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Contents

- | | | |
|----------|--|------------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• India continues to top Gartner's list of 30 off shoring destinations• Economy to grow 7.5-8% in FY09: Virmani | |
| 2 | Overseas Investment | Page 2-5 |
| | <ul style="list-style-type: none">• Govt clears 22 SEZs; Dubai-based developer to build warehousing zone• Publishers from UAE, Netherlands get FIPB nod• 'Foreign trade policy to continue beyond March 2009'• Markets rally as FIIs turn net buyers in Dec | |
| 3 | Trade News | Page 5-8 |
| | <ul style="list-style-type: none">• India-Spain Investment and Business Co-operation• Pushing up India-Russia trade to \$10 billion• Corporate giants join hands for India-US research initiatives | |
| 4 | Sectoral News | Page 8-11 |
| | <ul style="list-style-type: none">• Auto exports up by 61.88% in November• More IT projects likely to come India's way: PWC• Iron ore exports to China picking up slowly• India makes it to the global 3G map | |
| 5 | News Round-up | Page 11-12 |
| | <ul style="list-style-type: none">• India to emerge as global innovation hub: Evalueserve | |

News Feature

India continues to top Gartner's list of 30 offshoring destinations

India and China continue to hold their ground as the leaders for offshoring services, says Gartner. The research and advisory firm, has assessed 72 countries as offshore locations to announce its Top 30 destinations.

The analysis showed that the dynamic nature of the market has seen a number of countries position themselves as credible alternatives to the BRIC countries (Brazil, Russia, India and China).

Ten countries from Asia Pacific were represented in the 30 leading countries. These included the undisputed leader in offshore services — India — and the greatest challenger in terms of potential scale — China, said the report. The rest are a mix of mature environments that offer limited cost benefits such as Australia, New Zealand and Singapore and emerging countries with a variety of challenges, but attractive costs such as Malaysia, Pakistan, the Philippines, Thailand, and Vietnam.

“Countries such as Mexico, Poland and Vietnam have continued to strengthen their position against leading alternatives, while others have forced their way into the ‘Top 30’,” said Ian Marriott, research vice president at Gartner.

Although only seven countries from the Americas appeared in the final list of 30, these countries are becoming an attractive proposition for the largest buying market for offshore services – the US. Only Canada was rated "excellent" for language (with fluent English and French) but Latin American countries are able to leverage their Spanish-language skills increasingly in the US.

The final list of 30 countries included 13 from EMEA and for the first time saw two North African countries enter the leading countries in EMEA.

Locations such as Ireland, Israel and South Africa fared well for language skills, because of the quality and quantity of English-language speakers.

During the last 12 months, there has been significant activity in many countries to consolidate or grow their positions as leading locations for offshore services. As a result, four countries leaving the ‘Top 30’ this year were Northern Ireland, Sri Lanka, Turkey and Uruguay. The new entrants into the 30 leading countries for offshore services were Egypt, Morocco, Panama and Thailand.

<http://www.businessstandard.com/india/news/india-continues-to-top-gartners-list30-offshoring-destinations/21/06/51051/on>

Economy to grow 7.5-8% in FY09: Virmani

Services will prove to be a stabiliser for the Indian economy to enable it grow by 7.5-8 per cent this fiscal, a key Finance Ministry official said, amid fears on the part of some that the sector will slow down in a major way in the remaining months of 2008-09.

"Services will generally have no (bigger) cyclical decline than overall GDP and certainly (decline) much less than manufacturing, which is cyclical in most countries. Services will act as a stabiliser for us," Chief Economic Advisor Arvind Virmani told.

Virmani said the services sector, along with others, did slow down in the first half, moderating growth to 7.8 per cent in the first half of the current fiscal compared to 9.3 per cent a year ago.

However, he did not agree with the view of some that services would slow down in a major way in the second half.

"We know from cyclical events that historically services are less affected by the cyclical shocks. Whatever the source of these cyclical shocks, I don't see any reason why that should be overturned," Virmani said.

Even as services helped the Indian economy clock better than expected growth in the first half, many economists say that the sector would slow down much more in the second half and restrict growth to seven per cent or less for the whole fiscal.

Virmani said: "Those who are saying growth would be seven per cent have to tell you what slowdown they are expecting.... I am saying the growth rate is 7.8 per cent (in the first half) and you will still get at least 7.5 per cent (for the entire fiscal)...."

"So slowdown is implicit, but it will be consistent with the projection of 7.5-8 per cent overall growth," he said.

<http://businessstandard.com/india/news/economy-to-grow-75-8-in-fy09-virmani/11/58/50878/on>

Overseas Investment

Govt clears 22 SEZs; Dubai-based developer to build warehousing zone

The government cleared 22 proposals for setting up Special Economic Zones (SEZ), including an approval for a mega foreign direct investment (FDI) project for establishing a free trade warehousing zone by the developers of the famed Jebel Ali Free Zone (Jafza) of Dubai.

In all, the board of approval for SEZs in the commerce ministry took up 38 proposals and granted formal approval to 19 proposals having possession of the required land.

It also gave in-principle approval for 3 other projects that did not have possession of land, but had state government clearances for the viability of the project.

The total investment in the 271 notified SEZs has now touched Rs 8,3,450 crore and SEZs have provided direct employment to 1,13,426 persons, the commerce ministry said.

Among the main SEZ projects that have received formal approval include a 1,054 hectare multi-product SEZ by GVK Perambalur Pvt Ltd, a petroleum and petrochemical SEZ by Nagarjune Oil Corporation, a 222-hectare port based SEZ in Maharashtra by JSW Jaigarh Port Pvt Ltd.

The BoA also gave formal approval to a 48 hectare IT/ITeS SEZ in Tamil Nadu, a textile park in Punjab by Ishan Developers and Infrastructure Pvt Ltd, Hindustan Newsprint Paper and Pulp SEZ in Kerala and a pharma SEZ by Dr Reddy Lab Ltd in Andhra Pradesh.

The FTWZ to be developed by Jafza has got an in-principle approval and will be spread over an area of 85.12 hectare in Maharashtra.

JAFZA developers brings in enormous experience as it handles the cargo meant for Dubai Port that is world's ninth largest in terms of container traffic. Jebel Ali Port in Dubai is part of DP World, which is the 4th largest port operator in the world, according to the website of Jafza.

Jafza spans 49 square kilometers and is situated between Jebel Ali Port—the world's 7th largest seaport— and the upcoming Jebel Ali International Airport, the world's largest cargo airport near Dubai port. "In its 21 years of operation, Jafza has posted more than 300 times growth in its number of companies growing from 19 in 1985 to about over 6000 in 2007," the website says.

When the FTWZ in Maharashtra is developed it will be able to have partners giving the easy and quick access to many ports across Asia, the CIS and Africa, sources said.

<http://www.financialexpress.com/news/govt-clears-22-sezs-dubaibased-developer-to-build-warehousing-zone/395864/1>

Publishers from UAE, Netherlands get FIPB nod

Publishers from the Netherlands and the United Arab Emirates (UAE) have got the approval from the Foreign Investment Promotion Board (FIPB) for launching Indian editions of foreign publications like lifestyle and technical magazines through their local partners.

Both lifestyle and technical publications are allowed up to 100 per cent foreign investments, according to the norms laid out by the Ministry of Information and Broadcasting (I&B).

The Al-Abbas group of the UAE, through its publishing arm, Twenty First Century Publishing, will be the 50:50 joint venture partner of Bangalore-based Connoisseur Publishing.

Connoisseur India will look at publishing and marketing print products related to culture, history, music, fashion and other social issues. The Al-Abbas group publishes one of the UAE's leading lifestyle magazines called Gulf Connoisseur.

Connoisseur India is promoted by a UAE-based journalist Meenakshi Narayan. Initially, an approval of Rs 1 lakh has been sought from FIPB in the publishing joint venture, but Connoisseur India intends to infuse an additional amount of Rs 35 lakh, the company informed FIPB.

Another international publisher Reed Elsevier Overseas from the Netherlands also obtained the FIPB nod for publication of technical journals in India through its wholly-owned subsidiary, Reed Elsevier India.

Reed Elsevier got FIPB's nod for an infusion of Rs 5 lakh for the project, in which it will publish the Madras Law Journal, Labour Law Journal and the Madras Criminal Law Journal, the company told FIPB. Currently, these legal journals are available as online e-books with an annual subscription of Rs 1,500-4,000.

<http://www.businessstandard.com/india/news/publishersuae-netherlands-get-fipb-nod/05/21/342757/>

'Foreign trade policy to continue beyond March 2009'

The five-year foreign trade policy that lays ground rules along with incentives and disincentives for conducting imports and exports has been extended beyond March 2009 to enable the new government to give its policy direction to the country's external engagement.

The Foreign Trade Policy (FTP), which was unveiled by the UPA government on September 2004, was to expire on March 31, 2009.

"It must be because of elections. They (government) will not be announcing any new policy as such and the current policy will continue," trade policy expert Arun Goyal said.

India's foreign trade has seen a sharp growth in the last five years. Exports during 2007-08 grew by 22.9 per cent from 126 billion dollars in the previous fiscal, while Imports went up from 185.7 billion dollar in 2006-07 to 235.7 billion in the last fiscal.

Goyal said extending validity of the policy would assure exporters of continuity. "The same holds good for the Budget," he said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Foreign_trade_policy_to_continue_beyond_March_2009/articleshow/3814327.cms

Markets rally as FIIs turn net buyers in Dec

So far this month, foreign institutional investors (FIIs) have invested a net Rs 267 crore in Indian equities, compared with net sales of Rs 2,598 crore in November. As a result, the rupee has strengthened in the past six days to close at 49.02 a dollar, its strongest gain in five weeks. The FIIs' investment spell marks the longest stretch of net inflows that Indian equity markets have seen since September.

Armed with this support and the \$8-billion fiscal and monetary stimulus announced by the government, the BSE Sensex rose for the second consecutive day, closing at 9,654.90 points, a gain of 492.28 points. The climb was aided by strong cues from its Asian peers. Markets had already factored in the 19% drop in car sales announced by Siam.

The 5.37% rise in the 30-share Sensex included some intense buying in blue chip companies, say dealers. The realty sector outperformed the benchmark index, gaining over 12% as the top performer of the day. The broader S&P CNX Nifty of the NSE closed 144.25 points higher, or 5.18%, at 2,928.25 points.

Anish Jhaveri, CEO of Antique Stock Broking, said, "It was surprising to see markets going northwards. I think that the stimulus package announced last week is a very small step. We might get one more package before the general elections, which would further boost the markets."

Markets also rallied as bond yields fell to their lowest level in four years. The drop means demand for government paper rose from banks flush with liquidity. Demand for credit is expected to now pick up, spurring industrial growth.

An analyst from a leading broking house said, "Indian markets also advanced on news of the \$15-billion bailout plan for US automakers, and hopes that other governments would help out ailing industries."

<http://www.financialexpress.com/news/markets-rally-as-fiis-turn-net-buyers-in-dec/397029/>

Trade News

India-Spain Investment and Business Co-operation

The Economic and Commercial Counsellor of Spain in New Delhi, Teresa Solbes elaborated on the objectives of the India-Spain Investment and Business Co-operation Forum and explained how the Spanish economy has emerged as one of the most dynamic within the EU and the investment potential of India.

Spain has emerged as one of the most dynamic countries within the EU and has become the 8th largest economy of the world due to a growth exceeding 4 per cent during 1997-2000. In spite of the global downturn, it still maintained a favourable evolution (3.8 per cent) in 2007.

Spain has diverted its attention to the international markets, a factor which has fostered the imports and exports in recent years. The country is now ranked 17th as merchandise exporter and 11th as an importer. When the services sector is included, Spain ascends to become the 5th exporter and the 8th importer.

The country is also the 5th largest investor in the world and Spanish companies are leading players in several fields such as renewable energies and environment, desalinisation, machinery, transport infrastructure, architecture and engineering design, biotechnology, aerospace, tourism and finance.

The bilateral commercial relations between India and Spain have an enormous potential. For the period 1997-2007 the bilateral trade grew by 337 per cent, reaching 2,929.4 million Euros in 2007.

Spanish investment in India has been heterogeneous, coming from both small and medium enterprises and Spanish multinationals that are involved in important projects and are trying to consolidate its presence for future expansion in the country. These companies have targeted India as a potential destination due to its enormous market size, and also as a base to enter the Southeast Asian region.

The India-Spain Investment and Business Co-operation Forum, presently on at the Taj Mahal Hotel in Delhi will be the perfect catalyst to creating some very good and profitable business partnerships between the two countries. The Forum is a free matchmaking event where Indian companies will have the opportunity to meet and discuss mutual business opportunities with a delegation of Spanish companies. These companies are seeking to establish joint ventures, strategic alliances, know-how transfer agreements or mere investment partnerships in the Indian market.

The two-day event commenced on December 11 with an opening ceremony that was co-chaired by Kamal Nath, Minister of Commerce and Industry of India and by Miguel Sebastián, Minister of Industry, Tourism and Trade of Spain. During these two days, the Spanish companies will have one-to-one meetings with key senior level executives from the Indian companies selected.

We have identified several sectors with profitable outcomes from which Spanish companies can benefit. These sectors have been selected because of the market size, employee qualifications, development programs, and the level of competitiveness of the Spanish companies. The companies are mainly looking for partners compatible in size and segment for mutually profitable alliances.

http://economictimes.indiatimes.com/Foreign_Trade/India-Spain_Investment_and_Business_Co-operation/articleshow/3825550.cms

Pushing up India-Russia trade to \$10 billion

Last week's state visit by president Dmitri Medvedev of Russia not only outlines an emerging pattern within Bric's Asian jigsaw, it also highlights the value accorded by

Moscow to its position of a mentor vis-a-vis New Delhi. That, doubtless, is the concern, which ensured that president Medvedev's state visit went ahead as scheduled, from December 4.

The visit was brief, but the preparations were thorough. So, although the range of bilateral, regional and global issues was wide, the two leaders did their best to strengthen the old lines of cooperation and update them to suit 21st century realities. They accordingly reiterated their commitment to a multi-polar world, discussed terrorism and the global financial crisis, and weighed the significance attaching to the nuclearisation of Iran. They also did their best to lay the groundwork for trilateral cooperation between India, Russia and China, and the reform of leading international institutions.

President Medvedev's visit was also significant because it followed hard on the heels of the 26/11 terrorist attack on Mumbai. Medvedev has been the first head of state, or government, to visit India since 26/11. That is the first, and most important, distinction: Of equal importance (in this context) is the extensive shopping-and-synergy list agreed to by both sides. President Medvedev even pledged to support India's fight against terrorism following last week's Mumbai attacks.

That also explains why the list of cooperation contains items which relate to the development of India's abilities to counter terrorism, plus attain higher electricity generation targets. That is what civilian nuclear cooperation is expected to be all about.

Cooperation in the energy sector is an important area in Indo-Russian bilateral relations. ONGC-Videsh Ltd has acquired 20% stake in the Sakhalin-I oil and gas project in the Russian Federation and has invested about \$1.5 billion in the project. Russia's Gazprom and India's GAIL are also jointly developing a block in the Bay of Bengal.

Another good example of nuclear cooperation between India and Russia is the Kudankulam Nuclear Power Project. With two units (and a combined capacity of 2,000 mw) it is a good example of Indo-Russian nuclear cooperation. Both sides have expressed interest in expanding cooperation in the energy sector.

<http://www.financialexpress.com/news/pushing-up-indiarussia-trade-to-10-billion/396364/>

Corporate giants join hands for India-US research initiatives

IBM, Intel, Boeing, Lockheed Martin are among several large corporates supporting joint research initiatives between India and the US in high-tech areas.

Boeing, for example, has provided over Rs 3 crore to the Indian Institute of Technology-Kanpur to work on applications of radio frequency identification devices technology. Lockheed Martin, the aerospace giant, has joined hands with the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Department of Science and Technology (DST) to launch an initiative to promote entrepreneurs.

Intel Corporation, DST and Indo-US Science and Technology Forum (IUSSTF) have also joined hands to promote technology entrepreneurs in 2007. Each partner will invest about Rs 2 crore. Two projects from India have recently been selected for funding under the public-private-partnership initiative.

Giving these details, the Executive Director of IUSSTF, Mr Arabinda Mitra, told that the Indo-US Sub-Commission on science and technology co-operation will play a major role in taking up mega projects in the near future.

IUSSTF, formed in July 2000, has been able to get fund support from scientific establishments and industries from both countries, Mr Mitra said.

On the Lockheed Martin-FICCI initiative, he said about Rs 2.5 crore was expected to be funded by each partner annually. The Texas A&M University will evaluate projects and shortlist about 15 of the best ideas to be provided with funds every year. A venture capital firm would also be involved so that the commercialisation aspect is addressed, Mr Mitra said.

Among the large projects, the Indo-US Flux Programme, with a projected investment of up to Rs 200 crore, is expected to get under way. The National Oceanography Atmospheric Agency, US, and the Department of Earth Sciences, India, are involved.

The project involves establishing 50 towers across the country to measure trace gases, which have an impact on climate change, he said.

The Khorana Exchange Programme would be launched coinciding with the 82nd birthday of the Indian-origin Nobel laureate Dr Hargobind Khorana on January 9.

The University of Wisconsin, IUSSTF and the Indian Department of Biotechnology would be involved in the initiative.

<http://www.thehindubusinessline.com/2008/12/09/stories/2008120951420300.htm>

Sectoral News

Auto exports up by 61.88% in November

The country's automakers may have registered their worst ever-domestic sales in November, but they can take heart from the fact that exports zoomed by a robust 61.88 per cent during the month.

Total vehicles exported from India stood at 1,46,337 units in November against 90,398 units in the same month last year, according to the Society of Indian Automobile Manufacturers (SIAM).

This is in contrast with 17.98 per cent decline in domestic sales during November at 7,11,281 units against 8,67,243 units in the same month last year. The export growth was led by passenger vehicles, motorcycles, scooters and three-wheelers.

The passenger car segment was up by over two-fold at 34,607 units compared with 15,464 units in the year-ago period.

The country's second largest carmaker, Hyundai Motor India, saw its exports climbing by nearly three-fold to 28,500 units in November from 9,898 units in the corresponding month last year, SIAM said.

Market leader Maruti Suzuki India reported 12.28 per cent jump at 4,920 units in November against 4,382 units in the same month last year.

Mahindra Renault and Fiat India exported 610 units and 94 units respectively last month.

Two-wheeler exports witnessed a jump of 51.16 per cent last month at 89,245 units compared with 59,041 units in the year-ago period.

Motorcycle sales in the overseas markets rose to 85,549 units from 56,739 units in the corresponding month 2007, a jump of 50.78 per cent, according to SIAM.

http://economictimes.indiatimes.com/Automobiles/Auto_exports_up_by_6188_in_November/articleshow/3819120.cms

More IT projects likely to come India's way: PWC

At a time when customers in the US are battling with economic recession, they will send more information technology projects to India, in order to bring down their costs of operations, according to a study done by Offshoring Research Network (ORN), in alliance with Duke University and research firm PricewaterhouseCoopers.

"Enhancing efficiencies has become more urgent in recent months as pressure on margins forces companies to increase productivity while spending less," said Arie Lewin, professor of strategy and international business at the Duke University.

Almost forty of the 100 companies interviewed as part of the survey said that they plan to put pressure on service providers for more favorable contract terms in order to trim costs. "Many companies are asking vendors to bear the upfront costs of a contract, and are even seeking longer project implementation periods," Mr Lewin added.

Experts such as Hari Rajagopalachari, executive director of PricewaterhouseCoopers said the cost of acquiring new business will go up as customers demand more investments from the vendors.

http://economictimes.indiatimes.com/Infotech/More_IT_projects_to_come_to_India/articleshow/3820978.cms

Iron ore exports to China picking up slowly

Chinese demand for Indian iron ore is picking up slowly over the past few weeks and miners are expecting that the removal of export duty on iron ore by the Centre will have a visible impact in the growth of exports over the next seven to 10 days.

The Government removed export duty completely for iron ore fines and reduced the rate from eight per cent ad valorem on iron ore lumps to five per cent.

Bookings from China are expected to go up in the coming weeks as Chinese buyers are trying to defer their contracted supplies from Brazil and Australian companies because of the lower price offered by Indian companies, mining industry sources said.

“The availability of railway rakes for movements to the ports has also improved in recent weeks and exports are picking up from the ports of Chennai, Murmugao and Paradip,” mining company officials said.

According to the Secretary General of the Federation of Indian Mineral Industries (FIMI), Mr R.K. Sharma, China is picking up more Indian iron ore now and the removal of iron ore export tax will give big boost to the exporters.

“The impact of the tax reduction will be felt in the next seven to ten days,” he said.

<http://www.blonnet.com/2008/12/10/stories/2008121051220700.htm>

India makes it to the global 3G map

Prime Minister Manmohan Singh put the country on the global 3G map when he launched the services on state-owned Mahanagar Telephone Nigam's (MTNL) networks in Delhi.

The 3G platform will enable telcos to offer high-end services such as high-speed internet, video conferencing on mobiles, interactive gaming, ultra fast downloads of video and music clips amongst other services. The PM also witnessed for sometime a live telecast of the India-England Test match on a mobile handset using 3G services.

MTNL also became the first teleco in India to launch these high-end services, which it has christened 'Jadoo'. But the commercial launch of 3G will happen in January '09. MTNL executives present in the event said the PM had only kicked off the 'soft launch' and that some parts of central Delhi would have free access to these services during the test phase.

MTNL does not want to charge for these services during the soft launch phase as it wants customers to first experience 3G services. “We will also launch 3G in Mumbai by the end-of January,” MTNL CMD RSP Sinha told. MTNL offers mobile services in Delhi and Mumbai. Mr Sinha said that MTNL was yet to take a call on the 3G tariffs. “It depends on the amount of data usage. Our 3G pricing cannot be different from existing prices across the world. The pricing will be affordable, sustainable and likeable to all,” he said. The

company will invest Rs 400 crore to set up 3G networks across Delhi and Mumbai and hoping to add 200,000 subscribers on this platform.

State-owned BSNL will do a soft launch of its 3G services by the end of December, its CMD Kuldeep Goyal told. All other telecom companies will have to wait a lot longer for launching these high-end services. This is because, auction for the radio frequencies on which 3G services work is slated to take place in early 2009.

“After the auction, the government will have to give us spectrum. We will take six months from the date of allotment of spectrum to launch 3G services. Bharti hopes to launch commercial 3G services by 2009-end,” Manoj Kohli, CEO and Joint MD, Bharti Airtel said. The government had given 3G radio frequencies to both MTNL and BSNL ahead of the auctions.

http://economictimes.indiatimes.com/Telecom/India_makes_it_to_the_global_3G_map/articleshow/3825346.cms

News Round – Up

India to emerge as global innovation hub: Evalueserve

With India aiming to increase its research and development expenditure in the coming years, the country is likely to emerge as the next global hub for innovation and join the club of developed nations, a study has said.

The country is expected to strengthen its position in the innovation space as it is targeting to increase its R&D spend to two per cent of the GDP by 2012 under the 11th Five-Year Plan, from less than one per cent, as per a study conducted by global research and analytics firm Evalueserve.

"The move will catapult India to the league of developed nations that spend 2.5 per cent of their GDP on R&D, on an average," the study titled 'R&D Ecosystem in India' by the British and Canadian High Commissions in India said.

Angel investors and venture capitalists have an important role in the commercialisation process, given the limited availability of funding for early stage companies and innovators, the study pointed out.

Further, venture capitalists are also providing a lot of late-stage funding and the number of private equity/venture capitalist deals in late-stage funding rose to 104 in 2006 from 33 in 2005.

The R&D ecosystem in the country comprises of various supporting infrastructure, government departments, research organisations, funding institutions and industry associations.

The scenario becomes feasible as the government is focusing on public-private partnerships, such as knowledge parks and incubator programmes, to promote commercialisation, transfer and diffusion of technology, it added.

<http://www.financialexpress.com/news/india-to-emerge-as-global-innovation-hub-evalueserve/397678/>