



# INDIA NEWS

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## **Growth in India's share of global trade**

India's share in total world trade, including trade in merchandise and services sectors, has gone up from 1.1% in 2004 (the initial year of the Foreign Trade Policy from 2004-09), to 1.5% in 2006, according to statistics released by the WTO. Based on the current rate of growth of merchandise and services trade, it is expected that India's share in world trade covering merchandise plus services sector may double from the level of 2004 to cross 2% in 2009. As far as only merchandise trade is concerned, India's share in global merchandise trade may increase from 1.2% in 2006 to 1.5% in 2009, according to projections. India's share in merchandise trade has increased from 0.9% in 2004 to 1.2% in 2006. Meanwhile, trade in the services sector has recorded an even higher growth, resulting in an increase in the share in world services trade from 2% in 2004 to 2.7% in 2006. In the Foreign Trade Policy in August 2004, a medium term horizon for export growth was envisaged and the share of India's merchandise trade in world trade was targeted to double in 2009. According to the World Trade Statistics of the WTO in 2006, India's total merchandise trade (export and import) was valued at \$294 billion in 2006 and trade in the services sector inclusive of export and import was

\$143 billion. Thus, India's global economic engagement in 2006, covering both merchandise and services trade, was worth \$437 billion, up by a record 72% from a level of \$253 billion in 2004.

## **Incredible India makes it to global Top 10 brands**

Brand India is a shining metaphor of authenticity, history, art & culture, business, shopping and value. In the leading global brand consultant Future Brands' Country Brand Index 2006, Incredible India figured 7 times across 20 parameters and 45 countries considered in the index. India stands tall as the numero uno brand in terms of authenticity, and has improved its position six ranks over the previous year where history is concerned. It has also up-scaled nine notches over the 2005 index insofar as art and culture goes. The index also suggests how Brand India reflects business opportunity as well as value shopping. India fares reasonably well in the index and enjoys the 10<sup>th</sup> rank in terms of a country brand.

## **Top investing countries**

Major investment (US\$6.3 billion) during the financial year 2006-07 came from Mauritius. UK, USA, Netherlands & Singapore are the other major countries from where inflows have been received. These

five countries together have contributed 83% of the total FDI equity inflows during 2006-07 as compared to 67% in 2005-06. Mauritius accounts for 51% in the total FDI inflows during the year 2006-07 compared to 46.4% in 2005-06. Contribution of U.K. has been 15% in 2006-07 compared to 4.8% in 2005-06. USA has invested 7% during 2006-07 compared to 9.1% in 2005-06. Both the Netherlands and Singapore have contributed 5% each during 2006-07 compared to 1.4% and 5%, respectively, in the previous year.

### **Major sectors receiving inflows and top inflows**

The five sectors which have attracted highest FDI into India during 2006-07 are Services, Electrical Equipments (including computer software & electronics), Construction Activities, Telecommunications and Real Estate. The Construction and Real Estate Sectors have together received US\$ 1.45 billion during the year 2006-07 which is about 12% compared to 3.4% of the total FDI inflows received during the year 2005-06. The Services sector has received 38% during the year 2006-07 compared to 10.5% in the previous year. The share of the Electrical Equipment sector has been 22% in the year 2006-07 compared to 26.1% in 2005-06 and the Telecommunication sector has received 4% in 2006-07 compared to 12.2% in 2005-06.

### **India's FDI into London second biggest**

India has become the second-biggest source of new foreign investment into London, behind only the United States. According to the Financial Times, a new report from Think London, the capital's foreign direct investment (FDI) agency, says that India has accounted for 16 per cent of all new foreign investment into London between 2003 and 2007. That has helped investment into London jump to 52 billion pounds (76.1 billion euros, 103.4 billion dollars), from 38 billion pounds two years ago. The United States topped the list, with 31 per cent of new investment, while France was third with seven percent.

### **Powering Ahead**

Realising the necessity of power to fuel India's economic growth, the Indian Government has introduced a slew of much needed reforms in the sector and is planning several Ultra Mega Power Projects. With an increasing viability of projects, the country's power sector is an attractive investment destination for both domestic as well as foreign investors. Foreign power majors like AES and Khanjee Holdings from the US; Sumitomo, Itochu and Mitsui from Japan; Korea Electric Power Co; the UK's Duncan Machneil and Electricite De France are also seeking to tap the power sector.

### **Government unveils guidelines to save energy**

The government recently launched the Energy Conservation Building Code (ECBC) for the construction

sector with an aim to increase the energy efficiency of new buildings. The new guidelines are voluntary and would be made mandatory after some time. The guidelines would be made mandatory after increasing awareness among the masses and creating the required capacity addition. The government has launched the ECBC in pursuance with the energy Conservation Act of 2001, which empowers the Centre to prescribe the code for commercial buildings and complexes. The code prescribes minimum energy performance standards for commercial buildings and is expected to yield annual savings of 1.7 billion units of power in the first year of implementation.

### **IT, ITeS to be US\$ 100 billion sector by 2011**

The Indian information technology and related services (IT/ITeS) industry is predicted to become a \$100 billion plus industry by 2011, growing at a compound annual growth rate (CAGR) of 18 per cent, states an IDC report. Moreover, the domestic IT/ITeS, with revenues growing at 19.7 per cent CAGR, is projected to touch \$ 41.06 billion in 2011 (IT growing at 16.4 per cent and ITeS or BPO at 40.4 per cent). This also means that domestic IT/ITeS revenues will grow faster than the export revenues over the next five years. With equal drives from exports revenue and domestic IT spending, the Indian IT industry has been able to keep up with the momentum it gained since 2003.

### **In global telephony, India has many 'firsts'**

The last ten years is a fascinating story of spectacular growth in the telecom sector in India. India has the distinction of having the world's lowest call rates (1 cent), the fastest growth in the number of subscribers (15.31 million in 4 months), the fastest sale of a million mobile phones (1 week), the world's cheapest mobile handset (US\$19) and the world's most affordable colour phone (US\$31). India is now the world's fastest growing telecom market and the world's fourth biggest, going by the number of mobile subscribers (212 million in April 2007). Roaming tariffs have been slashed by 50% and call rates are as low as 1 cent as compared to 30 cents in the UK, 6.25 cents in Sri Lanka and 17.5 cents in West Asia. Reliance Communications has launched the world's cheapest phone at US\$19, whereas a handset in neighbouring Sri Lanka costs a minimum US\$100. In most other countries, the minimum price for a handset is \$80. The scheme helped Reliance sell a record 1 million handsets in just one week. Mobile operators have also come out with lifetime validity recharges at US\$12.5 and ISD calls at 5 cents - another 'first' in the world. MTNL launched the world's first convergent voice SMS service for fixed and mobile subscribers.

### **Duties on imported liquor reduced**

In a move designed to simultaneously address European

and American concerns about high import duties on liquor in India and bring down prices in most states, the Centre and states have agreed to restructure duties on foreign liquor. At present, imported liquor faces a high additional duty of customs apart from basic customs duty. This additional duty would be scrapped and individual states would impose a special levy, equivalent to the cumulative burden of excise and other taxes they impose on domestically manufactured liquor. In several states, this new levy would be lower than the additional customs duty levied at present on imported spirits and wines. In all such states, the result would be lower prices. By scrapping the additional duty of customs, India would now be in compliance with its WTO obligation. The new measures, effective from September 2007, while stiffening competition for the domestic industry, would increase options for Indian consumers and give a boost to liquor exports from the EU, the US and Australia which are major players in the Indian market.

### **India's manufacturing clocks highest growth rate in over a decade**

India's manufacturing sector, which has a near 80% weightage in the country's industrial production, has shown an impressive performance with a record growth of 14.1% in March 2007 as compared to a growth of 10.1% in March 2006, which is the highest manufacturing growth in over a decade. The manufacturing growth rate has also doubled in 5

years – from 6% in 2002-03 to a record 12.3% in 2006-07. This augurs well for the 11<sup>th</sup> Plan, which envisages a growth of 12% for the manufacturing sector.

### **Indian biotech sector to touch US\$ 5 billion by 2009-10**

Driven by the increasing number of biotech firms in India, the biotechnology sector is likely to grow over three times to touch \$5 billion by 2009-10. The domestic biotechnology sector, which was at \$1.5 billion during 2005-06, is expected to reach \$5 billion by 2009-10 with a consecutive year-on-year growth rate of 35.1%, according to a study by the Associated Chamber of Commerce (ASSOCHAM). India has more than 300 bio-tech firms focusing on different aspects of the value chain. Their number is expected to more than double in the next 3-4 years. Bio pharma, the largest segment of bio-tech industry grew by 32% in 2005-06 to reach \$1 billion. Exports, which accounted for 52% of the industry's total revenue, stood at \$763 million. While, Bio pharma accounted for 75% of the total exports and 70% of domestic sales, agri bio-tech and bio services are registering fastest growth. Investments in the sector have crossed \$360 million in 2005-06, growing 36% over the previous year. Vaccines and bio-generics are the common areas of interest among leading bio-tech companies such as Bharat Biotech, Biocon, Dr Reddy's Lab, Panacea Biotech, Serum Institute, Shanta Biotech, Workhardt and Zydus. The sector would also

attract funds from international agencies like World Bank, International Finance Corporation, ventures capitals, private equity firms and other financial institutes.

### **MNCs gear up for selling goods 'Made in India'**

Global companies like LG, Haier, Electrolux and Whirlpool are finalising plans to sell 'Made in India' labels in mature markets like Europe and the US. At present, sourcing from India is largely limited to SAARC, the Middle East and African nations. MNCs have already done their groundwork to develop India as one of their prime global production hub, either by expanding capacity or through third-party arrangements. Several mid-sized firms are also exploring a similar option. Korean major, LG, already sources optical disc drives and refrigerators for Europe. The company intends to invest an additional \$ 8 million this year to develop its Pune facility as an export hub. LG India is eyeing an export growth of 19% in 2007, which will contribute some \$231.7 million to its turnover. In order to make India a leading export centre LG is looking at regular investment in R&D, quality and manufacturing to ensure truly world class products. LG's global rival, Samsung, too is developing a new unit in Chennai to export all categories of home appliances by 2009. Samsung will invest \$100 million in the Chennai facility between 2007-11 to develop it as an export hub. Samsung India is pushing up exports to Eastern Europe, Russia and SAARC.

Similarly, Swedish firm AB Electrolux has plans to source products from India under an arrangement with Videocon. In addition, Whirlpool Corporation of the US has recently set up a global design and development centre in Pondicherry for its small appliances brand.

### **JJ to make India R&D hub**

The world's largest manufacturer of healthcare products, Johnson & Johnson, is making India a global hub of its research and development as it looks to ramp up its pharmaceutical business in the country. The company is investing \$17.5 million in its analytical and pharmaceutical development centre in Mumbai, which conducts early-stage drug development. Clinical development of drugs will be a focus area for the company's growth in India. J&J conducts 15 clinical trials in India. The number will soon double. The decision comes as yet another endorsement of India's emergence as a critical centre for pharma R&D. Last year, Novartis announced an investment of \$121.95 million in a centre in Hyderabad that will employ 5,000 scientists. Pliva recently inaugurated its drug R&D centre in Goa. In March, Astra Zeneca opened a \$15 million process and development laboratory in Bangalore, focused on new chemical entity (NCE) research. Bristol-Myers Squibb teamed up with Biocon's subsidiary, Syngene International, to establish a facility in Bangalore that will have 400 scientists working on early-stage drug development. GlaxoSmithKline and Tata Consultancy Services announced an

agreement to establish a global drug development support centre in Mumbai. According to a McKinsey report, the global clinical trial outsourcing to India in the pharmaceutical industry is estimated to be worth \$1219.5 million by 2010.

### **Retail institutes to create 2.2 m jobs**

Manpower crunch in the retail sector has led to a massive jump in training institutes for the retail sector from just 6, two years ago, to 50 today. More importantly, some of the most prominent names in the business of education have jumped in with their own courses. The \$304.8 million retail manpower training sector is growing at over 50% per annum. But within the sector, training for front-end jobs is growing at over 100% annually. According to industry estimates, retail alone will throw up

2.2 million jobs by 2011. Nearly 80% of these would be front-end jobs.

### **Foreign firms allowed to pick 26 per cent stake in pension funds**

The government has opened a window of opportunity for foreign companies for managing the pension funds of Central and State government employees. The foreign funds would be allowed to own up to 26 per cent stake in entities that would be set up by state-owned banks, mutual funds and financial institutions to manage the pension funds. The Pension Regulatory and Development Authority (PFRDA), which has already appointed National Securities Depository Limited (NSDL) as the central record-keeping agency, has invited preliminary bids for appointing pension fund managers.

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