



## Indian Finance Minister at the IMF-World Bank Spring Meetings

Finance Minister of India Mr. P. Chidambaram led the Indian delegation to the IMF-World Bank Spring Meetings on April 12-13, 2008 in Washington D.C. The delegation included Dr. Y.V. Reddy, Governor, RBI and Dr. D. Subbarao, Finance Secretary.

In his statement to the International Monetary and Financial Committee (IMFC), the Finance Minister welcomed the quota and voice reform move as the first example of an international organization reforming itself and as an important first step in a process that needs to be carried forward. The quota share for India would be increased from 1.92% to 2.44% and vote share from 1.88% to 2.34%. On the current global economic and financial scenario, Mr. Chidambaram drew attention to the spillover effects of developments in the financial markets of advanced countries to the rest of the world and emphasized the importance of the Fund making its bilateral surveillance of advanced economies more effective and even-handed. He drew attention to the emergence of global inflationary pressures particularly rising food prices, which would hit poor countries the hardest and urged measures to reverse the diversion of food to bio-fuel production. **More . . .**

In his statement to the Development Committee, the Finance Minister said that Donor countries must increase funding to the World Food Program (WFP) and the United Nations' Central Emergency Relief Fund (CERF). He welcomed the proposal of the President, World Bank for 'A New Deal for Global Food Policy' focusing on hunger and malnutrition and its interconnections. He noted with concern that aid declined both in 2006 and 2007 and said that the quality and quantity of aid needs considerable improvement, especially with regard to its predictability.

The Finance Minister observed that the quality of governance and institutional capacity is critical to the achievement of Millennium Development Goals (MDGs). He said that the global compact for addressing climate change has to be based on a well established principle of common but differentiated responsibility articulated in the United Nations Framework on Climate Change. On Trade, he stated that the sensibilities of the developing countries should be key in the run up to the conclusion of the Doha round. He reiterated that a review of the fundamental formula for IBRD shares is required and variables besides GDP such as poverty and infrastructure deficit must be included to reflect the demand side. **More . . .**

The Finance Minister also attended the Breakfast Meeting on taking the Bali Process Forward. He said that India's Greenhouse Gas emissions are among the lowest in per capita terms. India also proposes to bring out a National Action Programme on Climate Change shortly. **More . . .**

## POLICY UPDATE

- The Government of India released the Annual Supplement to Foreign Trade Policy (2004-09). According to Minister of Commerce and Industry, Mr. Kamal Nath, India's total merchandise trade (both exports and imports) will be \$400 billion during 2007-08, accounting for nearly 1.5% of world trade. He stressed that India should achieve 5% share of the world trade by 2020 and set an export target of \$200 billion for 2008-09. The Minister announced various innovative measures such as extension of income tax exemption to 100% Export Oriented Units (EOUs) beyond 2009, special focus initiative for the IT sector and inclusion of IT and ITES and R&D in natural sciences under the Industrial Park Scheme. **More . . .**
- The Reserve Bank of India has decided to increase the Cash Reserve Ratio (CRR) by 50 basis points to 8.0% in two stages; 25 basis points effective from 26<sup>th</sup> April 2008 and another 25 basis points effective from 10<sup>th</sup> May 2008. The decision has been taken with a view to contain inflation expectations. Inflation as measured by the Wholesale Price Index (WPI) was at 7.14% on April 5, 2008 as compared to 3.83 per cent on January 12, 2008. **More . . .**
- The Government of India has come up with a proposal for creating Information Technology Investment Regions (ITIRs) to give a fillip to IT and ITes sector. The ITIRs, each having an area of 40 sq km would be developed in a phased manner through Public-Private Partnership route. These regions would become centers for investment, creating employment opportunities and economic growth while reducing pressure on existing urban centers by enabling growth of new townships. **More . . .**
- Securities and Exchange Board of India (SEBI) has modified clause 49 of the listing agreement. It has stated that at least half of the board of directors of a listed company should consist of independent directors if the non-executive chairman of the company is related to the promoters or persons occupying management position. As per the existing provisions atleast one third of the board members are required to be independent directors. **More . . .**

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- Securities and Exchange Board of India (SEBI) has permitted mutual funds to sell government bonds purchased via Delivery versus Payment (DVP III) mode. The DVP III mode of settlement allows the participants to sell bonds, which they have contracted to purchase but have not taken delivery. **More . . .**
- The Government of India has drafted a new National Pharmaceutical Policy focusing on the prices and availability of essential drugs and also includes measures for the growth of the pharmaceutical industry. According to Minister for Chemicals and Fertilizers and Steel, Mr. Ram Vilas Paswan, the Government is committed to ensure affordability and availability of medicines to all. **More . . .**
- The Reserve Bank of India raised the ceiling for overseas investments by local mutual funds to \$7 billion from \$5 billion. **More . . .**

## NEWS HIGHLIGHTS

- India's Foreign Direct Investment (FDI) equity inflows stood at \$5.67 billion for February 2008, the highest ever during any month since 1991. The cumulative FDI equity inflows from April 2007-February 2008 stood at around \$20.10 billion according to Reserve Bank of India. **More . . .**
- India Infrastructure Finance Company Limited (IIFCL) has set up its offshore subsidiary at London. The subsidiary office at London was inaugurated by India's Finance Minister, Mr. P. Chidambaram. IIFC (UK) Limited will provide foreign currency funds to Indian companies to set up various infrastructure projects in India. **More . . .**
- The International Monetary Fund (IMF) proposed increase of India's quota and voting shares under which the quota share would be increased from 1.92% to 2.44% and vote share would increase from 1.88% to 2.34%. The reform proposal was endorsed by the International Monetary and Financial Committee (IMFC) of the IMF. **More . . .**
- The U.S. Export Import Bank has approved a \$2.2 billion loan guarantee program to support US exports to help build energy and other infrastructure projects in India. The program will also support U.S. exports for Indian projects in sectors such as power and renewable energy generation, oil and gas development, small aircraft, airport development and health care. **More . . .**
- The earnings of Indian companies from overseas joint ventures and wholly owned subsidiaries increased to \$337 million during April-December 2007 as compared to \$294 million during April-December 2006, an increase of 14.5% according to Reserve Bank of India. **More . . .**
- Private Equity (PE) firms invested about \$3.3 billion in the first three months of 2008 according to a study by Venture Intelligence, a research service focused on PE and venture capital. **More . . .**
- India's Semi Conductor policy has attracted seven proposals envisaging an investment of about \$16.25 billion till date. It includes two large proposals from Reliance Industries Limited of about \$7.55 billion. **More . . .**

## Corporate News

- 48 Indian Companies entered the "Global 2000 list" – a list of world's biggest companies compiled by the Forbes Magazine. All these companies have a billion dollar size-both in terms of market value and turnover. Two Indian firms, Mukesh Ambani promoted Reliance Industries Limited and ONGC are among the top 200 companies. **More . . .**
- State Bank of India and Australia's Macquarie plan to raise a \$2 billion fund to invest in infrastructure projects in India. The fund will be launched in the second quarter of 2008. **More . . .**
- India's National Stock Exchange (NSE) has granted license to funds in London, Frankfurt and Milan to launch exchange traded funds (ETFs) on its main share index according to a senior official of the exchange. Cumulative assets under management of these funds are about \$400 million. **More . . .**
- Citi Property Investors, the real estate arm of Citi group has bought 40% stake in each of the four Special Economic Zones of Delhi based real estate group, Business Park and Town Planners (BPTP) for \$160 million. **More . . .**
- Toyota Kirloskar Motor (TKM), the Indian arm of world's major auto maker Toyota Motor Corporation plans to invest \$350 million to build its car plant at Bangalore, India. The plant will begin operations by 2010 and will have an initial capacity to produce 100,000 vehicles per year. **More . . .**
- The World Bank has approved a \$450 million loan by International Finance Corporation (IFC) for the Tata Mundra project, a 4000 megawatt coal plant. **More . . .**
- India's corporate sector raised approx \$13.07 billion through public issues in 2007-08 as against \$6.25 billion in 2006-07 according to primary market tracking firm, Prime Database. The mobilization was dominated by Initial Public Offers (IPOs), which accounted for 79% of the total amount raised. **More . . .**