary, Department of Industrial Policy and Promotion (DIPP) said that going by this, achieving US\$ 40 billion in 2008-09 did not seem unrealistic. While inflows received in 2007-08 were US\$ 25 billion, the target for the current fiscal was set at US\$ 35 billion. Mr. Shankar also added that though India was witnessing slight moderation in production growth, the country had emerged among the preferred destinations for overseas investors. Automobiles and construction equipment segments were amongst the sectors gaining mileage. He also expressed an optimistic growth outlook in the manufacturing sector for the next few months. India remains among the fastest expanding economies and the growth outlook for 2008-09 has been projected at sub-eight per cent by different rating agencies.

INDIA CLINCHES ASEAN FTA

Consumers can expect duty-free imports of a range of products like capital goods, some textiles, electronic goods and chemicals from next year after India successfully concluded negotiations on a Free Trade Agreement (FTA) for goods with the 10-member Association of Southeast Asian Nations (ASEAN) in Singapore. The formal pact will be signed this December at the India-Asean summit at Bangkok, which is expected to be attended by Prime Minister Manmohan Singh. The breakthrough comes after six years of negotiations for the trade pact, which is expected to add \$12 billion by 2010 to trade between the participating nations.

- Reduces tariffs to zero in over 4,000 goods out of 5,000 that are traded. To be done in a phased manner over six years
- Partial reduction in import tariffs on highly sensitive farm goods. Tea, coffee - 45%, pepper - 50%, crude palm oil - 37.5%, refined

palm oil - 45%

- Sensitive list of goods with partial duty cuts - 606 items, (Agricultural - 16, Textile - 304, Machinery & auto - 60, chemicals & plastic - 226)
- Negative list with no duty cuts - 489 items. (Agricultural - 302, Textile - 81, Machinery & auto - 52, chemicals & plastic - 32, Others - 22)
- Operational from Jan 1, 2009, Deal to be signed in December, 2008 at Bangkok

Trade Snapshot

- Bilateral Trade (Apr-Feb 07-08) - \$34.38 billion which is 9.59% of India's global trade
- Exports - \$14.02 billion, Imports - \$20.36 billion

FII's INVEST RECORD US \$ 2.2 BILLION IN DEBT ON SEPTEMBER 16, 2008

According to Mr. Srinivasa Raghavan, President and Head - Treasury, IDBI Gilts Ltd said that this US \$ 2.2 billion constitutes one of the highest one-day inflows into debt recorded by FIIs in recent times. Meanwhile, details of daily trades in corporate bonds put up by SEBI, (based on reports sent by the BSE, the NSE and FIMMDA) also indicated a surge in daily turnover in corporate bonds on September 16 to Rs 957 crore (US \$ 239.25 million), the highest so far for the month. Individual FIIs have been given a ceiling of US \$200 million for investment in the Indian debt market. So far in 2008, FIIs have invested US \$4.185 billion (Rs 16,884.10 crore) in Indian debt, according to SEBI data.

EXPORTS FROM SEZs TO CROSS Rs.1,25,000 CRORE THIS YEAR WHILE EMPLOYMENT TO BE OVER 8 LAKH PEOPLE BY DEC 2009

Mr. Kamal Nath, Union Minister of Commerce and Industry, has stated that this year exports from the Special Economic

providing an incremental direct employment to over 8 lakh people by December 2009 and investments in the SEZs would be to the extent of Rs.2,00,000 crore (US \$ 40000 million) by December 2009. During the interaction, the Minister stated that this sector was playing a very important role in employment generation, exports, attracting investments and creation of infrastructure. He further added that EOU/SEZ Schemes were vital instruments of country's exports and were complimentary to each other. He emphasized that EOUs, SEZ Units and SEZ Developers represented the most vibrant section of India's exporting community. He further stated that the Government so far, had given formal approval to 513 SEZs, which meant that SEZ Developers were in possession of the land in these SEZs. 250 SEZs had been notified, which meant they were on the verge of take off while 87 SEZs had already become operational.

M&A, PE DEALS CROSS US \$5.57-BILLION MARK IN AUGUST

During the month of the August, 2008, the total value of Mergers and Acquisitions (M&A) and private equity (PE) deals was pegged at more than US \$5.57 billion against a mere US \$1.23 billion in July'08. Though this has largely to do with large M&A transactions, even PE deal value jumped almost 50%. According to the latest dealtracker of advisory firm Grant Thornton, the total number of M&A deals announced during August stood at 31 with an announced value of US \$4.63 billion against 43 deals amounting to US \$580 million during July 2008, Among the top M&A deals during the month was ONGC's acquisition of Imperial Energy Plc followed by Infosys Technology's announcement to acquire UK based Axon and CBay Systems deal for MedQuist. In total, there were nine domestic deals where both the acquirer and the target were Indian firms, with an announced value of \$80 million.

In addition there were 22 cross-border M&A deals with an announced value of \$4.55 billion. Out of this, 17 were outbound deals worth \$4.48 billion involving Indian companies acquiring business overseas and five were inbound deals where multinational firms picked stake in domestic companies for \$ 80 million. This takes the total value of M&A deals during the first eight months of 2008 to \$22.74 billion spread over 346 transactions. During the same period last year India Inc had recorded 456 deals amounting to \$48.23 billion. However, this value was skewed due to the three multi-billion dollar deals: Tata-Corus, Vodafone-Hutch Essar and Hindalco-Novelis.

INDIAN COFFEE EXPORTS RISE 6 PER CENT IN JANUARY TO AUGUST 2008

Coffee Board said that India's coffee exports had shown an emphatic rise of 6 per cent during the first eight months of 2008.. Stimulated by a firm export demand from Europe and a weak rupee, exports witnessed a 30 per cent gain in value to touch US\$ 412.7 million, the Board said. Total exports from Tata Coffee Ltd and other companies were 166,465 tonnes during January-August 2008, compared with 157,422 tonnes a year ago, according to total provisional exports data compiled by the Board. Global coffee beans exports in the 10 months through July dipped 4.2 per cent from a year ago, according to the International Coffee Organisation. Italy and Russia have emerged as major buyers of Indian coffee in 2008.

KAMAL NATH SAYS AUTO EXPORTS TO REACH \$ 25 BILLION BY NEXT DECADE – INDIA TO BE DESTINATION OF CHOICE FOR DESIGN AND MANUFACTURE OF AUTOMOTIVE COMPONENTS ADDRESSES SIAM ANNUAL CONVENTION

Mr. Kamal Nath, Union Minister of Commerce and Industry, has stated that auto

exports from India should reach \$ 25 billion in the next decade. Delivering the Keynote Address on "*Making India a Global Automotive Export Hub*" at the Annual Convention of Society of Indian Automobile Manufacturers (SIAM), Mr. Nath said that the Government would play its part by providing the "enabling policy framework" and added that the auto sector should take advantage of these and leverage their strengths for expanding to other parts of the world. He further stated that by the middle of the next decade, India should be the destination of choice for design & manufacture of automotive components and vehicles in the world. The Minister said that "The Indian automobile industry today is all about scale. Maruti hopes to have a capacity of 1 million cars by 2010; Hyundai is looking at 600,000 cars in another year; Toyota is talking about 200,000 cars by year end; the Nissan Renault venture is planning a capacity of 400,000 cars. GM and Honda are setting up new plants, as is Tata for its Nano."

EXPORT GROWTH TO MAINTAIN HIGH MOMENTUM IN APRIL-JULY

India's exports during the first four months of the current fiscal (April to July) were likely to have cranked up at a faster pace of above 35 per cent in rupee terms and above 25 per cent in dollar terms when the provisional figures were released. Mr. Gopal K. Pillai, Commerce Secretary, said that thanks to the Rupee depreciation vis-a-vis the US dollar that had begun in the current fiscal, Indian exports in rupee terms had been showing a salutary trend. He said that engineering goods, auto companies and information technology companies would do well because of Rupee depreciation. Mr Pillai expects pharmaceutical and engineering goods would partly make up the moderation in the export of petroleum products in the wake of recent fall in global crude prices even as petroleum exports from

India currently accounted for 10 to 12 per cent of total exports.

JAPANESE LOGISTICS FIRMS EYE RETAIL, SEZ BIZ IN INDIA

According to industry experts, a host of Japanese logistics support firms, including K Line, NYK Line, Kawasaki Kisen, Kaisa, Mitsui OSK Line Ltd and Kintetsu were planning an entry into the Indian market to set up logistics support services centres. This would be to provide logistics related services to the retail sector and special economic zones (SEZs) in India in Maharashtra, Madhya Pradesh, Gujarat, Goa, Chattisgarh, Chennai, Haldia, West Bengal, Tuticorin and Karnataka. SEZs were seen as a high growth segment in India, having attracted a lot of interest among corporates, with 513 formal approvals, of which notifications have been issued for 250 SEZs. The retail segment was booming too, and the industry, estimated to be \$364 billion in size, was growing at the rate of 50% per annum.

NORTEL SETTING UP VIRTUAL NETWORK CENTRE IN BANGALORE

Telecom equipment maker Nortel Networks, as part of a strategy to consolidate its global networks operations, is setting up a virtual network operations centre in (V-NOC) in Bangalore to manage the backbone network and switches of its customers in North America and Europe. Nortel is currently restructuring its business with an aim to reduce cost and turn profitable. Mr Dietmar Wendt, President (Global Services), Nortel, said the virtual NOC in Bangalore is expected to go live by December and would support about 140 customers including carriers and enterprises that are currently being serviced from NOCs in Raleigh and London. The V-NOC in Bangalore, which will employ up to 100 people, is the second such centre for Nortel in India, which already runs a NOC in Gurgaon that manages the tele-

phone networks of customers such as Bharti Enterprises and CLSA in India and the Asia-Pacific region.

FUNDS SEE GAIN IN INDIA

The credit crunch in the wake of the global financial crisis has thrown up fresh opportunities for private equity (PE) players and sovereign wealth funds (SWF) to invest in India in a big way. With traditional sources of cheaper credit drying up, corporates are increasingly looking at raising funds from PEs and SWFs. Sources said that companies, like infrastructure, which are yet to tie up funds for their expansion plans, are in talks with PEs and SWFs to meet their requirements be it long-term debt, working capital or equity infusions. Sources said that large PEs like Providence Equity Partners, Hamilton Lane, AXA Private Equity, TPG etc. were said to be doing the rounds of medium-to-large corporates to provide funding. Among sovereign funds, Abu Dhabi Investment Authority, Kuwait Investment Authority, Qatar Investment Authority from West Asia were being approached by Indian firm.

DISCLAIMER

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

EMBASSY OF INDIA, SWITZERLAND

KIRCHENFELDSTRASSE 28, CH-3005 BERNE

TEL : 031-351 11 10 Fax : 031-351 15 57

E-mail : india@indembassybern.ch

Website : www.indembassybern.ch