



**Ministry of External Affairs
Government of India**

Weekly Economic Bulletin

Date: March 18 -March 24, 2008

Issue No. 256

Contents

- | | | |
|----------|---|----------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• India's forex reserves at \$306.488 bn on March 14• India on target to achieve an average 9% growth: Ahluwalia• Central govt staff all set to get 52% raise | |
| 2 | Overseas Investment | Page 2-4 |
| | <ul style="list-style-type: none">• Gold mining to draw FDI of Rs 1 trln• Investment cap on DTH may rise• Govt brings new mining policy to parliament | |
| 3 | Trade News | Page 4-6 |
| | <ul style="list-style-type: none">• India aims to boost trade volumes with ASEAN• 'Scope for tie-ups with Africa in farm, food processing'• India, Ethiopia sign MoU for leather products• India, New Zealand for increasing farm ties | |
| 4 | Sectoral News | Page 6-9 |
| | <ul style="list-style-type: none">• Telecom outfit mkt to ring in \$6.5 bn revenue in 2007-08• Gem, jewellery exports up 9%• Marine exports to double by 2012• 'Food processing sector registers 13.7% growth'• Software exports may grow 33% in FY08 | |
| 5 | News Round-up | Page 10 |
| | <ul style="list-style-type: none">• India may transform global business landscape by 2018: Study• Income of 123 PSUs grow at 15.3% to Rs 1,300 cr in 2007-08 | |

News Feature

India's forex reserves at \$306.488 bn on March 14

India's foreign exchange reserves rose to a record \$306.488 billion on March 14 from \$303.460 billion a week earlier, the central bank said in its weekly statistical supplement.

The central bank said foreign currency assets, expressed in dollar terms, included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

The foreign exchange reserves include India's Reserve Tranche Position in the International Monetary Fund, the central bank said.

http://economictimes.indiatimes.com/News/Economy/Indicators/Indias_forex_reserves_at_306488_bn_on_March_14_/articleshow/2888217.cms

India on target to achieve an average 9% growth: Ahluwalia

Planning Commission Deputy Chairman Montek Singh Ahluwalia said the country was on target to achieve an average nine per cent growth for five years, despite a slowdown this year.

"We are on target to achieve an average nine per cent growth ...the year which is ending the growth is almost 8.7 per cent, much higher than originally thought," Ahluwalia said.

"Even if we are slowing down, the country can achieve an average nine per cent growth for five years," Ahluwalia said.

Observing that there has been a lot of turmoil in global markets, Ahluwalia said this will have some impact on the country.

Asked about the slowdown in industrial production, he said one should not make assessments based on a month's data and should take long-term view on the matter.

Ahluwalia said the government remains concerned about the rising inflation levels and would take a series of steps to control it.

"Around the world, we have seen huge increases in fuel, food and commodity prices. Our performance has been better than others," Ahluwalia said.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_on_target_to_achieve_an_average_9_growth_Ahluwalia/articleshow/2888362.cms

Central govt staff all set to get 52% raise

Central government staff and officers, along with their counterparts in defence and paramilitary forces, have a reason to paint the town red on Holi — the Sixth Central Pay Commission is set to hand them a hike of up to 52%, if read along with their house rent allowance (HRA).

The report is likely to be submitted to Finance Minister P Chidambaram by panel chairman Justice B N Srikrishna.

Higher housing and transport allowances may be the icing on the cake, though there could be only a modest hike in city compensatory allowance.

Indications are that a secretary to the government will have a basic salary of Rs 80,000 a month (up from Rs 26,000 with 50% merged dearness pay and 47% DA).

The Cabinet Secretary, the country's senior most officer, is likely to have a basic of Rs 90,000 (up from Rs 30,000 with 50% merged dearness pay and 47% DA).

As is the practice, the new scales would be effective from January 1, 2006.

http://economictimes.indiatimes.com/News/Economy/Policy/Central_govt_staff_all_set_to_get_52_raise/articleshow/2886033.cms

Overseas Investment

Gold mining to draw FDI of Rs 1 trln

India is expected to attract foreign direct investment (FDI) of Rs 1,00,000 crore per annum in mining exploration of gold and diamond, according to Union Minister of State for Mines Subbarami Reddy.

“Nearly 14 companies from Australia, Canada and South Africa have shown keen interest in bringing their technical expertise required for identifying the potential of a mining block,” Reddy said, adding that government officials would be visiting these countries to explore the possibilities of more investment.

“We have to urge global entrepreneurs to invest in exploration of the country's rich mineral wealth,” Reddy said.

Under the new policy, entrepreneurs who invest heavy risk capital will automatically get the mining lease.

The policy was approved by the Union Cabinet after a delay of nearly two years. India has a mineral area of 18.5 lakh sq km, but lacks the technology and capital to exploit them.

But once the new policy comes into effect, global entrepreneurs would flock India with technology and capital, he said.

India produces 89 minerals, out of which 11 are metallic and 52 non-metallic. The country is estimated to have 2.92 billion tonnes of bauxite, or 10 per cent of the world's reserves, and 276 billion tonnes of coal.

It also has 14,000 tonnes of gold reserves, but the country only produces three tonnes of total annual demand of 800 tonnes.

“The demand for gold in India is expected to go up to 1,200 tonnes per annum.”

http://www.business-standard.com/common/news_article.php?leftnm=0&autono=317788

Investment cap on DTH may rise

In a move that could open the floodgates of foreign investment in media distribution platforms, the information & broadcasting (I&B) ministry has proposed raising the cap in sectors like direct-to-home (DTH), satellite radio, head-end in the sky (Hits) and teleports to 74%.

These sectors currently have variable limits for FII and FDI investment. The move to create a higher composite cap is part of the government's wider exercise aimed at bringing about uniformity in investment policy across sectors.

“The ministry is of the view that the ceiling for total foreign investment limits, inclusive of FII and FDI, both direct and indirect, can be upwardly raised to 74% in the case of infrastructure and platform services like DTH, teleport, Hits and satellite radio,” Asha Swarup, secretary, I&B ministry, said here

However, the current foreign investment ceiling for cable operations at 49% would remain unchanged. In the case of the teleport and DTH sectors, the current ceiling on foreign investment stands at 49%. For satellite radio and Hits—a satellite broadcast platform for cable operators—there was no official policy on foreign investment caps until now.

<http://www.financialexpress.com/news/Investment-cap-on-DTH-may-rise/286130/>

Govt brings new mining policy to parliament

Government introduced in parliament a new mining policy it hopes will lure foreign and domestic investment, but the document made no mention of changes to royalty payments demanded by mineral-rich states.

The policy was approved by the federal cabinet after a delay of nearly two years as state and federal politicians wrangled over key details. It is likely to be debated in parliament, followed by a legislative amendment to existing mining laws. It aims to shorten the time it takes for mining leases to be granted to about six months to a year, a process that can currently drag on for years.

But it skirted the issue of royalties. "The revenues from minerals will be rationalised to ensure that the mineral-bearing states get a fair share of the value of minerals extracted from their grounds," the policy document said. State governments have been demanding a switch from a flat rate on minerals to royalties based on their value, possibly eating into miners' margins but handing local governments a lot more money for their natural assets.

Officials from Delhi and the states are due to meet to try and hammer out an agreement on how royalties will be charged under the new policy. Under the new guidelines, foreign and domestic firms should find it easier to invest in the exploration and mining of gold, diamonds and metals like copper and zinc, and prospecting companies will automatically obtain a mining licence.

Only 10 percent of India's land mass has been explored for its mineral wealth, and industry officials say this is largely due to the mass of paper work involved. "Prospecting and mining shall be recognised as independent activities with transferability of concessions playing a key role in mineral sector development," the document said.

Until now, overseas prospecting companies have avoided coming to India because they could not sell the data they mapped, and could only utilise the information if they mined themselves. The policy added that while state firms would continue to work on exploration and survey of minerals, the government would in future give more encouragement to private sector investment.

"Foreign equity investment in joint ventures for exploration and mining promoted by Indian companies will be encouraged," it said. The policy also said that it would encourage exports of value-added minerals. India is a large exporter of iron ore, mainly to China.

http://economictimes.indiatimes.com/News/Economy/Policy/Govt_brings_new_mining_policy_to_parliament/articleshow/2885132.cms

Trade News

India aims to boost trade volumes with ASEAN

India has set itself a target to boost trade volumes with the ASEAN countries to \$50 billion, up from the present \$20 billion. The proposed free-trade agreement with the ASEAN countries will facilitate this process by opening up market for many Indian products, especially auto-components, Mr Sanjeev Nandwani, Joint Director-General for Foreign Trade said at a seminar organised by the Confederation of Indian Industries. Mr Sandipan Chakravorty, Managing Director, Tata Ryerson said, "Many ASEAN countries such as Malaysia are keen on sourcing auto components from India. India is fast moving towards

being an auto-component hub, with Chennai already figuring in the map and West Bengal getting ready to be included in the near future”.

<http://www.blonnet.com/2008/03/22/stories/2008032250630300.htm>

‘Scope for tie-ups with Africa in farm, food processing’

India is keen to forge a robust, effective and mutually beneficial relationship with Africa and its strategic global engagements depend much on its strong relations with that continent, the Commerce and Industry Minister, Mr Kamal Nath, said.

Addressing the fourth CII-EXIM Conclave on India-Africa Project Partnership 2008, he said, “India keenly anticipates a deeper and closer engagement with Africa and is eager to work together for greater mutual prosperity. India needs to expand and diversify the import basket from the continent.”

He said cooperation in sectors such as agriculture and food processing will be significant as the two sides are prone to food shortages, lack of diversification in crops, and low agricultural productivity.

Mr Kamal Nath hoped that the conclave will set the stage for bilateral and multilateral trade agreements between India and countries as well as regional blocks like SACU, COMESA, SADC, EAC in Africa.

<http://www.blonnet.com/2008/03/20/stories/2008032051821000.htm>

India, Ethiopia sign MoU for leather products

In order to increase their share of export earning and volume of leather products, India and Ethiopia have signed a memorandum of understanding during the fourth CII-Exim Bank conclave on India-Africa project partnership.

This would also allow domestic leather manufacturers access raw leather from Ethiopia, which offers duty free incentives for foreign investors, tax holidays of two to eight years depending on the area of interest and volume of export.

Mr Shyamal Gupta, Chairman, CII and a member of the national committee on leather & leather products, said the leather sector being labour intensive is strategic with a high scope for employment generation. At present, 2.4 million people in the country are engaged in the leather sector.

He said, “For Ethiopia also, it is a much needed agreement as for a long it has been a raw leather exporting country which gives a very low percentage value to leather. Such kind of hindrances have been faced by many African countries. India can play a support role in capacity buildings, research and development and making African goods globally more valued and accepted.”

Mr G.K. Pillai, Commerce Secretary, expressed the need to build trade relations between developing countries in the scenario of dominance of world economy by the developed countries.

“Developed countries induced developing countries to produce export goods where the products are always valued grossly low. All African countries need to think immediately and should build their trade relations more and more with countries like India. Joint venture and investments in leather sector must help the locals of Ethiopia for their betterment,” he said.

<http://www.blonnet.com/2008/03/23/stories/2008032351200500.htm>

India, New Zealand for increasing farm ties

India and New Zealand agreed to increase co-operation in agriculture and sort out issues relating to bio-security at the earliest.

In the delegation-level discussions, the Agriculture Minister, Mr Sharad Pawar, proposed to have an ‘umbrella agreement’ to raise the level of co-operation and expand co-operation in the agriculture sector.

The proposed umbrella agreement between Ministry of Agriculture, India and Ministry of Agriculture, New Zealand, will cover agriculture and allied activities including food processing, agricultural research, phytosanitary issues relating to trade in plants and animal products, engagement of private sector of both the countries and exchange of information in the areas of mutual interest, said an official release.

The proposed agreement would supplement each other’s efforts being made by the two governments to strengthen co-operation and encourage trade. The Agriculture, Bio-Security, Fisheries and Forestry Minister of New Zealand, Mr Jim Anderton, is visiting India.

India and New Zealand already have an MoU on plant quarantine issues. A tripartite MoU among Indian Council of Agricultural Research, Land Care Research and Massey University, New Zealand, is being discussed and will be signed as soon as all the clearances are available. The visiting New Zealand team is scheduled to hold discussions with the Agriculture Minister of Maharashtra.

<http://www.blonnet.com/2008/03/25/stories/2008032552271000.htm>

Sectoral News

Telecom outfit mkt to ring in \$6.5 bn revenue in 2007-08

India, the world’s fastest-growing telecom market, is also making steady progress in the telecom manufacturing space. Latest figures from the Department of Telecom (DoT) indicate that revenue from the telecom-manufacturing sector is set to cross the \$6.5 billion

(Rs 23,656 crore) figure in fiscal 2007-08. At the current growth rate, the Indian telecom equipment-manufacturing sector is set to become one of the largest globally by 2010.

However, telecom hardware manufacturing in India is dominated by international majors, including Nokia, Ericsson, LG and Alcatel-Lucent while indigenous domestic manufacturers continue to contribute very little.

The DoT said the entry of many foreign players has transformed the manufacturing scene in India and the country now produces 'a wide range of telecom equipment using state-of-the-art technologies designed specifically to match the diverse terrain and climatic conditions'. The DoT has also pointed out that the telecom manufacturing space has brought in foreign investment to the tune of \$1.5 billion (Rs 6,000 crore).

"Production in telecom equipment has increased from Rs 17,833 crore in 2005-06 to Rs 23,656 crore in 2006-07 and the projected figure for the year 2007-08 is Rs 26,253 crore. Rising demand for a wide range of telecom equipment, particularly in the area of mobile telecommunications, has provided excellent opportunities to domestic and foreign investors in the manufacturing sector.

http://economictimes.indiatimes.com/News/Telecom_outfit_mkt_to_ring_in_65_bn_r_venue_in_2007-08/articleshow/2875609.cms

Gem, jewellery exports up 9%

The country's gem and jewellery exports during April-February 2008 grew 9.25 per cent to Rs 75,510 crore as against the corresponding period last financial year, according to data released by the Gem & Jewellery Export Promotion Council (GJEPC).

In dollar terms, exports were even higher, rising 22.62 per cent from a year ago to \$18.74 billion. The average exchange rate realised by the industry during the eleven-month period was Rs 40.29 per dollar as against Rs 45.22 per dollar a year ago, according to the industry body.

Exports of cut and polished diamonds during the period rose 16.62 per cent to Rs 51,114 crore, GJEPC said.

Gold jewellery exports from domestic tariff area declined nearly 12 per cent to Rs 10,813 crore. However, around 7 per cent rise in jewellery exports from special economic zones and export processing zones contained the overall decline in jewellery exports to 3.94 per cent from a year ago at Rs 20,492 crore.

In dollar terms, gold jewellery exports rose 7.82 per cent to \$5.08 billion, GJEPC said.

Exports of coloured gemstones declined 1.26 per cent from a year ago to Rs 990 crore, while rough diamonds exports were down 9.18 per cent at Rs 2,006 crore, the data showed.

http://www.business-standard.com/common/news_article.php?leftnm=0&autono=317305

Marine exports to double by 2012

Govt India is aiming at doubling marine exports including that of tuna fish to four billion dollar by 2012, Minister of State for Commerce and Industry Jairam Ramesh informed the Rajya Sabha.

Replying to supplementaries during Question Hour, he said Marine exports last fiscal were 1.8 billion dollars and this year they are expected to touch two billion dollar.

"We hope to reach 4 billion dollar export target by 2012," he said. "53 per cent of the marine exports comprise of shrimps and we need to diversify the export basket".

Export of tuna fish, which contributed to only 200 million dollars in 1.8 billion dollar export earnings in 2006-07, are being pushed through technology induction for catching this highly migrating species.

Tuna fish exports are targeted to reach 500 million dollar by 2012, he said.

Andaman and Nicobar Island have been identified as holding 25-30 per cent of tuna potential in the country. "A perspective plan for tuna fishing was released 3-4 months back with main focus for fishing in Andaman and Nicobar sea and also off Vishakapatnam and Tuticorin coast," he said.

He, however, said that the domestic fish market would not be opened for imports. "There is no question of opening our fish market."

Of the 1.8 billion dollar marine exports, 450 million dollar came from Tamil Nadu, 350 million dollar from Kerala and 270 million dollar from Andhra Pradesh. Further, there exists huge untapped potential off Maharashtra and Gujarat coast which would now be harnessed.

"Marine Production Export Development Authority (MPEDA) closely works with the primary producers and exporters to enhance export production, improvement of quality and sustainable aspects of fisheries in the coastal areas," he said.

http://economictimes.indiatimes.com/Economy/Marine_exports_to_double_by_2012/articleshow/2881031.cms

'Food processing sector registers 13.7% growth'

The growth of food processing sector has nearly doubled to 13.7 per cent during the last four years, Minister of State for Food Processing Industries Subodh Kant Sahai said.

"The food processing sector growth has reached the double digit at 13.7 per cent from 7 per cent when I took charge of the ministry (in 2004)," Sahai said at the award distribution function of the National Productivity Council.

Sahai said the ministry has set a target of growing at 20 per cent by 2015. "But to achieve it, there should be an investment of about Rs 1 lakh crore in the sector," he said while exhorting potential investors for making investment.

The minister said state governments should initiate steps for promoting the food processing sector, which caters to almost 70 per cent of the country's population. "The Centre has brought down duties on food packaging and other allied activities to zero level. State governments too should slash duties and taxes (Value Added Tax) to give a further fillip," he said.

According to Sahai, farmers could reap the benefits of industrialisation only if potential investors treated their products as raw material. This, if done, would improve the bargaining capacity of farmers, he added.

http://economictimes.indiatimes.com/News/Economy/Food_processing_sector_registers_137_growth/articleshow/2881081.cms

Software exports may grow 33% in FY08

Software exports are expected to register a growth of 33 per cent in terms of dollar and 23 per cent in terms of rupee in the current financial year, according to an estimate by the Electronics and Computer Software Export Promotion Council (ESC). In absolute terms, exports during FY08 will work out to \$45 billion (Rs 180,000 crore).

Though IT export growth is significant, it has fallen short of the proposed target set by ESC for the year 2007-08 at 39 per cent in dollars and 36 per cent in rupees. These growth targets had been set taking into cognisance past growth trends and confidence levels of software exporters last year," Sanjiv Narayan, chairman, ESC, said.

The steady appreciation of rupee against the dollar and other major currencies for the last 16 months had adversely impacted the rupee realisation from exports, he said, adding, "Our data compiled from various IT exporters indicate that the fall in rupee realisation from exports was to the extent of 12-15 per cent. This has taken place at a time when real estate prices (rentals and property prices) are skyrocketing and HR expenses - salaries and perks - have increased considerably. Such increases are felt even in tier II and III cities."

According to ESC Executive Director D K Sareen, the need for hedging against currencies and invoicing exports in currencies other than the dollar has been advised to the council's member exporters.

http://www.business-standard.com/common/news_article.php?leftnm=8&autono=317482

News Round – Up

India may transform global business landscape by 2018: Study

India, along with emerging market peers China, Brazil and Russia, is expected to transform the global business landscape and will have a greater influence on the markets across the world by 2018, a study says.

The study by UK-based Chartered Management Institute looking ahead to 2018, predicted what the world of work and management would look like and examined how organisations can prepare for it.

"In the probable future, Brazil, Russia, India and China (BRIC) nations will have a greater influence on business markets and transform the business landscape," the study said in its description of the the most probable picture of the world of work and management in 2018.

The study also revealed that the business markets would be noticeably influenced by new players from India, Brazil, Russia, China, Eastern Europe and other developing countries as well as global businesses.

As new business models are introduced to respond to these changes, there would arise the need for greater emphasis on new skills such as understanding diversity and foreign cultures.

The study titled 'Management Futures --The World in 2018' forecast that in the next 10 years the business models and structures would changes in nature and there would be a polarisation from global corporates to virtual community-based enterprises.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_may_transform_global_business_landscape_by_2018_Study/articleshow/2890769.cms

Income of 123 PSUs grow at 15.3% to Rs 1,300 cr in 2007-08

Income of 123 Indian Public Sector Undertakings, which account for 31 per cent of the country's GDP, grew at 15.3 per cent to about Rs 1,300 crore during 2007-08, a Dun and Bradstreet study has said.

The Global business information provider, in its study 'India's Top PSUs 2008', said of the 123 PSUs, 24.39 per cent are located in the western region of India and contributed majority share of 55 per cent revenue.

Industry-wise, banking and financial services form the largest group with 33 companies followed by 10 in oil and gas and the rest from power, iron, steel and metals, it said.

However, oil and gas companies accounted for 43 per cent of total income and banking and financial services contributed 15 per cent each.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2885525>

