Open Trade

CONNECTING GLOBAL COMMERCE

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Boom Time for Global Economy

COUNTRY REPORT

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Russia Forecasts Multi-Sector Growth

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TOURISM

New Initiatives to Showcase W. Bengal

ASSAM on the Fast Track

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Dear Reader,

Greetings. The global economy is on an upswing in 2007, though the GDP growth rate in the United States is likely to be slower than in the previous year. The International Monetary Fund (IMF) and the World Bank, the two most important global financial institutions, have forecast a healthy rate of growth for the world economy. The IMF's World Economic Outlook (WEO), published recently, predicts that the average world growth rate of 4.9 percent in the period 2003-2006 will continue at least for the next two years, covering 2007 and 2008. This is a very heartening development. The World Bank, in its Global Economic Prospects report, also published recently points to a strong global performance reflecting a very rapid expansion in developing countries, which grew more than twice as fast as the advanced economies. This brings us to the phenomenal economic progress that China and India has been making in recent years. The cover story of the current issue highlights the global economic scenario. As the overall focus of the issue is on economy, we chose to highlight various economic facets of all the TCF member countries, especially their bilateral trade with India. Among the European countries, Germany stands out in terms of its fast expanding trade with India. The trade between the two countries touched the 10-billion Euro mark in 2006, three years ahead of the target time. We carry a detailed report. Today, it is exciting to do business with Russia, which has rewritten its destiny in the wake of the Soviet Union's collapse in 1991. The issue has a write-up on Moscow 's multi-sector growth projections. In Asia, Indonesia's economic recovery after the political upheavals that the country had gone through in the recent past, is nothing short of a miracle. Today, Indonesia is well on a higher growth track. A report. West Bengal is a state on the move and Dr. G.D. Gautama, its Principal Secretary, is a man in a hurry. Dr. Gautama, as IT Secretary, had put Kolkata on the global BPO map. Now, he is in-charge of tourism and we have an interview with him on his initiatives to draw more and more tourists to West Bengal. A dynamic state that is tucked in the North-East is Assam. The curent issue of Open Trade carries a special report on the state, led by Chief Minister Tarun Gogoi, who is making laudable efforts to transform Assam for the better. Apart from these articles, the current issue carries the usual and regular features..

Wish you happy reading

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A Change At The Helm

Peter Forby

There has been a change at the helm of the Trade Commissioners' Forum. Peter Forby, Australia's Consul General & Trade Commissioner for Western India has taken over as TCF's President from Vittorio Mecozzi, Italian Consul General & Trade Commissioner. Mecozzi had been associated with Open Trade right from the beginning and had overseen the successful publication of the first two issues. The Inaugural issue highlighted the many concerns of the Trade Commissioners and ways and means of facilitating smoother bilateral trade between India and their respective countries. The second issue brought into focus the great potential that exists in tourism, the fast expanding global business. Forby presides over the third and current Issue that takes a sweeping look at the global economic scenario.

Vittorio Mecozzi

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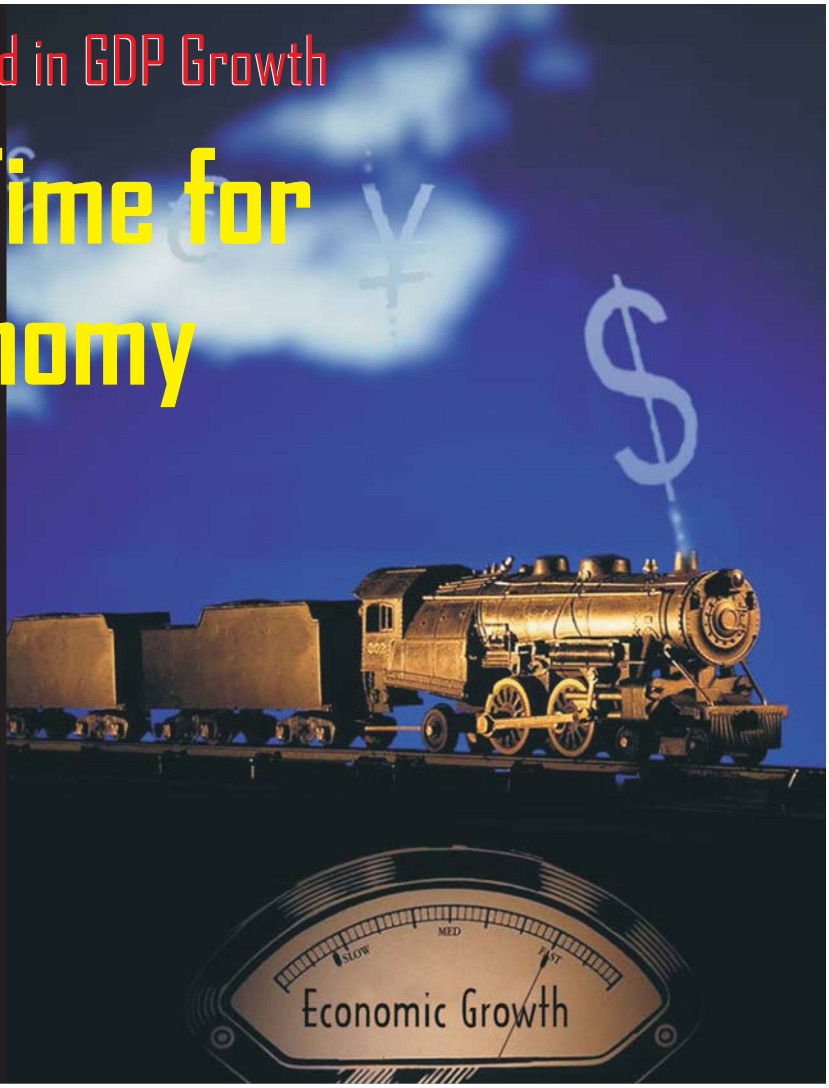
China, India Race Ahead in GDP Growth

It's Boom Time for Global Economy



It's boom time for the world economy. All economic indicators and forecasts point to this heartening development. The overall economic growth in 2007 will be robust, but slightly slower than in the previous year. Of course, pockets of poverty persist in poorer countries. However, The latest reports on the state of the world economy by both the International Monetary Fund (IMF) and the World Bank make a healthy forecast for 2007. A robust trend such as this is visible almost after four decades.

The IMF's World Economic Outlook (WEO), published recently, predicts that the average world growth rate of 4.9 percent in the period 2003-2006 will continue at least for the next two years. According to IMF statistics, the only stronger spurt was the period 1970-1973, when world growth averaged 5.4 percent. If the current rate is sustained it will represent the most powerful six-year expansion of the world economy in the period since 1970. The conclusions of the Global Economic Prospects report, published by the World Bank in December 2006, are not essentially different. While its figures are slightly below those of the IMF, due to different measurement techniques, the World Bank points to a "strong global performance" reflecting a "very rapid expansion in developing countries, which grew more than twice as fast as the advanced economies."

This was not just a result of the impact of the Chinese economy, which grew by 10.4 percent, but extended across the range of developing countries. Altogether 38 percent of the increase in global output originated in these regions, well above their 22 percent of world gross domestic product (GDP).

The World Bank noted that if the past 25 years were divided in two periods1980-2000 and 2000-2005average growth in developing countries had accelerated from 3.2 percent in the first period to 5.0 percent in the second. While this acceleration was not shared by all countries, neither was it merely the result of increased growth in China and India.

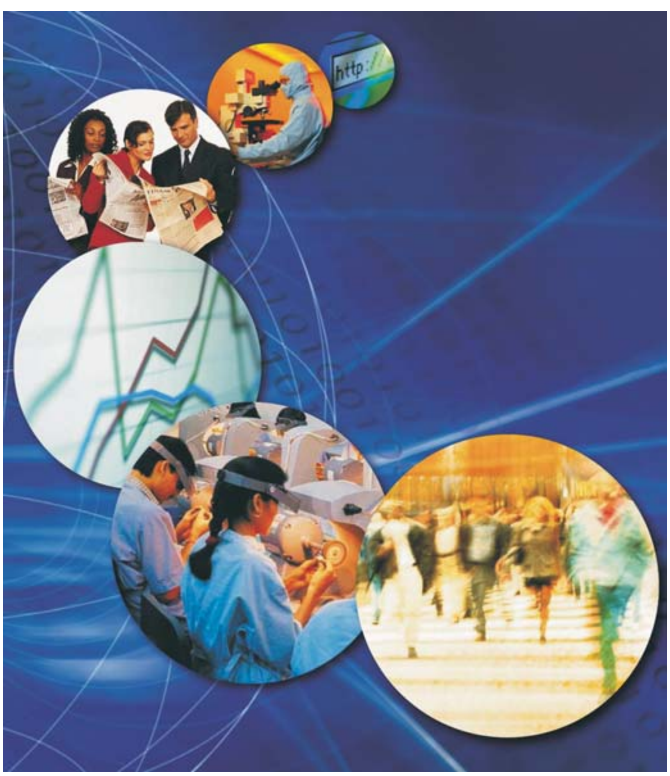
The IMF's WEO was filled with similar reports of economic success.

Economic activity in Western Europe had "gathered momentum" in 2006 with GDP growth in the Euro area reaching 2.6 percent, almost double the rate for 2005 and the highest figure since 2000. "Germany was the principal locomotive, fuelled by robust export growth and strong investment generated by the major improvement in competitiveness and corporate health in recent years," it stated. Overall the unemployment rate had fallen to 7.6 percent in the Euro area, its lowest level for 15 years.

There was even good news from Japan, where the economy was virtually stagnant for more than a decade following the collapse of the share market and real estate bubble in the early 1990s. Despite an unexpected decline in consumption in the middle of 2006, the "economy's underlying momentum remains robust with private investment expanding supported by strong profits, improved corporate balance sheets, and the resumption of bank lending and rising export growth." Real economic growth in Japan was expected to remain at above 2 percent.

While the growth rate in Latin America was expected to ease to 4.9 percent this year, from 5.5 percent in 2006, the years 2004-2006 were "the strongest three-year period of growth in Latin America since the late 1970s."

In so-called "emerging Asia" economic activity "continues to expand at a brisk pace", supported by "very strong growth in both China and India." In China, real GDP expanded by 10.7 percent in 2006, while in India the growth rate was 9.2 percent, the result of increased consumption, investment and exports.



Growth in Eastern Europe accelerated to 6.0 percent in 2006, while in Russia the growth rate of 7.7 percent in 2006 was expected to ease only slightly to 7.0 percent in 2007 and 6.4 percent in 2008.

The report described the economic outlook for Africa as "very positive" against a backdrop of strong global growth, increased capital inflows, rising oil production in a number of countries and increased demand for non-fuel commodities. "Real GDP growth is expected to accelerate to 6.2 percent this year, from 5.5 percent in 2006, before slowing to 5.8 percent in 2008."

Concern over US Economy

One area of immediate concern was whether this expansion in the rest of the world would be pulled back by the slowing of the US economy due to the significant decline in the housing market. Latest figures showed that housing starts and permits were still headed downwards, with stocks of unsold new homes at their highest levels in 15 years. It has been estimated that over the last three quarters of 2006 the sharp contraction in residential construction took an average of 1 percentage point off real GDP growth in the US.

With the US economy having "slowed noticeably over the past year", the central issue concerning the IMF was "whether this weakness in growth is a temporary slowdown ...or the early stages of a more protracted downturn." It concluded that a "growth pause still seems more likely at this stage than a recession". While the growth forecast for the US has been lowered to 2.2 percent (compared to a prediction of 2.9 percent last September), the economic expansion was "expected to gradually regain momentum, with quarterly growth rates rising during the course of 2007 and returning to around potential by mid-2008."

Both the IMF and the World Bank pointed to the integration of the global markets, the opening up of the economies of China and India, the expansion of the world labour supply and the impact of information and communications technology as the main factors behind the upturn in world economic growth.

According to the World Bank, over the last quarter century, a time of unprecedented integration for the global economy, sharp falls in transport and communications costs, together with reductions in barriers to trade, have paved the way for productivity increases associated with the integration of emerging markets into global markets. ■

Indo-Australian

Trade Rises Further as Economies Expand

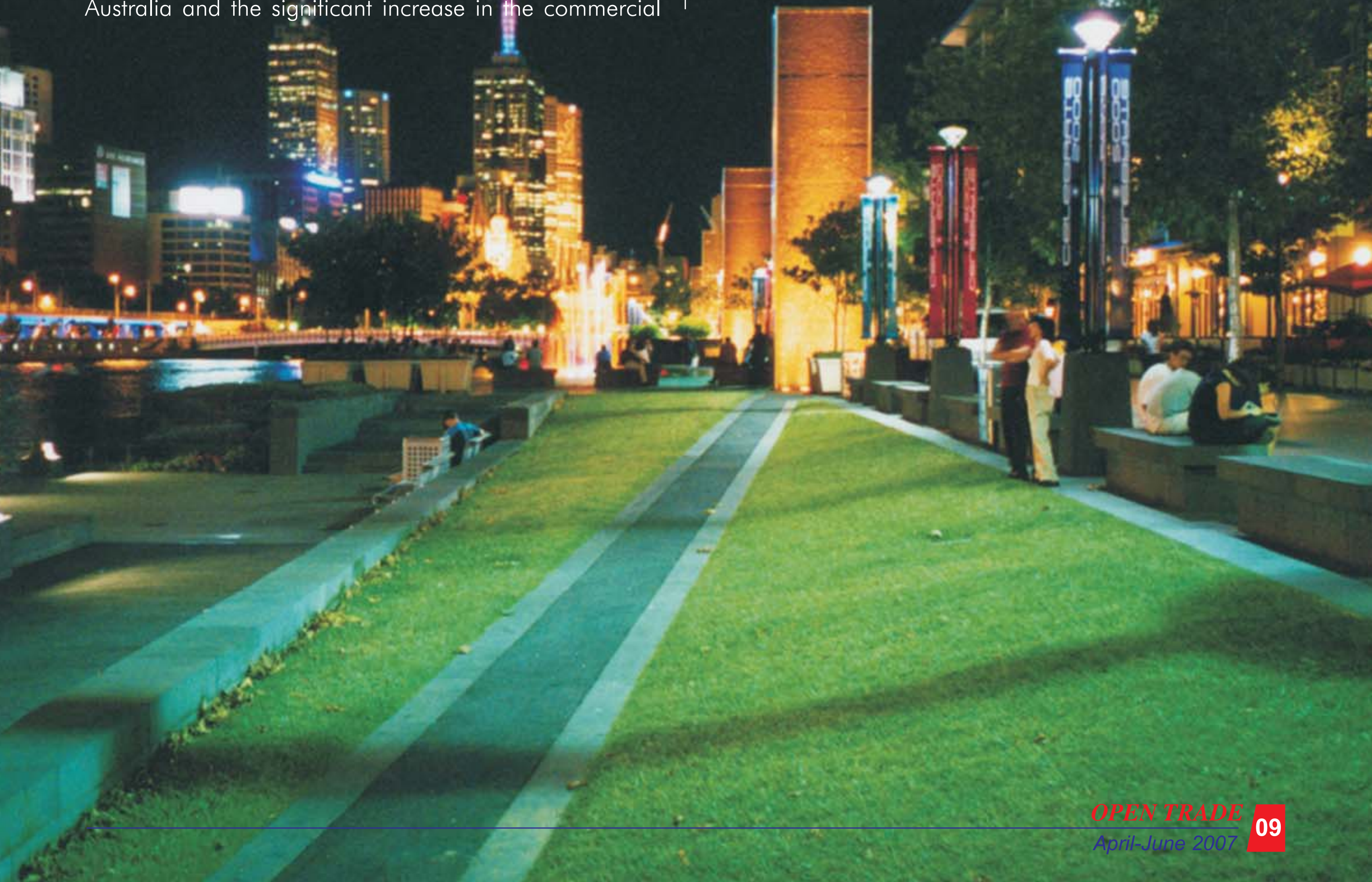
The Australia-India bilateral trade has grown steadily in recent years. It has the potential to increase considerably as economic expansion continues in both countries. More than 1,500 Australian businesses have export interests in India and a growing number of Indian businesses are forging a presence in Australia. The volume of trade in services in India has more than doubled over the past decade.

The total bilateral trade of goods and services between Australia and India was worth A$9.4 billion in 2005, placing India 13th on the list of Australia 's trading partners. Merchandise trade dominates the trade relationship, with Australian's merchandise exports to India reaching A$6 billion in 2004-05.

India and Australia have substantially enhanced bilateral trade and investment flows, while noting the increasingly diverse and substantial nature of the bilateral trade and economic relationship. There has been a rapid escalation in bilateral goods and services trade between India and Australia and the significant increase in the commercial presence of Indian and Australian companies in each other's markets.

Australia is a significant foreign investor in India and the 8th largest overseas investor with around $1 billion approved for around 140 joint ventures. Indo-Australian trade registered record increase from just US $ 1.4 billion in 2000-01 to US $ 5.7 billion in 2005-06 and India's exports to Australia were valued at US $ 0.8 billion and Australia's exports to India were US $ 4.9 billion.

This phenomenal growth will promote Australia to further invest in India, especially in mining, farm and education. India and Australia have agreed to advance bilateral investment, including in the energy, mining, infrastructure, food processing, telecom, information and communications technology, tourism, biotechnology and financial sectors. ■



Belgium Trade-Driven Recovery Puts Economy on Top

The Belgium economy is heavily dependent on trade, which makes up 82 percent of the country's GDP. This is almost double the OECD average. Given its central location, Belgium is an important transit and distribution centre for other EU countries.

In the last 20 years Belgium has undergone an economic transformation with industries such as light engineering, food processing, chemicals and the services sector increasing in importance. Despite this significant industrial focus, services account for 74.6 percent of GDP, and agriculture just 1.4 percent.

Belgium is the second most densely populated country in Europe behind the Netherlands, and has a very well-developed and extensive infrastructure.

Positive Outlook for 2007

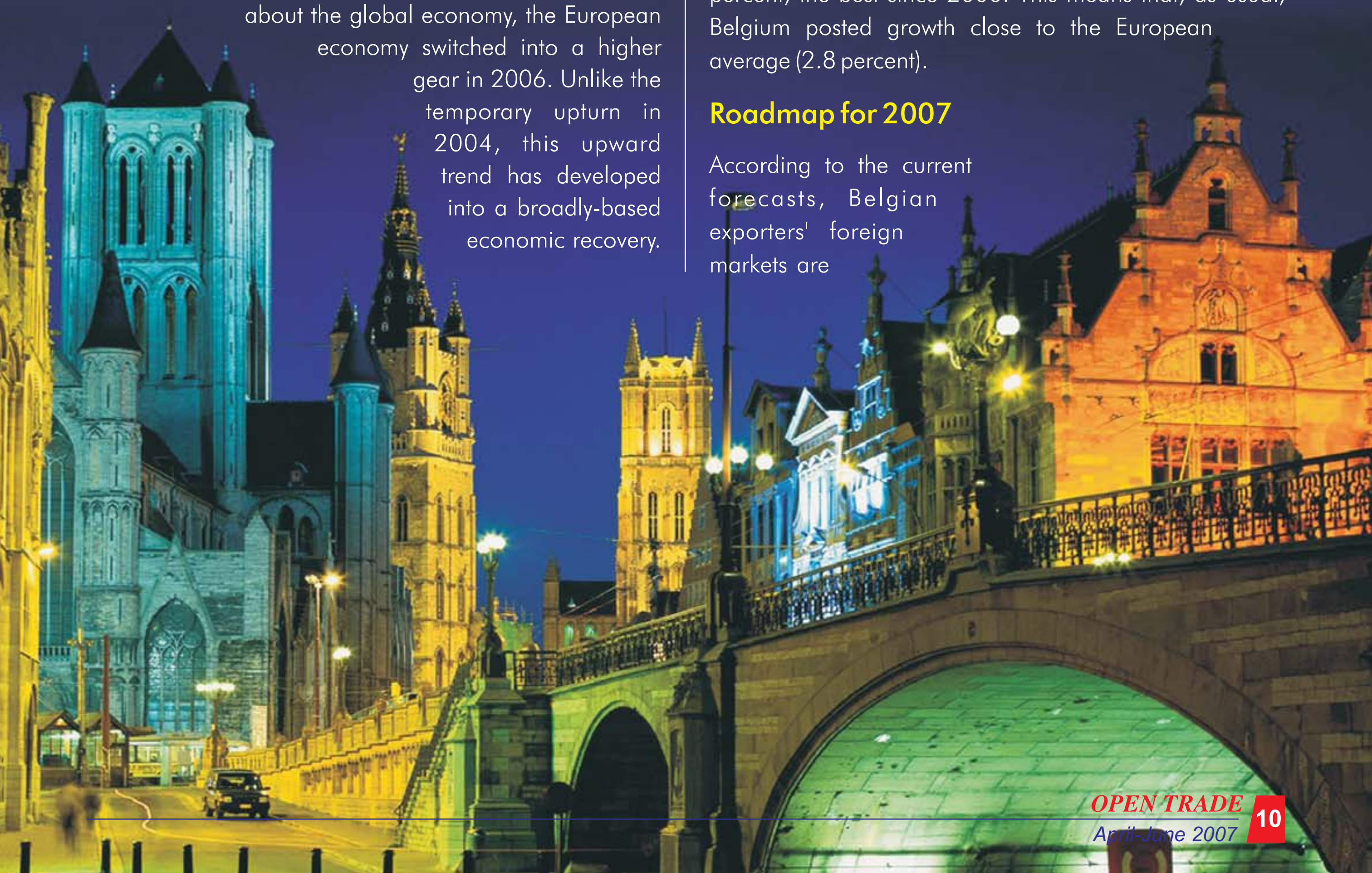
Against a backdrop of increasing uncertainty about the global economy, the European economy switched into a higher gear in 2006. Unlike the temporary upturn in 2004, this upward trend has developed into a broadly-based economic recovery. And now the labour market is also showing a distinct improvement.

The positive labour market situation and high producer and consumer confidence suggest that the recovery will continue in 2007. On top of this, some negative factors are turning out to be less serious than initially feared.

Although the VAT hike in Germany is undoubtedly having an adverse effect on European growth, its negative impact does appear to be modest. In addition, the major budget plans of the previous Italian government are unlikely to come to much. Lastly, European exporters do not seem to be suffering unduly as a result of the higher euro for the moment. The EMU therefore looks set for another strong year in economic terms. In the last couple of quarters, the Belgian economy has followed its usual pattern compared to the EMU. Growth for 2006 as a whole stood at 3 percent, the best since 2000. This means that, as usual, Belgium posted growth close to the European average (2.8 percent).

Roadmap for 2007

According to the current forecasts, Belgian exporters' foreign markets are



likely to post real growth of 7- 8 percent in 2007. This is slightly lower than the spectacular growth seen in 2006 (almost 10 percent), but exporters may well be able to achieve a larger slice of the cake this year. Belgian companies did not reap many benefits from the growth in export markets last year. According to the OECD, Belgium's loss of market share in 2006 was its worst in 15 years.

Although part of this loss can be ascribed to the steady worsening of Belgium's competitive position over recent years, the loss suffered in 2006 does appear disproportionate. It was probably also due partly to exceptional factors that will be less significant in 2007. After making a negative contribution to growth for three years in a row (something not seen since the late eighties), net exports are set to make a positive contribution to growth this year.

Steady and Rising

The economy of Belgium is currently performing well. The growth of activity has recently gained strength, reaching 3.0 percent year-on-year in mid-2006, slightly ahead of the entire euro area. The upturn partly reflects the cyclical trend in neighbouring countries, which has encouraged exports; in addition, residential investment has been encouraged by supportive credit conditions and the multi-year income tax reduction has provided a beneficial support to consumer spending. In a broader sense, the economy exhibits a number of strengths.

Steady growth over the past decade has helped maintain living standards at a relatively high level by international comparison, unlike in large euro area countries where the advance of per capita GDP has been more modest. Belgium's income levels reflect for the most part the high productivity of its workers, a testimony to the strong efficiency of its business sector.

By contrast, the progress made to involve more of the working-age population into the labour market has been so far modest. Even though participation rates are on a clearly rising trend, the labour market involvement of older workers remains low by international standards, as is the employment rate of the younger generation.

The authorities' medium-term reform programme thus attaches a high degree of importance to improving labour market outcomes. This will become increasingly essential with the ageing of the population, which will weigh on the availability of labour resources and on public finances. Ambitious and broad-based reforms to raise labour utilisation, while keeping up the high level of productivity, will be crucial to sustain growth beyond the current cyclical improvement.

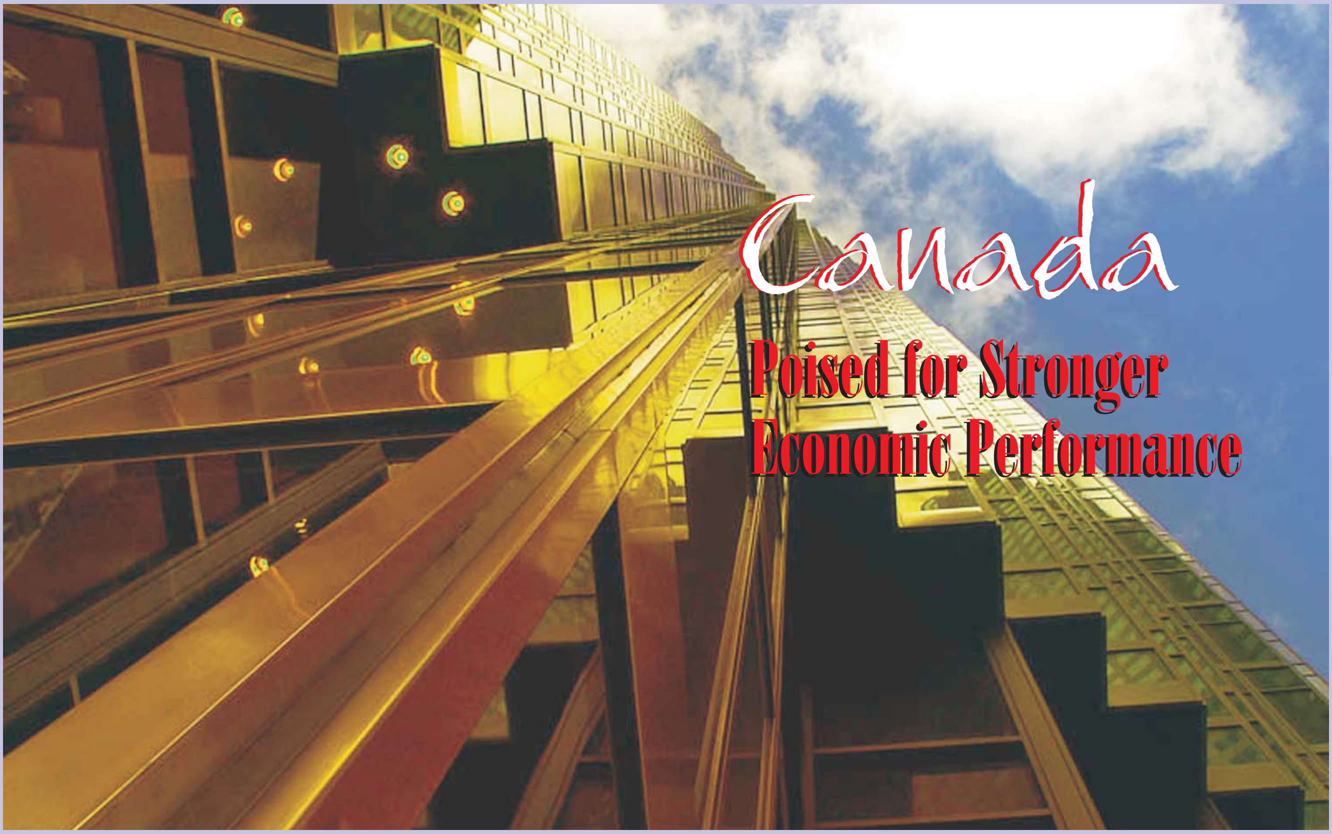
Financial Reforms & Benefits

The Belgian financial landscape has been transformed over the past two decades and now consists of a relatively large, well-functioning and internationally integrated financial sector contributing directly and indirectly, through its intermediary function, to long-term economic growth.

One of the financial system's key characteristics is the concentration of activity among a small number of financial conglomerates that offer a combination of banking and insurance services. Although this mix of activities may contribute to financial stability, it has led to a widespread commercial practice of cross-selling, possibly dampening competitive pressures.

Competition may also be hindered by regulatory policies in the markets of mortgage loans and consumer credit; although these policies aim at protecting consumers against the risk of over-indebtedness, they risk having the unintended consequence of increasing entry costs for new providers, thus hindering competition and innovation and hurting consumer interests. Besides regulatory policy, tax policy has also been used to shape the development of the financial system.

Tax credits are granted to influence investment and borrowing decisions, notably to stimulate home ownership, encourage saving and stimulate private pension accounts. International experience suggests that such tax expenditures, while influencing the allocation of saving, have no obvious impact on the overall level of saving. However they result in significant tax expenditure and necessitate higher tax rates elsewhere. ■



Canada

Poised for Stronger Economic Performance

Canada is poised for stronger economic performance through 2007 with growth of 2.5 per cent and three per cent in 2008, according to the latest economic forecast from Royal Bank Of Canada (RBC).

As per Craig Wright, Vice-President and Chief Economist, RBC, Canada's economy softened in the latter half of 2006 with the trade sector as the main culprit but solid growth is expected to return in 2007. The tight labour market, rising incomes and high levels of liquidity in investment portfolios will continue to support consumer spending and offset ongoing adjustments in trade and inventories."

RBC notes that while growth slowed for much of 2006, the economy regained momentum by year-end. In December, broad-based gains in manufacturing, trade and retail spending saw the economy grow at its fastest monthly rate in more than a year - setting up for stronger activity in early 2007, especially given the sharp increase in employment numbers and construction projects.

With a strong global outlook and energy prices remaining high, demand for Canadian exports is likely to pick up, while the pace of import demand slows alongside the modestly weaker Canadian dollar. Overall, the drag from the trade sector is expected to trim only a tenth of a percentage point from 2007 real GDP, a marked improvement from the one and a half to two percentage point impact of the previous two years.

In the U.S., RBC is forecasting 2.4 per cent growth for the U.S. economy in 2007, compared to 3.3 per cent growth in 2006. U.S. consumers are likely to pull back a bit in early 2007, but strong employment gains, rising wages and growing overall net wealth will support stronger gains in the second half of 2007. Looking ahead growth is expected to jump to 2.9 per cent in 2008.

After reaching a high of 91 U.S. cents in May 2006, the Canadian dollar slipped 6.5 per cent against the U.S. dollar and could weaken to 82.5 U.S. cents in the middle of this year. In 2008, Canada's strong economic performance should boost Canada's currency back to the 87 U.S. cent range.

RBC expects the Bank of Canada will hold the policy rate steady in 2007. Longer-term rates will rise in the second half of the year in line with U.S. Treasury yields, with rate hikes likely in 2008.

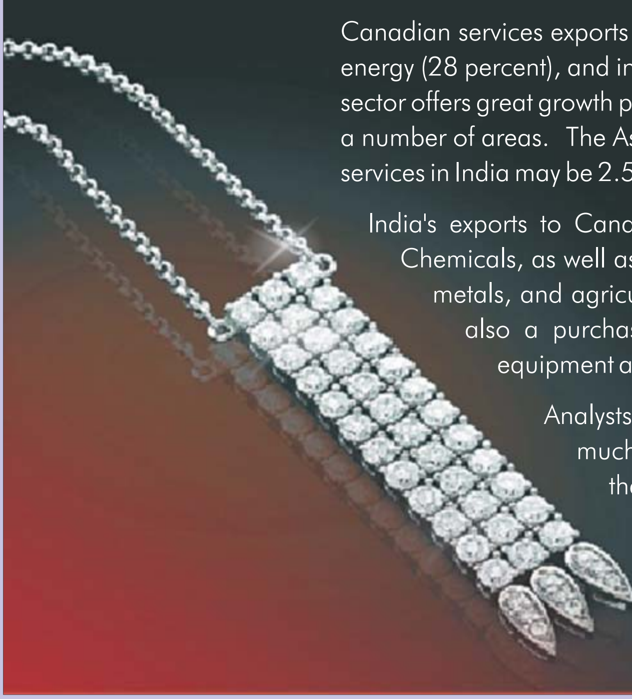
In the U.S., rising core inflation will keep the U.S. Federal Reserve from significantly easing interest rates this year. Stronger growth in 2008 will see the Fed shift into rate hike mode with a 50 basis-point increase expected in the second half of the year.

Central bankers also reduced their 2008 economic growth forecast, to 2.7 percent from 2.8 percent, and said output will expand 2.7 percent again in 2009.

Trade Show/Exhibition	Periodicity	Location	Dates
PHOTONICS NORTH Commercial Exhibition on Optics, Lasers, Biomedical Optics, Opto-Electronic Components, and Imaging Technologies	once a year	Ottawa Ottawa Congress Centre	04.06 - 07.06 2007
INFOSECURITY CANADA Conference & Exhibition dedicated to the Information Security Industry	once a year	Metro Toronto Convention Centre	13.06 - 14.06 2007
WESTERN MANUFACTURING TECHNOLOGY SHOW Western Manufacturing Technology Show	every 2 years	Edmonton Northlands Park	19.06 - 21.06 2007
WESTERN CANADA FARM SHOW Agricultural Equipment Trade Show specializing in Dryland Agriculture, Livestock Equipment, Agricultural Chemicals, Farmstead Products and Services	once a year	Regina Regina Exhibition Park	20.06 - 22.06 2007
CANADIAN AIRCRAFT ASSOCIATION CONVENTION Air craft Convention, Trade Show & Static Display	once a year	Calgary	10.07 - 12.07 2007
OIL SANDS AND HEAVY OIL TECHNOLOGIES CONFERENCE AND EXHIBITION Oil Sands and Heavy Oil Technologies Conference and Exhibition	once a year	Calgary Calgary Telus Convention Centre	18.07 - 20.07 2007

Scope Wide in Jvs in Services & IT

Two way Indo-Canadian Trade at Record High

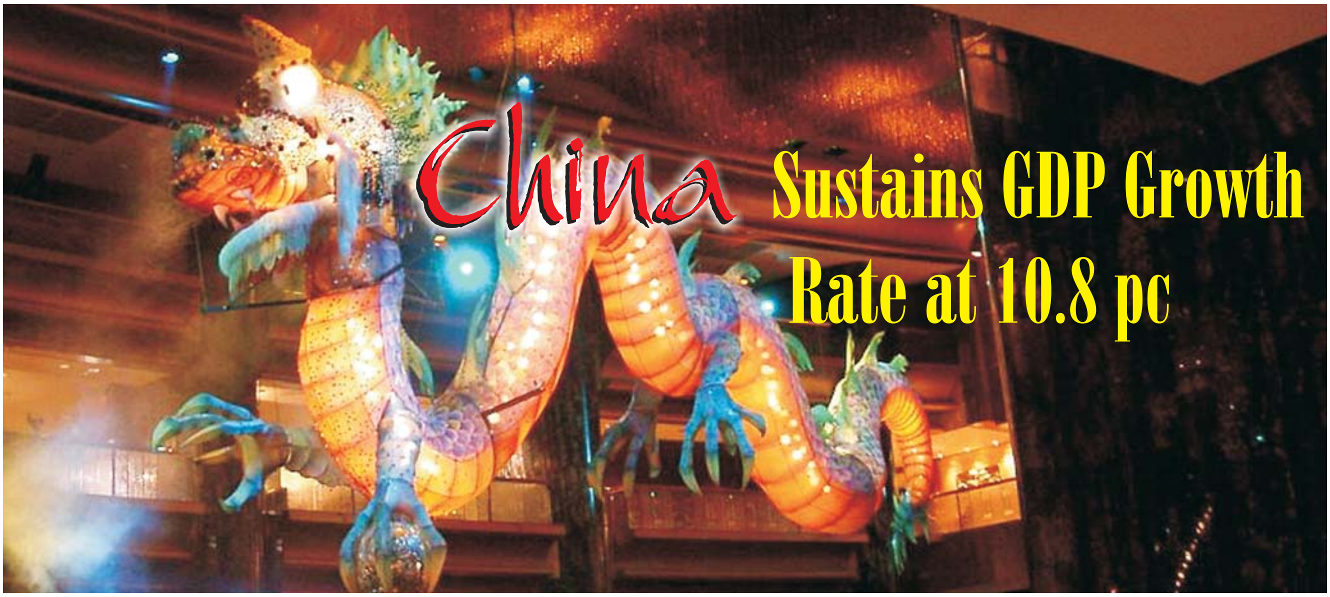


Bilateral trade between Canada and India touched a record C$3.59 billion in calender 2006, up 24 percent over the previous year.

Canadian services exports to India today are mainly in the fields of finance (31 percent) energy (28 percent), and information and communications technology (13 percent). This sector offers great growth potential for both countries given their strong global presence in a number of areas. The Asia-Pacific Foundation of Canada says that Canadian sales of services in India may be 2.5 times greater than official estimates.

India's exports to Canada include textiles and clothing, jewellery, diamonds, and Chemicals, as well as a variety of manufactured items. Pulp and paper, newsprint, metals, and agricultural products dominate Canada's exports to India. India is also a purchaser of Canadian aerospace products, telecommunications equipment and instruments.

Analysts say that the two way trade between India and Canada may be much higher than is reported and requires attention It is estimated that about 15 percent of Canadian exports to India arrive in that country from other ports. The fact that Indian exports to Canada are frequently trans-shipped through Hong Kong or Singapore also contributes to the under-reporting of our two-way trade. ■



China Sustains GDP Growth Rate at 10.8 pc

China's economy is expected to maintain a fast growth in the second quarter of 2007 (April-June), since its gross domestic product (GDP) has been rising by 10.8 per cent, according to the State Information Center (SIC) report. The report has also predicted that China would see a slight slowdown in growth of the economy as compared to that of the first quarter. According to figures from the National Bureau of Statistics (NBS), the country's GDP totalled to 5.03 trillion yuan ($653 billion) in the first quarter of this year, which was an increase by 11.1 per cent. This was driven by strong investment and trade growth. Li Xiaochao, NBS spokesman, previously stated that this rapid economic growth has been driven by rising levels of foreign investment and domestic consumption, coupled with the booming import/export industry, signaling that such a speed of growth could put the economy at a risk of overheating. The center said the economy's consistently strong growth in the second quarter would be backed up by brisk growth in consumer spending and investment despite the tightening measures that have been put in place. The center also predicted that the country's GDP would grow by 11 percent in the first half of this year. Driven by strong investment and trade growth, China's economy grew by 11.1 percent in the first quarter. The center said the economy's consistently strong growth in the second quarter would be backed up by brisk growth in consumer spending and investment despite the tightening measures that have been put in place. The report forecast that overall investment would increase by 24 percent year on year in the second quarter, while investment in the real estate sector would pick up from 26.9 percent in the first three months to 27 percent in the second quarter. State controls on investment have helped reduce the number and scale of newly launched projects in recent months, but existing construction projects that started before the macroeconomic regulations took effect will continue to boost investment growth in the second quarter, the report said. The report said the growth of the country's trade surplus would slow significantly on the back of a dramatic increase in the surplus in the second quarter of last year, the renminbi revaluation, a slowdown in the US and local efforts to cut China's export rebates. The report forecast that export growth would slow from 27.8 percent in the first quarter to 22.6 percent in the second, while imports would edge up from 18.2 percent in the first three months to 19.7 percent in the second quarter. As a result, the center said, the trade surplus would hit $52.4 billion in the second quarter and $98.8 billion in the first half. That means a year-on-year growth rate of 38.8 percent in the second quarter, about 24 percentage points lower than in the same period a year ago. Grain prices, which have been rising regularly since last year, will continue to rise until autumn, the report warned, because grain production could stay flat. Rising real estate prices are another factor contributing to the increase in the CPI. The situation could lead to higher rents, which is one part of the CPI, the report said. New 5-year plan embodies opportunities and challenges

China's new five-year plan for national economic and social development between 2006 and 2010, to be ratified by the ongoing annual parliamentary session, has embodied the opportunities as well as challenges for China's central leadership.

According to Xia Xueluan, a professor of sociology at Beijing University, the coming five years would be a golden opportunity for the central leadership to lead the Chinese people toward prosperity and would test its governance capacity as well.

Observers in Beijing say the 11th Five-Year Plan for national economic and social development plan is a milestone, or a new beginning, in China's economic and social development, as the 11th Five-Year Plan period will be a crucial time in building a moderately prosperous society across the country. ■

Indo-Czech Two-Way Trade Takes a Big Leap

Indo-Czech bilateral trade has been very promising. India is traditionally one of the largest and most important trade partners for Czech firms. The soaring figures in import and exports in calendar 2004 show a positive development between the two countries.

Bilateral trade between India and the Czech Republic increased to US $198 million in 2003-04 from US $ 142 million in the previous year, registering a growth of 40 percent. India's export as well as import increased by 37 percent and 121 percent respectively during 2003-04 as compared to the year before.

Czech companies have built many industrial plants in India, such as a factory producing motorcycles, a power station, a rolling mill, etc. Czech-made engineering products are well known in India, as are Czech textiles, leather goods, and, of course, glass.

According to the latest data provided by Czech sources for 2004, turnover amounted to the US $ 234.8 million, with exports from both sides being almost equal and indicating for 2004, a record yearly performance of bilateral trade over the last decade. However, the two sides shared the view that the level of trade does not reflect the existing potential and could be substantially increased.

Both countries have increased economic cooperation in the areas of power, engineering, especially in auto parts, spares, textile machinery, machine tools etc. India and the Czech Republic have decided to further increase and diversify bilateral trade on a mutually beneficial and balanced basis. The Czech side suggested possibilities for exports of machine tools, presses, textile and leather processing machines and equipment, printing machines, agriculture tractors, components and spare parts, hospital berths and other medical equipment, measuring and control equipment, furniture, sports equipments etc.

Last year the Czech-Indian trade exceed the magical value of 600 million USD. The existence of the Investment Promotion and Protection Agreement, as well as the Agreement on Avoidance of Double Taxation between the Czech Republic and India has a positive influence on our bilateral trade and economic relations.

	Export	Place	Import	Place	Balance	Place	Saldo
1993	51 394	31.	35 435	30.	86 829	30.	15 959
1994	58 052	30.	49 978	29.	108 030	29.	8 074
1995	80 879	25.	60 871	33.	141 750	30.	20 008
1996	84 320	29.	82 725	29.	167 045	29.	1 595
1997	64 126	33.	63 390	32.	127 516	34.	736
1998	47 897	41.	73 689	32.	121 586	37.	-25 792
1999	53 913	38.	76 287	31.	130 200	35.	-22 374
2000	77 727	34.	74 633	35.	152 360	37.	3 094
2001	68 129	38.	85 501	36.	153 630	37.	-17 372
2002	155 371	25.	100 372	36.	255 743	31.	54 999
2003	117 183	35.	117 583	39.	234 766	38.	-400
2004	195 863	32.	177 481	34.	373 344	32.	18 382
2005	267 817	31.	246 179	31.	513 996	31.	21 638
2006	386 623	29.	258 932	33.	645 555	30.	127 691
2007-III	121 781	28.	89 477	32.	211 258	29.	32 304

Bilateral Trade
The Strengthening French Connection

France is India's fifth largest trading partner in the EU (after Britain, Belgium, Germany and Italy). The European Union is the second most important destination of India's exports and France accounts for 2.05 percent in it. France's share in India's imports was 1.3 percent in 2004-05.

French exports to India include electrical equipment, organic chemical products, aeronautical & space construction products, mechanical equipment, general & special usage machines, and pharmaceutical products. Indian exports to France consist of both a) traditional items such as garments, leather, textiles, raw cotton and yarn, and marine products, and b) non-traditional items such as automotive components, electronic and rubber components, chemicals and dye-stuffs, pharmaceuticals, granite, and consumer durables are showing promising growth.

With regard to investment, France is the 7th largest investor in India with total FDI amounting to Rs.2822 crore (August 1991 to November 2004). However, in comparison to other European countries, its share is less. Netherlands, UK and Germany have brought in more FDI inflows in India. Key sectors of interest to France include power, hydrocarbons (petroleum and petroleum products), telecommunications, auto parts, agro-industries, drugs and pharmaceuticals and environment.

Many French companies have gained a footing in the Indian IT market. France is also a potential market targeted by Indian software companies. And in the Telecom sector, France has a strong representation through investments made by French majors Alcatel in Gurgaon, Bangalore and Chennai, and France Telecom in Mumbai through a partnership with BPL Mobile and Sema Group, which is now part of Schlumberger Group and has its own subsidiary in Calcutta for telecom software development.

In multimedia industry, the world leader Thomson Multimedia has opened a subsidiary in Chennai and has a significant market share in tubes for the Color TV industry in India through exports coming from its industrial production sites in Europe and China.

In mines, the cooperation between India and France is one of the most longstanding one and active within the bilateral cooperation. Indeed, a dedicated Working Group on Mineral Exploration and Development has been created under the Indo-French Economic Joint Commission more than 17 years ago. This cooperation has been very fruitful and has enabled the two countries to develop several successful geological and mining.

France has also invested in India's infrastructure primarily in roads and railways. In the road sector, France appears to have a pioneering experience in India with the widening of the road network to 4-lane (60 km pathway between Delhi and Jaipur) executed by the big French company GTME in 1997. Several French companies have a strong presence in India in this sector. The French expertise in railways has been recognized in India in the early 70's with the governmental company SNCF; from late 90's, some French companies are active on the domestic market, either through international tenders (COGIFER, GEISMAR, CORYS TESS etc.) or through local setting ups such as French big companies ALSTOM,

ALCATEL (which has longstanding presence in India. One should note the high participation of French companies to the Delhi Metro project e-Transaction group (smart card ticketing),(signaling and control & security system),(engineering on electrification and maintenance systems, designing of line n°3 and also consulting services for Calcutta and Mumbai metro), (tracks switching systems), (electrification, railway maintenance equipment.

The consumer goods sector in India has experienced a significant evolution over the past few years. Several factors have initiated this boom - the opening of the Indian economy and removal of trade barriers, the change in the Indian consumer's taste for products of quality and the increase in the purchasing power as well as the evolving living standards of Indian homes. The Indian market has, therefore, witnessed the entry of several foreign brands in the consumer goods sector. France, being particularly synonymous with creativity, luxury and fashion, has a significant presence in India in this sector and a vast number of French brands are today available in the Indian market.

The French presence in this sector covers a diverse range of activities such as perfumes & cosmetics, tableware & home decoration products as well as fashion accessories. Brands such as Verrerie Cristallerie d'Arques, Baccarat, Lalique and Daum, which are ranked amongst the top crystal ware companies in the world, today adorn Indian homes. A large number of world-famous perfume & cosmetic brands such as L'Oréal, Clarins, Vichy, Christian Dior, Nina Ricci etc. are also available in the Indian market. As for the fashion accessories sector, ST Dupont, Cartier and more recently, Louis Vuitton, are already very popular with the Indian consumer. Gotier, a leading French furniture name is also establishing its presence in the Indian market. ■

Target Achieved Three Years Ahead

Indo-German Trade Crosses Euro 10-billion Mark in '06

Bilateral trade between India and Germany crossed the historic as well as the psychological land-mark of €10-billion in 2006. This milestone of an achievement gained further significance as it was reached three years ahead of the anticipated date and also exceeded the estimated volume with a large margin.

Indian imports from Germany grew 51.8 percent

Keeping to its reputation of the world's export champion, Germany's exports to India saw above-average growth (51.8 percent) during 2006. Indian exports to Germany too grew 22.5 percent reinforcing the fact that India has the capability to produce world-class goods.

Indo-German Trade 2006

(In € 1000)	Jan. Dec. 2005	Jan. Dec. 2006	Difference	% change
Indian exports to Germany	3 407 482	4 175 015	786 219	22.5
Indian imports from Germany	4 193 701	6 364 955	2 189 940	51.8
Trade volume	7 601 183	10 539970	2 938 787	38.7

Source: Federal Statistical Office, Wiesbaden

As in the past years, the German machinery sector is well represented and well-established in the Indian market. German exports of machines grew at an enviable pace of 67.5 percent to reach a figure of almost € 2.5 billion. In great demand were particularly textile machinery (€ 426 mil.), machine tools (€ 238 mil.), printing machinery (€ 188 mil.) and construction and mining equipment (€ 153 mil.). With regard to the value of exports, electro-technical products assumed the second position in Germany's export palette to India. Worth mentioning here are the exports of equipment for power generation, which with € 400 mil., accounted for the lion's share of exports of electro-technical products. An above-average growth was registered by Indian imports of aircraft, which grew over 300 percent to touch a value of just under € 634 mil.

In comparison, the growth of metal products seems a little modest with just 14 percent however, this segment takes up the 4th position in Germany's export list to India with a value of around € 581 mil. Particularly in demand are sheets of iron and steel (€ 131 mil.). Indian imports of chemicals (28.9%, € 553 mil.), measurement & control equipment (+33.2 percent, € 270 mil) and plastics (3.1 percent, € 197 mil.) are further strong segments with respect to German exports to India.

Not surprising is the impressive growth of German exports in the automobile sector to India. In the year 2006, the German automobile manufacturers exported 65 percent more goods with a value in the region of € 192 mil. This underlines on one hand the competitiveness of the German automobile industry and on the other, the clearly growing demand for cars in India. Exports of chassis and motors in other words CKD (Completely Knocked Down) units, accounted for a share of € 115 mil., while the exports of cars with a value of around € 65 mil., contributed to a significant share to the exports of the German automobile industry.

Indian imports of pharmaceutical products (+12 percent), medical technology (+24 percent) and optical products (26 percent) to Germany have also grown and goes to show that India has become an important market for medical products. The standard of living has risen in India and the affording middle class in India is not only interested in consumer goods but to a great extent also in health products. The rising consumerism in India is reflected in the 60 percent growth of imports of the so-called consumer goods such as furniture, watches, sports goods and so on. Though this is yet at a modest level of about € 15 mil., it is a trend that cannot be ignored and will play an important role in the development of Indo-German trade in the future.

Indian Imports from Germany

In € 1000	2005	2006	% change
Machinery	1 485 943	2 488 855	67.5
Electro-technology	486 678	683 694	40.5
Aircraft	155 640	633 988	307.3
Metal products	510 546	580 963	13.8
Chemicals	429 133	553 071	28.9
Measurement & Control Equipment	202 916	270 206	33.2
Plastics	191 041	196 875	3.1
Automobile & automotive ancillaries	116 115	192 102	65.4
Medical technology	118 766	147 750	24.4
Pharmaceutical products	94 182	105 612	12.1
Paper, cardboard, printing material	68 227	88 103	29.1
Textiles	53 402	59 016	10.5
Optical & Photographic equipment	34 926	44 198	26.5
Gem & Jewellery	7 637	26 501	247.0
Leather & Shoes	10 760	15 213	41.4
Consumer goods	9 312	14 834	59.3
Others	218 477	263 974	20.8

Source: Federal Statistical Office, Wiesbaden

Indian exports to Germany up 22.5 percent

Traditionally, textiles play a significant role in Indian exports to Germany. Here, cotton knitted garments (€ 371 mil.) and cotton garments (€ 282 mil.) were particularly in demand in Germany. With that, Indian exports to Germany in the textile and garment category grew 22 percent to a total of € 1.17 bil. With around € 402 mil., and registering a growth of 38 percent, metal products assume the second position. Exported metal products of significance were bars or sections of iron and steel (€ 49.3 mil.). Sheets of iron or steel accounted for around € 40 mil., copper and copper alloys (€ 38.2 mil.), tools and cutting tools (€ 38.7 mil.) and zinc and zinc alloys (€ 29.5 mil.). Exports of chemicals were at a modest level with € 204 mil., mineral oil products (€ 85 mil.), dyes and paints (€ 83 mil.) and rubber products (€ 61 mil.)

As in the case of textiles, India is also traditionally strong in the leather and shoes sector and is profiting from the restrictions imposed by the EU on imports of shoes from Vietnam and China. Indian exports in this category therefore grew 8.8% to reach a figure of around € 375 mil. in the year 2006.

Further, a healthy growth was also registered by Indian exports of electro-technology to Germany, which grew about 22% to € 287 mil. Within this segment, particularly in demand in Germany were electronic components (€ 106 mil.) and equipment for power generation (€ 79.5 mil.)

Even Indian exports of machinery (+24 percent), pharmaceutical products (+33 percent) and automobile & components (+21 percent) grew significantly. Worth highlighting here are the exports of bearings, gears and drives with around € 58 mil., Armaturen (€ 31 mil.) and pumps & compressors (€ 27 mil). In the pharmaceutical sector, primary products were mainly exported to Germany, which with a value of € 159 mil. accounted for two-thirds of Indian exports of these products to Germany. Also with regard to the automotive sector, components such as chassis, motors and automotive parts were exported (121 mil.). A segment not to be underestimated is that of cars and caravans, exports of which was in the region of 40 mil.

Also export growths in the aerospace sector (+89 percent), medical technology (+64 percent) and measurement & control equipment (+114 percent) are of significance and prove that the German market appreciates Indian products and quality.

Indian exports to Germany

The major economic institutes in Germany forecast a stronger economic growth in the region of 2.0 percent for

Germany this year, while India is 'poised' for 9.0 percent growth this year. Against the backdrop of good economic growth in both countries, one can say that the growth in Indo-German trade will continue unabated.

€ 10 billion mark trade & target

During his visit to India in 2004, former German Chancellor, Gerhard Schröder and Prime Minister Dr. Manmohan Singh spoke about aiming to increase bi-lateral trade from € 5 billion to €10 billion by the year 2009. This target, however, has already been reached 3 years in advance!

With Indian imports from Germany soaring 52 percent to reach a figure close to € 6.4 billion and Indian exports also increasing a healthy 22.5 percent (nearly € 4.2 bil.), the volume of trade between the two countries during January to December 2006 amounted to € 10.5 bil., setting a new record. With Indian industry continuing to perform well, imports from Germany are expected to continue to rise even in the near future, thus keeping to the present growth trend.

German Foreign Trade sets 3 new records!

As far as setting new records goes, Germany will not be left behind. On the contrary, the country has set three new records in its foreign trade during the year 2006. Exports from Germany grew to a record figure of € 893.6 billion (a growth of 14 percent over the previous year), while imports registered a stronger growth. German companies and traders imported goods worth an unprecedented € 731.7 billion. Not surprising that the trade surplus too was a record figure of € 161.9 billion. This has provided a new boost to the German economy, whereby foreign trade is the catalyst for the positive economic growth seen in Germany today. As in the last years, the largest chunk of German exports went to the EU member states (€ 556 billion or 62 percent). Exports from the EU nations, on the other hand, accounted for 63 percent of total imports into Germany.

Higher Economic Growth Forecast for Germany in '07

Economic growth in Germany this year is expected to be much stronger than previously thought, the country's main economic institutes have said as they raised their outlook for Europe's largest economy.

The forecast for 2.4 percent growth, part of the think tanks' twice-a-year economic outlook, was higher than the 1.4 percent forecast in October 2006 and comes as German exports are surging, joblessness is falling and consumer price increases are moderate.

But in order to preserve the growth that has turned Germany's economy around, the think tanks said Chancellor Angela Merkel's grand coalition must cut personal income taxes in the coming months and push for still more reforms to chip away at the unemployment rate, which by the end of March stood at 9.8 percent, with 4.1 million Germans out of work.

"Fiscal policy should aim at cutting income taxes in the medium term to promote growth and employment," the institutes said in the report issued recently. So far, the German economic revival has lifted the country's tax revenues by 15.4 percent in the first three months of 2007 compared with a year ago.

But any debate on cutting personal income taxes is likely to be laborious among lawmakers, who have targeted the cutting of corporate taxes in a bid to spur more job creation.

Economics Minister Michael Glos reiterated his call for a cut in personal income tax, too, and stressed that more reform was needed to keep Germany's pace moving forward, citing the recent increase in the value-added tax from 16 percent to 19 percent.

"The German economy is in the middle of a strong economic upswing. The hike in the value-added tax has been dealt with better than expected," Glos said. "If we want to enter a steeper growth path in the long term we must use the upswing for a sustainable consolidation of public budgets and the continuation of our reform policy."

He is scheduled to proffer the government's new growth outlook next week, but has said that it would forecast at least 2 percent this year, up from the 1.7 percent expected in January.

Germany was often referred to as Europe's sick man because of sluggish growth that kept unemployment stubbornly high and strained its public finances. Merkel's government, which took power in late 2005, is committed to taming the budget deficit and has pushed through new reforms, including the VAT hike.

Nevertheless, the institutes said Germany's leadership should not rest on its progress so far.

"The good economy shouldn't entice economic policy to ease up on its reform efforts," the institutes said. "The structural unemployment is still very high, and the consolidation of public budgets isn't yet done. ... The budget isn't yet balanced structurally."

Earlier, the country's Federal Statistics Office said producer prices rose more than expected during March.

The prices, used to gauge pressure on pricing at the factory gates and which can give economists a clearer idea of inflation, rose 0.3 percent in March from February and was up 2.5 percent compared with March 2006.

The March increase was led by higher prices for petroleum and gasoline products, rising 3.1 percent from February to March, but down by 2.4 percent compared with a year ago.

Similarly, electricity prices rose 1.6 percent on the month but were down 3.7 percent from a year ago.

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Invest In NRW
Germany's Economic Powerhouse

Ms Christa Thober,
Minister for Economic Affairs & Energy.

It is a less known fact that Nordrhein-Westfalen or NRW holds almost many inhabitants as Australia and more densely populated than Japan with about 150 Million consumers within a truck's day-trip radius. It holds higher GDP than the Netherlands with export volume almost as high as that of Saudi Arabia and Spain. NRW is Germany's most highly coveted investment location and also the world's biggest trade show location. It is interesting to learn that Aspirin and the Otto engine were invented here. It boasts of four UNESCO world heritage sites. It holds 16th position in the world ranking for Gross Domestic Product (GDP). 70 percent of the economic output is generated by service providers while 6.2 million people work in service companies. This number has increased by more than 1 million since 1970. The providers of industry-related services play a particularly important role and 30 percent of the sales generated by industry-related services throughout Germany comes from NRW. 28.6 percent of all the people employed in these sectors in Germany work in NRW.

Backbone of the German Economy

There are about 7,23,000 small and medium-sized companies in NRW. They account for 99.7 percent of all the companies in the state and provide jobs for 67.8 percent of all employed people. The SME's provide 81.9 percent of all training positions in NRW and generate 42 percent of the gross value added.

With Cologne, Düsseldorf, Essen and Dortmund, NRW is the world's number one trade fair location. More than 100 internationally leading trade fairs such as drupa, boot, anuga, photokina, MEDICA, Schweißen & Schneiden, and SECURITY are hosted in NRW. These trade fairs in NRW attract more than 5.5 million visitors every year.

Well Connected by all Sides

NRW is well connect by all sides with 7 international airports,

(L-R) Prof. Weber, Petra Wassner, MD NRW Invest GmbH, Christa Thober, Shreeram Iyer.

Future Industries Blooming at NRW

Logistics: With 10,000 companies employing 250,000 people, NRW is the logistics center at the heart of Europe.

Media and communications: With more than 55,000 companies and 321,000 employees, this is one of the key industry in NRW.

Life science: 800 biotech, medical technology and pharmaceutical companies value the advantages of NRW as a business location.

Nanotechnology and microsystems: Dortmund has the largest MST cluster in Germany. Internationally renowned scientists research here on new methods and products.

Environmental industry: One of the growth industries in NRW.

3,000 companies offer innovative products and services.

Future energies: Renewable energies such as wind, sun, biomass and the earth's natural heat are a key factor in Europe's most important energy region.

390 direct flights all over the world.

Cologne and Bonn is Germany's number two air cargo center. 2,200 km of expressways mostly with six lanes with 18,000 km of federal highways and country roads and good access to European expressway system.

NRW holds the densest rail network in Germany with Cologne being Europe's busiest railway junction. Duisburg is Europe's largest inland port.

Business Incubators Economic Promotion Program

63 technology and incubation centers promote innovative start-ups, spin-offs and the settlement of high-tech companies. More than 1,800 companies with 15,000 employees are located in the technology centers of NRW and they provide young firms with professional infrastructure facilities, e.g. seminar, laboratory and workshop rooms, telephone switchboards, and shared secretary's offices.

This established networks with partners from industry and research ensure proximity to the market. While the universities of NRW operate 29 technology transfer units.

Investment projects by industrial enterprises in selected parts of the state are subsidised to a maximum of 28 percent. The Small and medium-sized enterprises (SMEs) are also subsidised provided that they have fewer than 250 employees, annual sales do not exceed € 40 million or their balance sheet total € 27million, capital or voting shares of no more than 25 percent is owned by one or several other companies. In individual cases, large companies can also be subsidized and the amount of the investment grant is dependent on the jobs created (€ 75,000/man, € 100,000/woman). ■

Indonesian Economy Well On Higher Growth Track

Fast expanding domestic demand and consumption, growing exports and investment during the first three months of 2007, the Indonesian economy is well on track for higher growth, says Finance Minister Sri Mulyani.

Speaking to reporters recently, she said the economy had grown by between 5.7 and 5.9 percent during the first three months of the calendar 2007. This would be higher than both 2006's 5.0 percent first-quarter growth, and 5.5 percent full-year growth.

"Things are generally improving in all areas of the economy that contribute to growth," Mulyani said. She said that personal consumption probably increased by 10 percent, investment by more than 10 percent and exports by more than 19 percent during the first quarter.

"We are still keeping a close eye on possible volatility in the price of rice, but we expect inflation in April and May to continue easing," Mulyani said.

Lower inflation has provided room for the central bank to lower its key interest rate from double-digit levels last year to 9.0 percent at the present time.

Inflation and interest rates have a major effect on growth as Indonesia's economy is still mostly consumption-based.

Indonesia needs higher growth to help provide jobs for the country's vast army of unemployed, and improve overall welfare levels, particularly for the poor. The government is targeting a growth rate of 6.3 percent for this year, and 6.8 percent for 2008, while the central bank puts growth at between 5.7 and 6.3 percent for this year, and between 5.7 and 6.7 percent next year.

Indonesia's economy looks set to expand at its fastest rate in more than a decade in 2007 as lower inflation and the prospect of continued interest rate cuts support improving fundamentals and buoyed market sentiment. Furthermore, the repayment of the US$7.8bn owed to the IMF in exchange for the recovery package needed to rescue the country from collapse during the 1997-1998 financial crisis has given back control of the economic and financial policy direction to the authorities. This has added significant political weight in support of President Susilo Bambang Yudhoyono's administration. In addition to giving the government more independence in its economic policies, it underscores the government's sound fiscal

management. Success in this area, as well as Yudhoyono commitment to see the Helsinki pact through to its conclusion, should encourage further policy initiative in areas where the administration has until now been lacking namely, investment and job creation.

The landmark Acehean elections epitomise the progress made in the central government's attempts at political consolidation following the 2004 tsunami. It should help speed up construction efforts in the region that have prevented thousands from gaining access to housing, while helping to stimulate employment growth. This, in turn, has led to the upward revision of our short-term political rating from 58 in January 2006, to 62 by year-end.

Economic growth continues to pick up steam after the central bank began easing monetary policy in May 2006. After peaking at 12.75 percent in late 2005, interest rates dropped to 9.75 percent in December 2006 and are expected to fall further to 9.00 percent in 2007. This will prove beneficial for the economy, which should top 6.0 percent growth in 2006, as private consumption, which had lain dormant through much of 2006, gathers momentum. Meanwhile, a steady stream of exports will keep the current account in surplus and ensure that the rupiah undergoes continued appreciation in the year ahead.

Overall, Indonesia's business environment remains largely unchanged, despite the potential opportunities made available in an expanding economy.

Indonesia has been less successful than most Asian countries in rebuilding business confidence following the 1997-1998 Asian crisis but widespread reforms, including the recent implementation of new banking sector rules that address the problem by relaxing regulations that make extending loans problematic, will encourage private sector participation.

Growth dipped to 5.0 percent through mid 2006, but then recovered to 5.9 percent and 6.1 percent respectively in the third and fourth quarters of 2006, leaving growth for 2006 as a whole at 5.5 percent. Growth in the second half of 2006 was led by a pickup in private consumption and investment, while exports also remained strong. Imports picked up rapidly in response to reviving domestic demand. Rebounding automobile and motorbike sales, capital goods imports and consumer confidence all suggest that growth is continuing to accelerate.

Exports exceeded US$100 billion in 2006 for the first time, growing 18 percent over 2005. Non-oil and gas exports grew 20 percent while oil and gas exports increased 10 percent. High international commodity prices contributed to strong growth in non-oil primary commodity exports (e.g. rubber, palm oil and coal) further cuts in interest rates. ■

Rising Oil Prices Boost Indo-Iranian Bilateral Trade

Bilateral trade between India and Iran has been fluctuating over the past few years. It had been rising steadily till 1996-97, started declining thereafter for the next two years, the reason being falling oil prices the world over and consequent forex crunch faced by oil exporting countries including Iran. With revival of oil prices from second half of 1999 bilateral trade again has picked up and surpassed the previous peak achieved in 1996-97.

While reviewing the trend of economic and commercial relations between the two countries both sides recently observed that the volume of bilateral trade at present stands at above US$ 2 billion, of which 75 percent by value accounts for the oil imports from Iran to India. This trade volume does not reflect its full potential. The two sides emphasized the need to increase bilateral trade by taking effective and positive measures for further promotion and diversification of trade exchanges between the two countries.

Identification of specific commodities for import, and export to increase bilateral trade. There is tremendous scope for both countries to boost their trading relations in the non-oil sector.

Items like carpets, caviar, handicrafts, dry fruits specially pistachio, saffron, iron and steel, aluminum, Optical equipment, Chemical products, fertilizers, Industrial Machinery, pharmaceuticals etc., besides agricultural and horticultural products were suggested by the Iranian side for import by India.

Imports to Iran from India are items like automotive components, drugs & pharmaceuticals, iron ore, rice, sugar, edible oil, poultry feed, engineering goods specially Textile Machinery.

Analysts say that with India proactively engaging Iran economically, especially to meet its rising energy needs, bilateral trade between the two countries is expected to reach $5 billion from $1.7 billion dollars presently within the next three years.

According to analysts, going by the 36 percent growth bilateral trade has witnessed during 2004-05 over the previous year, new areas of economic cooperation have emerged between the two dominant economies of the south Asian region. New trends can be gauged by the fact that currently Iran is finalizing projects in the petro-chemical sector worth $1.5 billion with Indian companies. And the total investment in projects that are being discussed remains in the range of $5 -11 billion. This is in addition to the proposed Iran India Gas Pipeline project through Pakistan expected to be worth $10 billion..

There lies immense scope for Indian investments in Iran in areas like automobiles components, railways, textile machinery, pharmaceuticals, printing and packaging, downstream oil and petrochemical sectors.

Analysts have underlined that as India has developed sufficient expertise in setting up of small and medium units, it is one area in which India could play a major role in Iran's development. Some industries in which the India has expertise and can help Iran are textiles, cement, paper pulp, sugar, pharmaceuticals and chemicals/ petrochemicals, tea processing, rubber, light engineering industries and electronics. There are also spin off benefits to promote cooperation in tourism, IT, food processing, transportation and setting up of joint ventures in the years to come.

However, analysts have highlighted that lack of modern banking channels in Iran remains a major area of concern for Indian firms to set-up their shop there. Even to establish a letter of credit, it takes up to four months due to the stringent banking rules existing in Iran. Therefore, establishment of bank branches in each other's country is urgently required to facilitate financial transactions arising out of bilateral trading activities. ■

JVs Give Strong Impetus To Indo-Italian Trade Ties

Italy is the fifth largest economy in the world which is marked by a strong service and industrial sector and a predominance of dynamic family-owned small and medium enterprises. Italy's foreign trade value is estimated at $440 billions.

Bilateral trade has been growing rapidly with Italy emerging as India's fourth largest export market in the EU with trade exchange volume having trebled from 1991 to a level of $2.5 billions. However, there has been a slight setback in bilateral trade due to cyclical factors in recent years.

In 1999, India's exports were $1.389 billions and imports amounted to $864 millions, leaving a trade surplus of $525 millions in New Delhi's favour.

Major items of Indian export to Italy consist of textiles, yarns, readymade garments, leather and finished leather products, chemicals, dyes and pharmaceuticals, agricultural and engineering products, granite, marine products, gem and jewellery, carpets, iron ore and coffee.

India's imports from Italy cover machinery and capital goods, non-electric machinery and its parts, machine tools, metallurgical products, iron and steel laminates, chemical and engineering products.

Analysts say that Italy has traditionally been an important source of joint ventures and collaboration for India. Since India's Independence, about 1,000 joint ventures and collaboration pacts have been signed between Indian and Italian companies, out of which 524 were signed during July 1991-1997, the period during which India initiated economic reforms.

A scrutiny of the sectoral break-up of total investments made by Italian companies in India since 1991 reveals that the highest investment proposals have been in the transport industry which accounts for about 43.14 per cent of investment approvals from Italy. Food processing industries (16.33 per cent) account for the second place and metallurgical industries (14.64 per cent) figure next.

The volume of bilateral trade during 2004 has reached a new high, with total turnover of Euro 3299 million. The exports from India also reached a record figure of Euro 2025.8 million, an increase of 20.45% in comparison to 2003.

During 2004, India's imports from Italy stood at Euro 1273.2 million, registering an increase of 16.09% respectively as compared to 2003. Thus, the balance of trade remains in India's favour [(+) Euro 752.6 million].

The thrust areas of India's exports to Italy are textiles, including cotton and synthetic yarns and fabrics, knitwear items, readymade garments, leather and leather goods, granite and similar stones, organic and inorganic chemicals, bulk drugs, gems and jewellery, marine products, agricultural and related products, auto components etc.

Principal items of India's exports to Italy: Textiles, readymade garments, leather and leather goods, granite and similar stones, basic chemicals, gems and jewellery, marine products, engineering goods, auto parts etc.

Principal items of India's imports from Italy: Machinery for precision tools, basic chemicals, textile and granite machinery, general machinery, leather and goods, fabrics, auto vehicle parts, base metals, measuring instruments etc.

Italy accounts for about 1.95% of the total investment approvals from August 1991 to September 2004, with FDI approvals of US$ 1.31 billion and a cumulative Inflow of US$ 0.45 billion, which is 1.83 % of total inflows. Top sectors attracting FDI from Italy are Transportation Industry (56.19%), Food Processing Industries (8.97%), Metallurgical Industries (8.20%), Textiles (including dyed, printed) (4.57%) and Electrical Equipments (including computer software and electronics (4.45%).

Future Prospects for investment and trade are encouraging, as India is increasingly being seen as an emerging economic power in the world and an important economic partner in Asia, both in terms of trade and investment, and as an alternative to their original interest in Eastern Europe.

Italy is India's fourth largest trading partner in the EU. Italy is the 12th largest foreign investor in India. The European countries ahead of Italy in this respect are UK, Germany and France. ■

The Booming Indo-Japanese Business

The bilateral trade between India and Japan scaled to a new high in calendar 2006 with a rise of 19 percent in exports and 12.5 percent in imports over the previous year.

India's major export items to Japan in 2005-06 include gems & jewellery (US$485.5mn), iron ore (US$ 369.1mn), marine products (US$ 248.0mn), petroleum products (US$ 209.7mn), oil meals (US$ 131.8mn), RMG of cotton including accessories (US$ 89.1mn), cotton yarn fabric made-ups (US$ 85.6mn), and machinery & instruments (US$ 82.4mn).

India's major items of import from Japan in 2005-06 were non-electrical machinery (US$ 937.8mn), electronic goods (US$ 467.0mn), iron & steel (US$ 338.1mn), professional instruments & optical goods (US$ 265.6mn), transport equipment (US$ 229.5mn), organic chemicals (US$ 221.4mn), machine tools (US$ 212.7mn) and artificial resins, plastic materials (US$ 116.0mn).

India's trade balance with Japan was a deficit of around US$ 1.0bn in 2005-06, from a deficit of US$ 1.1bn in 2004-05 making them fast developing bilateral trade countries.

Analysts in September 2006 placed the standings of Japan and India at 18th and 60th positions respectively among 185 countries in terms of their credit ratings

The Road Ahead

Japan plans to start exploring for natural gas on its own in the area possibly in the summer months and plans to embark on joint exploitation of natural gas led by the private sector, according to the government sources. The Japanese government will start selecting private contractors for drilling and development of natural gas in the area. Natural gas from the field will be supplied to India via pipeline and be exported to Japan as well.

Japan wants to diversify its sources of natural gas also because it currently relies on imports for 97 percent of its needs with Indonesia, Malaysia and Australia being the major suppliers. The natural gas deal is also aimed at strengthening bilateral ties as Japan's ruling party hopes to use its strong partnership with India for checking China's increasing presence in western Asia. The deal also reflects a tie-up between Japan and India in their bids to become permanent members of the United Nations Security Council.

While Japan is implementing structural economic reforms, India is in the process basic economic reforms. The Japan-India Joint Declaration of December 10, 2001 has set the ball rolling for things to shape up in Indo-Japanese relationship in the 21st century. To raise the bilateral relationship to a "qualitatively new level" is the ultimate of the Joint Declaration. Stronger Indo-Japanese bilateral relations would also mean a more stable and prosperous Asia. Broader and deeper economic relations between the countries would form the cornerstone of this bilateral relationship.

Both the countries are strongly committed to an "open and non-discriminatory rule-based multilateral trading system". Indo-Japanese trade relations and economic cooperation is going stronger by the years, though, if compared with neighboring China's trade with Japan, India's share in Japan's total trade does not give any impressive look. So also in the field of foreign direct investment. Japan, which is the fourth largest investor in India itself, is not happy with this rate. India has to do a lot to create an investor-friendly environment through speedier economic reforms and freeing the country from clutches of deregulation at the earliest.

Recently, Indian commerce minister Kamal Nath has pointed out that the emphasis of India-Japan bilateral trade should be foreign direct investment-based and not official development assistance (ODA)-based. Another issue, which binds India and Japan together, is getting permanent membership in the UN Security Council. With China clearly emerging as a stumbling block for Japan's entry into the elite club, Japan feels it is important to make a concerted effort with India. ■

Malaysia's Economic Growth Stable Despite Odds

Malaysia has achieved significant progress in developing the economy and improving the quality of life of its people, despite the volatile external factors in recent years. Economic management in 2006 remained a challenge amidst persistently rising crude oil prices, global interest rates and increasing competition from China, India and other emerging regional economies. With pragmatic macroeconomic policies coupled with strong economic fundamentals, including robust private investment, low unemployment as well as steady consumer spending. real Gross Domestic Product (GDP) was projected to grow at 5.8 percent in 2006 against 5.2 percent in the previous year.

As for the external front, developments remain positive with Malaysia continuing to record a large current account surplus of the ninth consecutive year, underpinned by continued expansion in manufactured and commodity exports.

The key thrusts of macroeconomic policies in 2006 were aimed at further enhancing the nation's competitiveness and economic resilience while generating quality growth. The Government addressed the demands of the growing economy whilst maintaining sustainability and flexibility in handling global and domestic challenges over the medium-term and at the same further strengthening the economic fundamentals for long-term sustainable development. The measures adopted continued to support and facilitate the private sector as the main driver of growth

Major long-term policy initiatives implemented in 2006 comprised the Ninth Malaysia Plan (9MP), 2006-2010 and the Third Industrial Master Plan (IAAP3), 2006-2020. While the 9MP aims to achieve a stronger and higher value-added economy, it will also give substantial policy focus to socio-economic issues towards uplifting the quality of life for all Malaysians. The National Mission, as encapsulated in the 9MP, provides the framework for planning and implementation of the nation's development policies over the next 15 years to achieve the goals by 2020. Additionally, the IAAP3 provides the strategic direction in spearheading growth and competitiveness of the manufacturing sector and manufacturing-related services industries.

Prudent financial management continued to be emphasized, focusing on greater accountability and effective spending of government allocations. In order to facilitate and enhance private sector activities, measures adopted included among others, improving the government delivery system, providing tax incentives, modernizing agriculture, identifying and developing resources of growth as well as intensifying investment in human capital. The public sector continued to review, streamline and revamp its implementation monitoring and evaluation mechanisms to ensure timely and effective execution of all government programmes and projects.

Meanwhile, monetary policy in 2006 remained accommodative to further support economic activities while maintaining price stability. Despite three increases in the overnight policy rate (OPR) since November 2005, the monetary stance remained supportive of economic growth. ■

India Continues to be Major Supplier of Goods to Mauritius

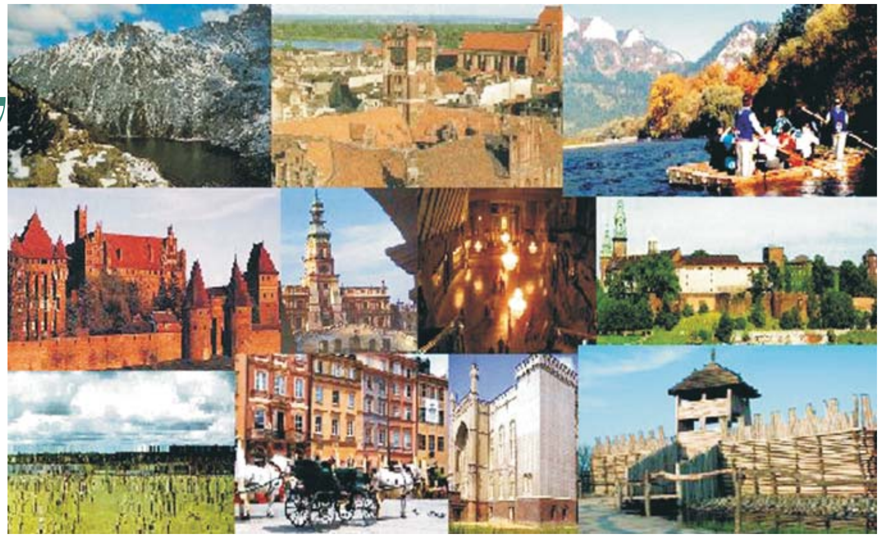
India has been constantly ranking amongst the top three or four suppliers of Mauritius during the last five years. Trade relations between India and Mauritius progressed with an increase in Mauritian exports to India in calendar 2005.

India stands out as a major supplier of consumer goods and heavy machinery to Mauritius. India's export items to Mauritius in 2005-06 were cotton yarn & fabrics (US$ 48.9mn), petroleum products (US$ 32.2mn), manmade yarn & fabrics (US$ 12.1mn), drugs & pharmaceuticals (US$ 8.7mn), raw cotton (US$ 9.8mn) and manufacturers of metals (US$ 6.7mn). India's exports to Mauritius decreased by 24.3% to US$ 195.4 million in 2005-06 from US$ 258.1 million in 2004-05. Exports of petroleum products, which were highest in 2004-05 decreased sharply to US$ 32.2 million in 2005-06 from US$ 84.7 million.

India's imports from Mauritius are metalliferous ores and metal scrap (US$ 4.2mn), pulp and waste paper (US$ 0.7mn), electronic goods (US$ 0.4mn) and cotton yarn & fabrics (US$ 0.4mn).India's imports from Mauritius increased marginally from US$ 7.18 million in 2004-05 to US$ 7.21 million in 2005-06. India's trade surplus with Mauritius amounted to US$ 188.2 million in 2005-06, compared to US$ 250.9 million during previous year.

Being a powerful bilateral instrument to enhance trade and economic ties between the two countries, it is an inventive collaborative effort, which will ultimately make of Mauritius the ideal step-stone on the India to Africa economic route.

Economic Growth Predicted In 2007



Poland's economic growth in 2007 is expected to be around 6.1 percent, same as in the previous year, according to the latest economic forecasts of the European Commission (EC). Home demand will remain the main engine of growth also in 2008, but the pace of that growth will abate to 5.5 percent.

The EC attributed good results to a massive internal demand. However, it termed inconsiderable the improvement of financial situation. Unemployment in Poland will decline to 11 percent at the end of this year and to 9.0 percent a year later, the EC predicted in its report.

The EC sees investments growing 18 percent in 2007 and 14 percent in 2008. The public finance deficit in 2006 was at 3.9 percent of the GDP, lower than the expected 4.2 percent, the EC report says, adding that this year the deficit will decline to 3.4 percent (the same as predicted by the Polish government last autumn). In 2008 the deficit will further fall to 3.3 percent of the GDP. Inflation was at 1.3 percent in 2006, and will rise to 2 percent in 2007 and 2.5 percent in 2008, the report says. The EC believes that the Polish central bank will keep inflation in check and it will not surpass 2.5 percent annually.

Strong upturn cyclical growth

An investment surge in 2006, coupled with robust consumer spending, helped bring growth to a nine-year high of 5.8 percent. Among the factors weighing in favour of ongoing strong domestic demand in 2007 is higher volumes of EU funds, with Poland set to be the largest single beneficiary member state in the 2007-2013 EU budget.

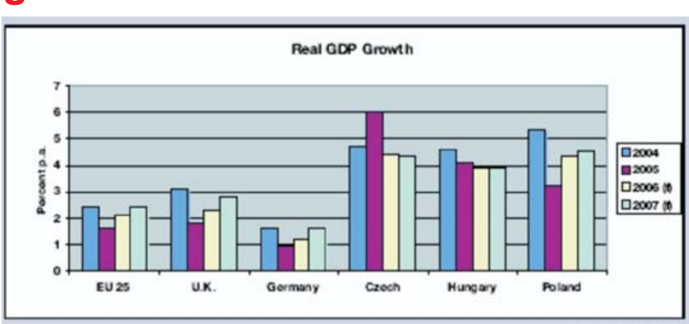
However, real GDP growth in 2006 is likely to have represented the peak of the business cycle, with levels moderating to 5.2 percent this year. Despite two high-profile cabinet resignations, the government is in many ways looking more solid this year than last, and is continuing to be an outspoken force both at home and abroad: speaking out over the EU constitution, proposing a major defence deal with the US, and passing the budget for 2007 without major incident.

Poland is currently experiencing a strong cyclical growth upturn, with an investment boom driving expansion but not inflation. Consumer Price Index was 1.4 percent in December, compared with a 1.9 percent average in the euro zone. Real GDP growth should average 4.2 percent to 2011, with the fiscal shortfall sustainably below the 3 percent of GDP Maastricht level by 2010. The current account deficit for 2006 was estimated at an impressive 2.1 percent of GDP, and should remain low and well covered by FDI inflows going forward.

The current government has strengthened state intervention in the economy, to the detriment of the domestic business environment.

Swift changes for better

A new personnel law, effective from October 2006, allows Prime Minister Jaroslaw Kaczynski to make swift changes to the heads of more than 40 government institutions. The coalition is also threatening a bill to empower local authorities to close supermarkets and hypermarkets; privatization has almost come to a standstill; and the creation of a new financial supervisory authority, (Komisji Nadzoru Finansowego), or the KNF, with its members nominated and easily replaceable by government, has been criticized for overly politicizing a market-crucial process. ■



Source: Eurostat

Russia

Moscow Forecasts Multi-Sector Growth

It is an exciting time to be involved in Russian business. The ruble has become increasingly more valuable and stable, and the government has emphasised new legislation designed to promote business growth. Russia has projected growth in almost every sector: oil and gas production, telecommunications, IT infrastructure, and business and software outsourcing just to name a few. Because of these factors, multi-national corporations have increased their commitment to gain market share in Russia, the largest country in the world.

Moscow, the headquarters for most international businesses operating in Russia, has experienced a spike in competition for economic resources, including competition for the best and brightest of Russia's talent. This can be contributed to a number of factors. First, the number of businesses that have entered the market have opened so many positions, it is difficult to fill them all. Second, Russia has a shrinking population and the culture and educational systems are still transitioning to prepare students for the new business roles they will fill. Therefore, there is a shortage of talented employees in comparison to the market demand, making the field of Human Resource (HR) management a particularly interesting one in the Russian market.

In the current Russian labor market, skilled employees have many choices between a wide range of well-known multinational firms. This contributes to a high rate of employee turnover as employees look to maximize their compensation and grow in their professions. This is a significant problem considering the time and money that are spent on recruiting and developing talented employees. Consequently, corporations are working hard to brand themselves as the "employer of choice," and are placing more emphasis on long term incentives in an attempt to retain valuable employees.

Industry	Percentage Rise
HR and administration	21.5
Finance and Banking	22.7
IT and Telecommunications	12.5
Sales and Marketing	20.2
Industrial Sector	16.1
Agriculture	07.0

GDP rising on competitive hope

The Russian government has approved an optimistic socio-economic development forecast for 2008-2010. According to its predictions, the Russian economy (GDP) will grow by at least 5.2 percent annually despite possible changes in energy prices and sluggish demand for Russian goods.

The influence of oil quotations on the Russian economy has diminished, and growth is unlikely to be driven by energy exports. Instead, according to the government, the Russian economy should seek to increase domestic demand.

Nevertheless, oil prices are the key parameter of the development program for the next three years. According to the Ministry of Economic Development and Trade, Urals crude will cost $53 per barrel in 2008, $52 in 2009, and $50 in 2010.

The government is shifting its focus from the oil and gas sector to the manufacturing industry, the consumer sector and a general growth in consumption. The food sector should increase sales by 27 percent in 2010 compared with 2006, the textiles industry should grow by 43.1 percent, and mechanical engineering by 20-30 percent. Demand on the domestic market will determine the pace of economic growth.

Under a moderately optimistic scenario, GDP will grow by 6.1 percent in 2008, 6 percent in 2009, and 6.2 percent in 2010. If we assume that the demand for Russian-made goods will not grow dramatically in the next few years, the federal budget, prospective financial plans and the inflation outlook should be based on the "inertial scenario." According to this, GDP growth will slow down from 6.5 percent in 2007 to 5.7percent in 2008, 5.3percent in 2009, and 5.2 percent in 2010. The figure for 2006 was 6.7 percent.

The ministry has forecast a growth in average monthly wages by 90percent in nominal terms by 2010 compared with 2006, and a rise in real incomes by up to 27 percent. Wages in Russia are growing faster than labour productivity as it is, which is accelerating inflation and distorting the employment market because of a shortage of skilled labor.

The government intends to keep up a high rate of economic growth even in the most unfavorable scenario, for even the 5.2 percent growth in GDP forecast under the inertial scenario is impossibly high for many industrialised countries.

Apart from energy prices, the government will continue to monitor inflation as "a major trend characterizing the macroeconomic situation in the country."

Unfortunately, Russia is lagging far behind industrialised countries in this sphere, as consumer prices are expected to grow by at least 5-8 percent a year until 2010. The reasons are the overpowering influence of monopolies and a considerable inflow of revenues from energy exports. The money is coming in faster than the government can sterilise it.

A high rate of inflation is not the only obstacle to the government's plans. Other very serious problems are the lack of a modern transport infrastructure, the over strained energy system, excessive energy consumption per item manufactured, and high dependence on the commodities sector.

Most importantly, Russia is lagging behind industrialised countries and fast-developing emerging economies in terms of technological standards. Economic Development and Trade Minister German Gref informs that the Russian model of economic development should be overhauled, because Russian business is largely uncompetitive compared with its foreign rivals.

The government must find a way to convince Russians to buy Russian. High-quality economic growth cannot be ensured through an increase in production in basic sectors without investing in up-to-date technologies and innovation. Even the promised wage rise will not convince Russians to buy Russian-made goods, for when their incomes grow to a certain level, they start buying high-quality foreign goods.

Russian leaders keep saying that the national economy should be diversified and realigned toward knowledge-based development supported by favorable investment opportunities and effective market mechanisms. These ideas have been incorporated in the government's outlook for 2008-2010. It looks good on paper, but the Russian economy will not become competitive until these ideas become reality. ■

Doing Business in Russia

Russia is one of the priority investment destinations for many foreign companies, primarily because of political and economic stability in the country. Leading world players of all business verticals are presented in Russia, and the IT market is not an exception.

Russia is the largest IT market in the East and the Central Europe both by the income, and by the number of mobile and fixed communication users, and also Internet-services. According to the head of Department of Economic Development, German Gref, positive features include the size of Russian IT market, steady rates of economic development, high quality and low cost of labor, macroeconomic and political stability.

India & Romania

Well Poised to Step up Two-Way Trade

Romania's wide-ranging economic reforms have made the country very attractive to many renowned companies from across the world, including India, looking for investment opportunities, reliable business partners and skilled workforce.

No wonder, the annual flow of foreign direct investment (FDI) into Romania had shot up to Euro 5.2 billion in 2005 from Euro 1.1 billion in 2000 due to a favorable and stable business environment. The total FDI between 1990 and 2005 amounted at Euro 17.2 billion. Of this, as much as 78 percent had been invested in industry, 11 percent in trade and 9.0 percent in services.

India is among Romania's most important Asian economic partners, offering a solid market for goods from the latter and is also a leading supplier of many products needed by that country.

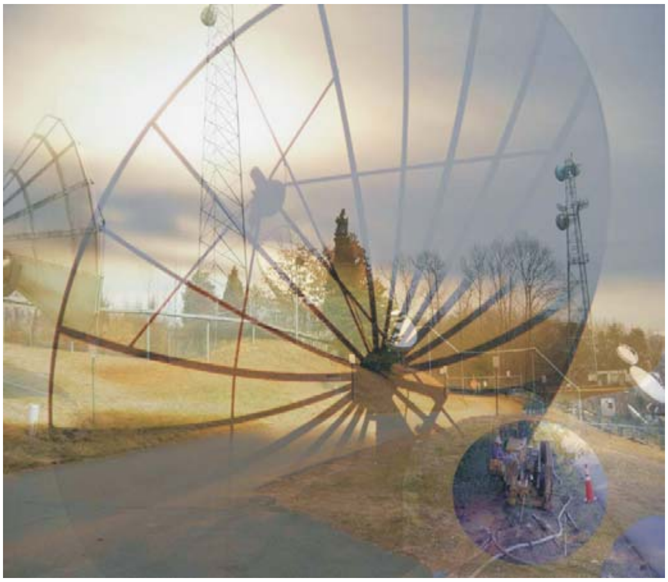
Romania offers to Indian partners certain competitive advantages, such as a base in Central Europe, which allows an easy access to markets across the entire European region, including the CIS.

Besides, the Romanian market itself is the second largest in Central Europe, after Poland. Romania is also well connected, through the Danube River to the network of canals up to the Germany - North Sea. It also offers wide opportunities for sea and river transportation, Constantan being the largest Black Sea Port.

Investment Avenues

In the field of investment, a strong Romanian legal framework is already in place. It provides specific regulations facilitating different incentives, depending on the type of investment.

India and Romania have already agreed to give major thrust to strengthening bilateral trade and investment relations, which at present remain way below their potential. Not only is there great scope for increasing trade



in traditional items such as drugs and pharmaceuticals, iron and steel, heavy engineering, chemicals and textiles, but also for diversifying the trade basket to include non-traditional and niche products.

Both countries have agreed to step up co-operation through joint ventures, training and consultancy services in the telecommunications sector. It is also agreed to promote mutual understanding and exchanges to enhance mutual co-operation for the development of the trade remedy systems of the two countries.

The two have pledged further promotion of trade links in several areas; including pharma, Information Technology and engineering goods and help bring bilateral economic relations on a par with political ties between New Delhi and Bucharest.

The bilateral commercial exchanges are other important aspect of Indo-Romanian economic relations. Relations between Romania and India have traditionally been marked by cordiality and cooperation. During the last 17 years, these ties have become stronger, encouraged by economic reforms in both countries.

Bilateral trade in 2006 reached about $457 million, of which Romanian exports to India accounted for $ 241 million and Romanian imports from India $216 million, showing an increase over the previous years.

Two-way trade during the first four months of 2007 showed an important increase compared with the same period last year, amounting to $248.2 million. Of this, Romanian exports to India accounted for $140.3 million and its imports $107.9 million.

Indian companies are increasingly setting up manufacturing units in Romania for as better access to the European market. The wood, real estate, chemicals and energy sectors are also booming. The investment climate in Romania is attracting more and more Indian companies for expanding their global delivery and competitive base.

At present there are around 180 companies in Romania, which have Indian participation, and yet there is enough scope for entrepreneurs from India to invest in that country. One place in which all Indian companies want to have a service or manufacturing unit in Europe is Romania with its cheap labour, a policy allowing 100 percent FDI in all sectors, and transparent tax laws. All these positive features make Romania the ideal outsourcing destination in Europe.

Two important steps for the future bilateral economic relations are the signing of the new Agreement of Economic Cooperation between Romania and India and the initiation of a strategic economic partnership in the fields of energy, IT and defence.

Re-launching and promoting co-operation between the companies of both countries in a more dynamic way can achieve higher targets in Indo-Romanian bilateral trade and investment through collaborations between specialized Romanian and Indian companies in IT and telecommunication sectors.

Also, the involvement of experienced Romanian companies in major industrial projects in India, in the fields of power, oil and gas, metallurgy, machine tools, etc and participation of Indian firms in the privatization process in Romania can help boost future ties between the two countries. ■

Transit Trade with City Nation on Upswing

Singapore is considered to be the India's largest trading and investment partners in Association of South East Asian Nations. A close relationship between the two nations in recent years has given birth a dramatic growth in bilateral trade and investment linkages. A capital surplus economy like Singapore has become a good partner in India's step towards infrastructure investments, technological progress and enhancement of export markets.

Singapore-India bilateral trade has grown to a record level since the signing of the Comprehensive Economic Cooperation Agreement (CECA) in 2006. Bilateral trade reached 16.6 billion Singapore dollars (about $10.5 billion) in 2005, increasing by over 40 per cent from the previous year.

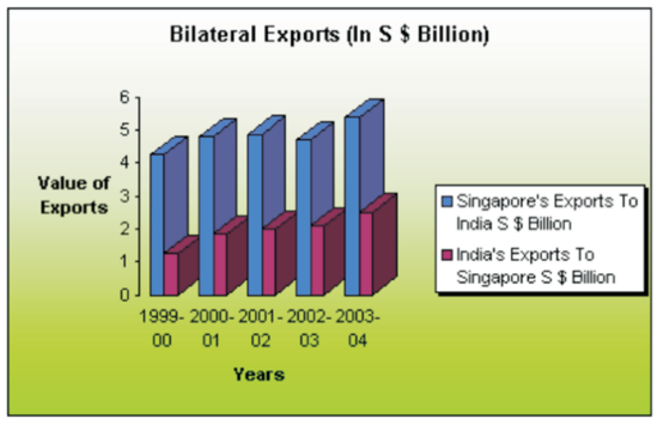
Investments in India have also increased. Singapore was the third largest foreign investor in India last year, investing over $321 million.

As many as 2,000 Indian companies are based in Singapore and a large number of them have their headquarters there. Their businesses range from more traditional sectors like retail to fast growing IT services.

Bilateral trade between Singapore and India grew at 32 per cent in 2005-06 to US$ 8.7 billion from US$ 6.6 billion in 2004-05. With booming trade between the two countries, India firms have started looking at the Singapore Stock Exchange for fund raising and listing. The SGX became a shareholder in the Bombay Stock Exchange in March 2007.

The major exportable items of India to Singapore in the year 2003 were Crude petroleum, Refined Motor spirit, Petroleum oils, Polished diamonds for jewellery, Polished industrial diamonds, Aluminum Unwrought, Aluminium sheets, Parts & accessories of computers, Synthetic fabrics, Silk fabrics, Embroidery/Table linen of Man Made Fibres, Combed cotton, Knitted T-shirts, Vests, Benzene, Dyes, Acids, Insecticides, Fungicides, Household articles of stainless steel, Corrugated products of iron and steel, Forged/stamped articles of iron and steel, Bars and Rods of iron steel, Parts of Boring or Sinking machinery, X-ray tubes, Medical Surgical Dental or Veterinary instruments/ appliances, Penicillin, Rice, Sugar, Cashew nuts, Essential oil, Crabs live/dried, Fish (fresh/chilled/dried), Titanium ore, Menthol, Diesel/semi-diesel generating sets, Static converters, Valves/Taps Cocks for Pipes, Boilers, tanks etc, Bus/lorry tyres, Tobacco.

The major importable items of India from Singapore in 2003 were parts and accessories of Computers and Computer peripherals, Integrated Circuits, Cellular phones, CD Roms, Styrene, P-Xylene, O-Xylene, Polypropylene, Vinyl Acetate, Topped Crudes, Parts of boring and sinking machinery. Nickel, Tin (unwrought), lead (unwrought) Aluminium (unwrought) Zinc (unwrought), Waste & scrap of Iron and steel, Photographic chemicals, Sewing Machines,



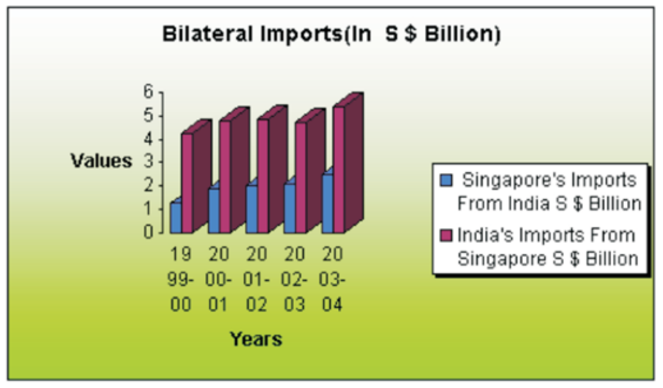
capita has reached at current US $ 24,220.0 in the same year. The value of Gross Domestic Product (GDP) has reached at current US $ 106.8 billion in the year 2004. The average annual growth rate of GDP between 1965-1999 was at 8.6 percent. Real per capita GDP rose about eight-fold, from around S$4000 in 1965 to over S$32,000 in 1999.

Singapore's economic performance compares better with that of the OECD countries over the same period, with GDP growth more than twice the OECD growth of 3.3%.

Ball/Roller bearings, Parts for bulldozers, Parts of Aero planes/Helicopters, Parts for Audio/Video recorders, Medical instruments and appliances, parts of cellular phones, parts of motor vehicles, Cigarettes, pigments, Parts of Cathode Ray Tubes, Auto parts, parts for electrical machines & apparatus. These items in value terms constitute over 60 % of India's imports from Singapore.

Total trade between India and Singapore has been steadily increasing since 1999. The trade between India and Singapore increased by 3.22% (in 2001), to S$ 6.88 billion, and decreased by 1.16% (in 2002). By comparing the trade figures of 2003 with 2002, it is seen that total trade has gone up by 16.20%. India's Imports from Singapore have increased by 14.22% and exports to Singapore by 21.25%. Most of Singapore's exports to India consist of re-exports, which constitutes slightly over 50% of Singapore's exports to India. Over a period of 5 years India's imports from Singapore have increased by 26.88 %, whereas, during the same period India's exports to Singapore have increased by 100.8 %.

The economic growth story in the economy is very fast and sustaining. The gross national income (GNI) of the economy has reached at current US $ 105.0 billion (Atlas method) in the year 2004. The GNI per



In the year 2003 the growth rate was declined to 2.5 percent and further increased to 8.4 percent to the year 2004.

The balance of trade has remained in favour of Singapore since 1999 but it is more or less fixed for the last five years in value terms (in S $). Indian exports to Singapore have been steadily increasing, growing in S$ terms by 48.8% (2000), 7.52% (2001) and 3.5% (2002), and 21.25% (2003).

India-South Africa Trade Crosses $4-bn Mmark

India has emerged as South Africa's sixth largest trading partner in Asia with two-way trade crossing the magical mark of US$4-billion a year, the growth being exceptional during calendar 2006.

India's exports to South Africa increased by 57.8% from US$ 983.6mn in 2004-05 to US$ 1551.8mn in 2005-06 strengthened by a sharp rise in exports of petroleum products, transport equipment and drugs & pharmaceuticals. In 2005-06, petroleum products (US$ 438.9mn), transport equipment (US$ 297.6mn), non-basmati rice (US$ 108.2mn), drugs & pharmaceuticals (US$ 99.9mn), primary & semi-finished iron & steel (US$ 72.3mn), machinery & instruments (US$ 63.1mn), manufactures of metals (US$ 50.9mn), readymade cotton garments (US$ 41.8mn), cotton yarn fabrics (US$ 31.9mn) and plastic & linoleum products (US$ 28.1mn) were the principal commodities in India's export to South Africa.

India's imports from South Africa registered a rise of 11.5% from US$ 2196.8mn in 2004-05 to US$ 2448.7mn in 2005-06, with higher imports of coal, coke & briquettes and iron & steel. Gold imports in 2005-06 were US$ 1562.9mn and are India's principal imports from South Africa. Other important items of India's imports during 2005-06 were coal, coke & briquettes (US$ 220.4mn), inorganic chemicals (US$ 180.7mn), iron & steel (US$ 124.4mn), metalliferous ores & metal scrap (US$ 91.4mn), non-ferrous metals (US$ 46.7mn), organic chemicals (US$ 43.8mn), pulp & waste paper (US$ 33.0mn), non-electrical machinery (US$ 23.1mn) and pearls precious & semi-precious stones (US$ 20.2mn).

As a result, India's trade deficit with South Africa decreased to US$ 897mn in 2005-06 from US$ 1213.1mn of the previous year.

Analysts in its September 2006 risk ranking of 185 countries have placed South Africa and India at the 55th and 60th positions respectively. ■

Indo-Korean Bilateral Trade Likely to Touch $6 Billion

India-South Korea bilateral trade is expected to grow by more than 30 percent to reach the $6-billion mark in 2006-07 financial year, says a PHD Chamber of Commerce and Industry analysis. This growth was 16 per cent last fiscal. The analysis, done to assess emerging trends in India's bilateral trade with its major trading partners, says that due to good performance logged by the country's automobile and electronic goods sector and its economy's consistent performance is fast making it a prime destination for increasing number of South Korean companies to set up shop here.

According to K.N. Memani, President, PHDCCI the balance of trade is heavily tilted in favour of South Korea with India importing goods worth $3.2 billion accounting for three per cent of India's total imports, India exported goods worth $965 million to the country in 2004-05. It indicates that Indian products are fast getting acceptance in South Korea," he said.

Though Consular relations were set up in 1962, it was in 1973 with the establishment of formal diplomatic ties that a new chapter was opened in the history of Indo-Korean cooperation. Thereafter, a host of high-level exchanges between the two nations and signing of several crucial agreements (Agreement on Trade Promotion and Economic and Technological Cooperation in 1974; Agreement on Cooperation in Science & Technology in 1976; Convention on Double Taxation Avoidance in 1985; Bilateral Investment Promotion/ Protection Agreement in 1996 etc.) led to further strengthening of bilateral ties.

South Korean business groups have a firm presence in the Indian market. The primary areas of business that Korean firms in India are in transportation, electronics, and metallurgical industries, chemical and industrial machinery. South Korea today is the fifth largest investor in India and India is the fifteenth largest investor in Korea. Bilateral trade has witnessed a phenomenal growth since the opening up of the economy, registering a 40 per cent rise during the financial year 2005-2006 compared to the previous financial year. The current bilateral trade for the financial year 2005-2006 stands at $ 6391.06 m. The $12 b POSCO project signifies the strength in the bilateral economic activity achieved in a short span. During the visit of President Roh Moo Hyun, the two sides had projected to achieve bilateral trade of over $10 b by the year 2007. And true to the mark, the target looks set to be achieved.

Indian companies have also invested in the Korean market and acquired Korean companies in the transportation sector. Recently, an Indian company has bid for an electronic division of an erstwhile chaebol in South Korea offering $ 700 m for it. Indian exports to the Korean market have increased. During the last financial year, goods and services worth $ 1827.2 m were exported, a growth of 75 per cent over the previous year. The IT sector too has seen a tremendous upsurge in co-operation and expansion into the Korean market. During his visit to Korea earlier this year, President Kalam called for greater co-operation in the field of science and technology to harness the potential for strengthening the relationship. He stressed on the fact that the Korean prowess in the field of computer hardware and the Indian software capabilities had great joint potential.

There is a synergy in the relationship between the two economies, which indicates tremendous potential for growth. Indian and Korean companies are currently actively involved in joint exploration for energy resources and have joint collaboration in researching for cleaner fuels. Oil companies from the two countries have jointly explored gas reserves off the Myanmar coast. There are opportunities for Korean small and medium enterprises (SME) to synergise with Indian SMEs in the areas of semi-conductors, plastics, auto parts, agricultural instruments, textiles, multi-media, ceramic products, software etc. The two countries could set up joint collaborations in the infrastructure sector -- power, ports, telecommunications, ship building & repair, petrochemicals, automobile ancillary, electrical & electronics, banking & financial services, software as well as iron & steel. With the Indian government's emphasis on infrastructure development (roads, ports, communications, energy), in the coming years, there will be a huge growth in infrastructure development activity, which will involve a lot of co-operation. ■

UK Plans to Work with '3 Indias' in Next Decade

The Department for International Development (DFID) of the United Kingdom has announced its plan to work with 'Three Indias' over the next five to ten years: namely Global India, Developing India and Poorest India.

'Global India', or India's modern face, is a source of growth with an important role to play in international affairs. 'Developing India' is the India of small farmers, micro enterprises, village industries, with some links to the modern economy. These people live on low incomes close to or below the poverty line and productivity remains extremely low.

'Poorest India' comprises of marginal farmers, migrant slum dwellers, and others living in extreme poverty. These people also face discrimination and social exclusion.

The announcement was made in London by the British Development Minister Gareth Thomas and DFID India Head Susanna Moorehead to a large gathering of parliamentarians, civil society groups and members of the Indian diaspora recently.

Gareth Thomas said: "India's disparities are startling. Home to over a billion people, who have the right to vote in free and fair elections, but whose children are so hungry they cannot remember what they hear in school, should they be lucky enough to get there at all.

A big hitter in global debates on trade and climate change, where millions of women take their lives into their own hands when making the decision to bear a child five per cent dying during labour. This is a side of India many forget or just don't see."

With this announcement, DFID India has launched a 90-day consultation period seeking suggestions from the public on DFID's Three Indias approach.

DFID's aid programme in India is its largest in the world. DFID's mandate is to fight poverty and help India achieve the internationally agreed Millennium Development Goals.

DFID India works at the national level as well as supporting programmes in four focus states: Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. We are in talks to begin working in Bihar as well. Both our national and state programmes are focused around promoting equitable growth and better quality health and education. We also have several urbanisation

and rural livelihoods programmes.

UK aid for India in 2006-07 was £266 million (2,128 crores) and it is likely to rise to about £300 million (2,400 crores) in 2008-09.

The UK aid programme in India has brought many benefits These include:

• Considerable national progress in disease control, bringing polio close to eradication, reducing tuberculosis and helping keep HIV below 1% prevalence.

• The big rise in enrolment of primary school children, an increase of 15 million in the last 3 years only.

• Lifting more than two million people above the poverty line through support for rural livelihoods in DFID 'focus states' with the food deficit reduced for many more.

• Urban municipal reforms in Andhra Pradesh and West Bengal providing several million slum dwellers with improved water, sanitation and other local services.

DFID India has also announced new aid support to:

• £60 million (480 crores) for a new health programme in Madhya Pradesh from 2007-2012

• £50 million (400 crores) for a new health programme in Orissa from 2007-2012

• £40 million (320 crores) for a new health programme in Andhra Pradesh from 2007-2010

• £102 million (816 crores) for NACP3, the Government of India's nationwide programme to tackle HIV-AIDS, from 2007-2012

• £35 million (280 crores) for Mahila Samakhya, the Government of India's nationwide programme to empower women through education

• £45 million (360 crores) for Madhya Pradesh Rural Livelihoods Programme Phase 2 from 2007-2011

UK-India

UK TRADE & INVESTMENT

Meet on Globalisation to be held on Sept '07 in Mumbai

As part of the UK government's continuing efforts to facilitate the growth of Indo-British partnerships and bilateral trade and investment, UK Trade & Investment* is organising UK - India conference: Partners in Globalisation in association with the British Business Groups in Western India.

This promises to be a prestigious event with global speakers and attendance from over 300 business leaders to business intermediaries from various sectors.

This conference is aimed at senior decision-makers in a range of political and business sectors from both UK and India. Many delegations from the UK have already expressed their interest in visiting Mumbai to coincide with the conference.

The main focus of the conference will be to showcase successful relationships between India and the UK through the use of real case studies (such as the Tata Group, HSBC, JCB and U B Group to name a few). The aim is to provide participants with an insight into business relations between the two countries and to get an on-the-ground perspective of the real issues facing both British businesses interested in expanding into the UK and the EU.

Planned topics to be covered in the seminar:

• The Investment Experience: showcasing experiences of British companies that have set up in India

• The Tata Experience

• Investing in the UK - a collective experience of various Indian companies that have set up operations in the UK

• R&D collaboration with the UK: showcasing how tying up with the UK can catalyze operations and increase innovation

• Financial services - what will it take to turn Mumbai into an International Financial Services Centre

• The UK - your gateway to Europe; Introduction to the EU and why do this from the UK.

A panel of highly distinguished Indian and UK businessmen are expected to speak at the conference.

United States

Pay Rises to Fuel Spending Despite Housing Slowdown

The US economy will continue to grow, though at a slower pace, a majority of economists say. However, a small number of wise men are not that optimistic about the world's largest economy.

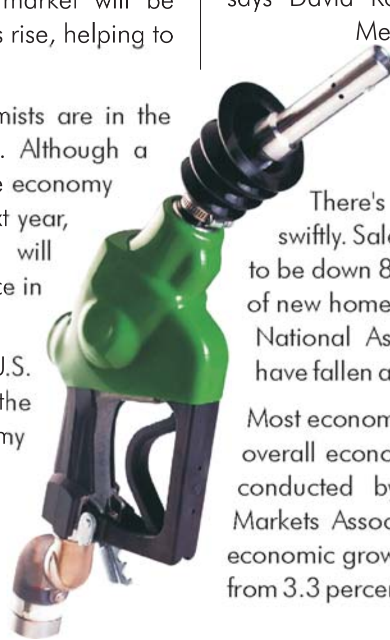
First listen to what the pessimists say. Dean Baker, co-director of the Washington-based Center for Economic and Policy Research, argue that spillover from the housing slowdown will be great in 2007 as consumers pull back spending.

While optimists, such as Carl Tannenbaum, Chief Economist at LaSalle Bank in Chicago, state that the contagion from the declining housing market will be minimal as consumers see their paychecks rise, helping to fuel spending.

The good news is that far more economists are in the optimist camp than the pessimist camp. Although a handful, such as Baker, are predicting the economy will slide into a housing-led recession next year, the majority anticipate the economy will continue to grow, albeit at the slowest pace in at least four years.

Housing has been a key engine of the U.S. economy in recent years. Now that the housing market has slowed, will the economy sputter to a stop?

That issue is sharply dividing economists, because no one is sure what impact the slowdown in housing will have on consumers, and thus the broad economy. The difference of opinion is leading to an enormous amount of uncertainty, with some economists predicting a recession and others forecasting continued growth.



Such a softening in the economy means the unemployment rate to edge higher, and inflation will ease. The Federal Reserve may be forced to cut interest rates to buoy the economy, meaning borrowing costs could fall for items such as mortgages and credit card debt.

A significant slowdown means that for many Americans, the economy won't feel that great, even if it's not in recession, says David Rosenberg, North American economist at Merrill Lynch. Rosenberg expects the economy next year will grow at just about half the rate as in 2006.

Challenge for forecasters

There's no doubt the housing market has dropped swiftly. Sales of previously owned homes are estimated to be down 8.6 percent this year from 2005, while sales of new homes are down 17.7 percent, according to the National Association of Realtors. Prices, meanwhile, have fallen after posting double-digit gains for years.

Most economists say that recession will not spread to the overall economy. In a poll of 21 prominent economists conducted by the Securities Industry and Financial Markets Association (SIFMA), the respondents expected economic growth of a median 2.5 percent in 2007, down from 3.3 percent in 2006.

But the difference of opinion is big. In the survey by SIFMA, the estimates for gross domestic product growth ranged from 1.6 percent to 2.9 percent.

The housing market influences consumers in a number of ways, including acting as a job engine in construction, real estate and other industries. It also acts as a catalyst for consumer spending, which accounts for 70 percent of U.S. economic activity. Economists differ on the extent of the spending impact.

While the economists in the SIFMA survey expect consumers will continue to spend next year, New York University professor Nouriel Roubini, who is forecasting a recession in 2007, predicts the opposite: "While other parts of the economy are in recession, consumption is going to be the last shoe to drop."

But housing won't drag down the entire economy, says Ken Simonson, chief economist at the Associated General Contractors of America.

Prevailing Optimists

Majority of economists are more optimistic. Wachovia's Mark Vitner notes the downturn in the housing market isn't a nationwide phenomenon, instead affecting certain pockets of the economic geography. That means the impact of the housing downturn on consumer spending will be more limited.

And LaSalle's Tannenbaum argues that consumers are finding other ways to keep their shopping habits going. A tight labor market means wages are rising. If inflation moderates along with the economy, as expected, that means consumers will have more money to spend, he argues.

That sentiment was echoed in a recent survey of CEOs conducted by the Business Roundtable. On average, the CEOs anticipated growth of 2.8 percent in 2007.

Growth seems to be in pretty good shape, just a little bit of a slower range than in 2006, says Harold McGraw, chairman of the Business Roundtable and CEO of McGraw-Hill.

John Derrick, research director at U.S. Global Investors in San Antonio, says the current slowdown in the economy is just a normal part of the cycle that is setting up the economy to continue to expand in coming years.

Economic strengths

There are a number of things working in the economy's favor.

Stocks

Stock prices will add to their gains from this year by rising in 2007, according to a survey of 40 economic forecasters conducted by the Philadelphia Fed. Such gains can help boost consumer spending, as investors see gains when they sell and feel wealthier as they see their portfolios expand.

Exports

A decline in the value of the dollar, combined with steady growth in economies around the globe, is expected to boost U.S. exports. Wachovia economists predict net exports will support U.S. GDP for the first time in 12 years.

Profits

Corporate profits rose more than 30 percent in the third quarter from a year ago, according to the Commerce Department. Strong corporate profits allow businesses to invest and hire, helping to strengthen the economy.

Companies and investors are showing a "degree of enthusiasm and optimism" that corresponds with continued profit growth, says Bob Davis, managing general partner at Highland Capital Partners, a venture capital firm, and former CEO of Terra Lycos.

Interest rates

Although the Federal Reserve raised interest rates 17 times from June 2004 to June 2006, rates are still at a historically low level. Plus, a number of economists, including those at Merrill Lynch, Goldman Sachs and Global Insight, predict that Fed Chairman Ben Bernanke and his colleagues will cut rates at least once in 2007, making borrowing, and spending, easier.

Such positives will keep the economy out of recession in 2007, despite the decline in the housing market, say economists.

Even some of those who are predicting recession say it might not be that bad. Parsec Financial chief economist Jim Smith, for example, sees a mild downturn, marked by a swift upswing in the economy at the end of 2007. ■

New Initiatives to Showcase W. Bengal's Tourism Potential

Dr. G.D. Gautama, IAS, Principal Secretary in West Bengal Government's Department of Tourism and Cottage & Small-Scale Industries, is the man credited with leading the IT turnaround in the state. In his new assignment, he has initiated a number of measures to revamp tourism in the state, with the same zeal and aggressive marketing as he did for the IT sector. Dr. Gautama speaks to **U.S. Pandey**.

The State of West Bengal has always been regarded as one with tremendous potential. Why has it not been in the same league as some of the other popular tourism destinations in the country?

It is true we have not been able to harness the potential which our State offers in the tourism sector. The state has much to offer to tourists and is blessed with the snow-capped Himalayas, sea beaches, forests and many other landscapes which are a delight for the tourists. We have, unfortunately, not been able to market the tourism potential of the State. The plans are afoot to address this deficiency in a very big way and recover the lost ground.

What are you doing regarding this?

To start with we have appointed Ernst & Young as consultants to work out our road map in the tourism sector. We are also going to appoint a professional PR agency which will assist us to tap both domestic and international market more effectively. We are also working towards an aggressive website besides increasing our participation in both domestic and international fora to project what West Bengal has to offer in the tourism sector.

What are the other marketing initiatives that have already been set into motion ?

We participated at ITB Berlin this year, which was held from 6th to 11th March. During the exposition, we presented the tourism potential of our State to the international community. India was a partner country at the fair this year. There were a number of queries about West Bengal. We were able to showcase our state to the international community. This would help us both in investment in the tourism sector, as well as in attracting more tourists. We are

also participating in various seminars/exhibitions to showcase the huge potential our State has in the tourism sector.

The Royal Bengal Tiger once used to be a very popular mascot for the tourism department.

Yes, the Sundarban Tourism circuit is extremely popular. Apart from the Darjeeling Himalayan Railway, Sundarbans is another world heritage site in our State. The Central government is going to appoint a consultant soon for the Sundarbans which will address issues related to tourism, ecology, infrastructure and related activities.

There are other important sectors as well in the state.

Apart from the Sundarban circuit we have a number of circuits like the Wildlife tourism circuit, the tea tourism circuit of North Bengal, the Kolkata circuit, the Hill tourism circuit and the Heritage circuit. They offer huge delight and pleasure to the tourists.

What are you doing on other segments of tourism ?

We do get a huge number of medical tourists from the neighboring countries of Nepal, Bangladesh and Bhutan, apart from other places in the region since the medical facilities here are cheaper and better. We are looking to promote tea tourism, heritage and medical tourism in the state in a big way. River tourism also has a huge potential and there are exciting heritage sites on the banks of the river Ganges offering glimpses of the Colonial era right from Kolkata to Murshidabad.

Although Bengal has had such rich history, the heritage tourism sector has not realized its potential. What are your plans on this front?

There are some interesting plans to showcase the historic battlefield of Plassey and exhibit the artistic works of our terracotta craftsmen at Birbhum and Bankura. The age-old imperial buildings of Kolkata and the fabulous heritage sites at Malda, Murshidabad, Nadia and Bishnupur are no less remarkable. We are going to project them as tourist destination in a very big way.

We do not seem to get the high-end tourists to the Digha beach?

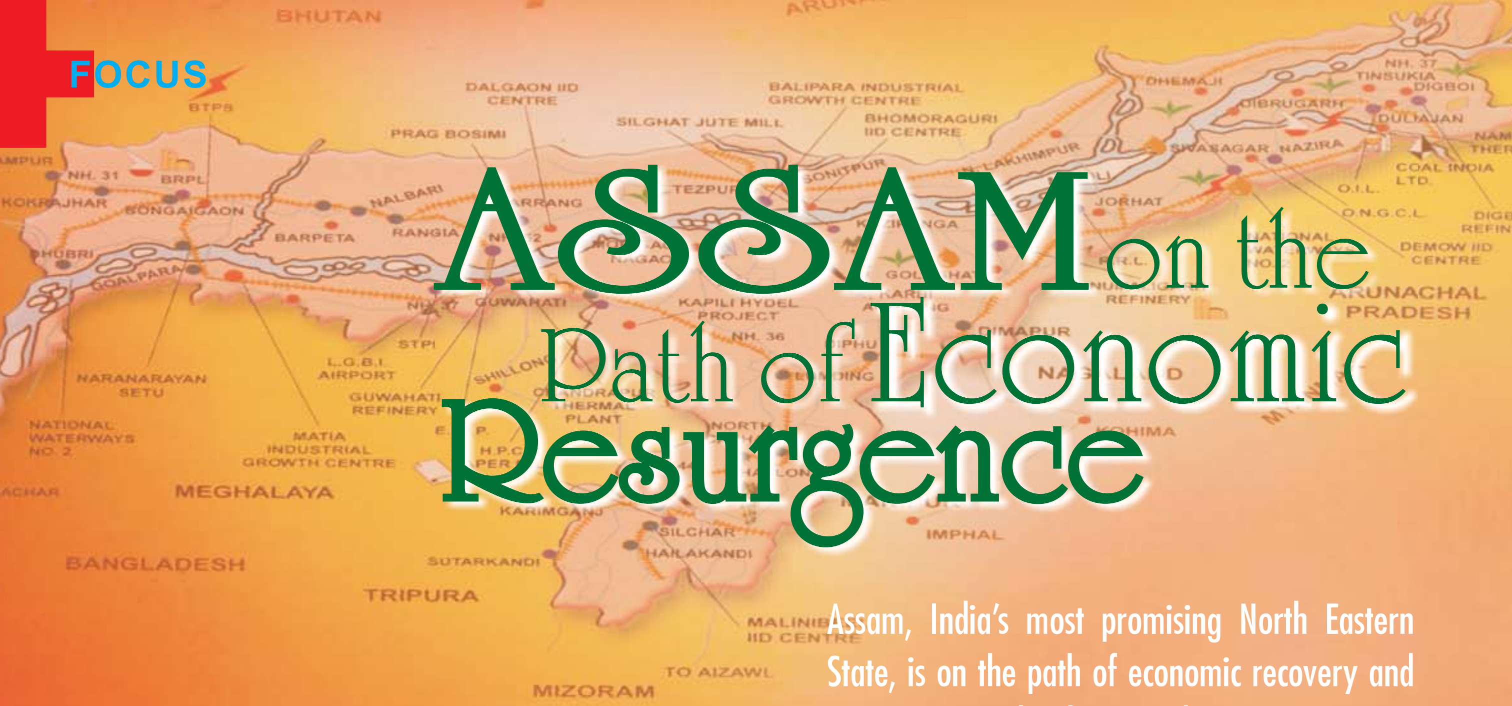
Unfortunately, nature has not given us the blue water in this beach. Still, it has huge potential to attract tourists. Central government recently has sanctioned a project to develop the tranquil beach resorts of Shankarpur and Digha.

Tourism Infrastructure has been one of the weak links in the state. What kind of infrastructure development are you planning?

We are already working on one-stop destination for tourism related activities to come up at Kolkata and Siliguri. We are looking at a number of possibilities like Jungle resorts for a niche market. We are also looking at possibilities for concept tourism and a number of other facilities like highway amenities with restaurants, waiting rooms, parking area, landscaping and handicraft centers. Eco resorts can bring in instant market recognition. A number of other capital intensive ventures are being planned on the PPP mode.

How would you visualize tourism growing as an industry in the state in the next few years?

Being the largest employment provider, tourism is a part of service industry that can change the face of any economy. Infrastructure has to be beefed up along with other strategies on which we are continuously working. We are very hopeful that soon we shall be able to position Bengal on the tourist map of the world. We are trying our best to offer a boost to the tourist hotspots of Bengal. The state is witnessing huge growth and tourism is going to play a vital role in positioning the state as an economic powerhouse. ■



ASSAM on the Path of Economic Resurgence

Assam, India's most promising North Eastern State, is on the path of economic recovery and resurgence, thanks to the Tarun Gogoi Government's reforms with a healing touch and investment initiatives to create rural jobs.

Gogoi's mission, ever since he took over the reigns of power in Assam six years ago, was to put the traditionally tranquil, picture post-card State, back on the rails of development.

Towards this end, Gogoi has initiated successfully, the much-needed land reforms and schemes to empower the rural poor with employment in a bid to prevent them from falling prey to separatist, militant propaganda. No wonder, Gogoi received the people's mandate for the second successive term a year ago.

As the Gogoi Government prepares to complete its one-year term, a review of its performance is in place. Clearly, the State has left behind its troubled past with its picturesque villages nestling on the lush-green hill slopes and the valleys dotted with bamboo groves, once again ushering in peace and prosperity.

Chief Minister Tarun Gogoi

Gogoi Government's land Reforms, Job Schemes Ward off Militancy

A sense of hope and buoyancy are sweeping Assam, the State, which successfully staged the 33rd National Games in February 2007. Initiatives taken to inject investment on a massive scale into key sectors of industry, especially oil and natural gas, which Assam possesses in abundance, have started yielding results.

Oil and Natural Gas Corporation (ONGC) is planning to pump in Rs 2000 crore investments in Assam. GAIL is setting up a Rs 5460 crore Gas Cracker Project. Several private sector industrial giants, including Hindustan Lever, Godrej, Emami, Revlon and Ujala, have set up units in the State.

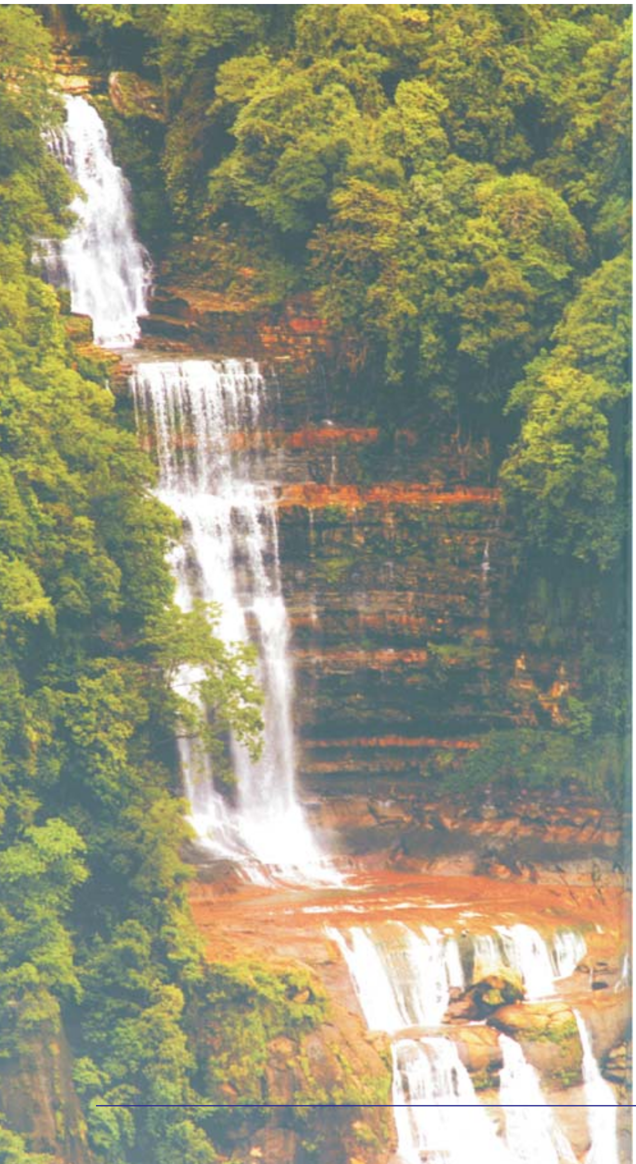
On the agricultural front, an additional 6.87 lakh hectare of irrigation potential has been created since 2001. Regarding electricity generation, Assam has succeeded in tapping about $250 million from the Asian Development Bank to help power projects in the State.

In the wake of the economic resurgence, a giant leap in development is on the cards. In order to achieve this,

the Gogoi Government is channeling the State's enormous natural and human resources into creating wealth and jobs, especially in rural areas.

According to official statistics, as many as 4,100 ULFA and Bodo militants have surrendered and have been provided with self-employment under the 100 percent marginal money and other schemes. The Gogoi Government hopes to gradually mitigate militancy in the next few years.

Assam is strategically located sharing inter-state borders with Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal and international borders with Bangladesh and Bhutan. With prospects of reopening of the historic Stilwell Road brightening up following talks between China, Myanmar and India, Assam is poised to become the hub of trade and commerce activities and the gateway to Southeast Asia.



Besides Agriculture, horticulture, floriculture and sericulture are also being given extra thrust. There is also a revival of tourism. Tourist arrivals have doubled to two million in 2004 from one million in 2001. The concept of "Tea Tourism" is fast getting popular with tourists.

The North Cachar Hills, a district garlanded by hills, where mists roll over the lush green tops at dawn and the sun sets in all its glory. This district is often referred to as the Switzerland of the East. The undulating hills and valleys, gently flowing streams and waterfalls, with breeze wafting across the paddy fields and the bamboo forests, the temples dotting the State reinforce the belief that Assam is truly the Abode of the Gods. ■

Gogoi Calls for Investment in Oil, Gas & Power Sectors

Advantage Assam

Assam's Chief Minister **Tarun Gogoi** knows the potential of his resources-rich State. Recently Gogoi was in Mumbai to talk to large industrial houses such as the Tatas and the Reliance Group about the possibilities of their setting up units in Assam, which is rich in oil and natural gas. Infrastructure and power are areas that offer investment opportunities. Tourism holds immense potential. Gogoi holds forth on several other areas including foreign direct investment, in an interview with **Satya Swaroop**, Managing Editor, in both Mumbai and Guwahati. Following are excerpts.

What is the investment scenario in Assam? What areas have you identified? What unique incentives are given to boost investments?

There are certain areas in focus. Assam is endowed with natural resources such as petroleum, gas and minerals. We want to expand the power sector too. Without the development of the power sector there can be no economic development. So, the power sector has to be given special emphasis. We have started by setting up a company for oil and gas exploration. We are tying up with private companies for that. These (oil and gas and power) are the two main areas we are focused on.

Farm Sector

Agriculture is also given top priority. We are trying to improve the economic conditions of the farmers since more than 70 per cent of the people in Assam depend on agriculture. Improvement of the status of the farmers reflects on the improvement of the country, according to me. If the incomes of only 20-30 per cent go up, it will lead to social tensions. If the whole country has to improve, first one has to improve the condition of farmers' who form 70 per cent of the population. We are giving topmost priority to this area. I am happy that the corporate sector has for the first time realized it and is participating in this area in a big way. I had discussions with the Reliance group and the Tata group. Five years back they were least interested and now they have decided to work in this area. They see a lot of prospects in agriculture and in food processing. In Assam,

there is a regular harvest of pineapple, orange, papaya, banana and other fruits. This is our advantage.

The other area where we are going in a big way is tourism. We will see things happening in this area in 10 years' time. Assam's wildlife, especially the numbers of elephants, tigers, etc have had dwindled over the years. On the other hand, because of the involvement of the people, conservation of forests is carried out in a much better way compared to the other States. And so the animal population, including the bird population, has gone up in recent times. You will never find this kind of development anywhere in the country. Nobody knows that there are 10-12 golf courses in Assam.

Tea industry

Assam tea is the best in the world. As you would agree tourism provides livelihood to all. These are the areas as I understand are thrust areas. Manas national park is a world heritage site. So that way, tourism has a lot of scope.

Even in the field of IT we are giving a lot of push since Assam has one advantage. It is a State that has a lot of English speaking people. These are the areas where we are giving incentives also. Till recently there was the North East Industrial Policy, which provided for excise duty and income tax exemptions and other subsidies. For example, Hindustan Lever's presence in Assam is because of some of the incentives. But when the same incentives were replicated in other parts of the country, a large number of companies went to other States. After we took up the matter with the Central Government persistently, it announced the new North East Industrial and Investment Promotion Policy (NEIIPP), 2007 with a slew of incentives. Today we are in an advantageous position compared to other States. Infrastructure is a problem, so therefore we are giving a lot of emphasis on the power sector.

Are you giving the same kind of incentives which you are extending to tourism?

We are giving all facilities to remote areas. We are giving top-most priorities to village level, since without their development there can be no development at all.

So you have the Brahmaputra, one of the sacred rivers running up to 700 km through the State. So what are you doing to encourage religious pilgrim tourism?

It is one of the most majestic rivers, which you will not find in the whole of Asia or any other country. It is the people outside Assam who realize its importance. Any one who visits Assam, a visit to Kamrup is a must.

You have plenty of natural gas.

We do not have plenty. There is a proposal to draw gas from Myanmar, which will come to us before it goes to other parts of the country. There is potential for a lot of downstream chemical projects.

Also granite exports are one of the bests.

Brahmaputra : the only male river

Our limestone is one of the bests in the country. A lot of people do not know that our jute is also one of the bests in the country. According to the Spices Board, black pepper of Assam is of superior quality. Even some of our coconuts are the bests in the country. Other areas where Assam excels are in medicinal plants and bio-diesel. Also, bamboo has a lot of scope of making it big in Assam.

One of the problems Assam has been facing is natural calamity like the floods.

The floods have affected the economy to a large extent. In 2004 we lost about Rs.800 crore. On an average, at least Rs 4-5 crore is lost in floods. Last year there were no floods. Therefore, the Government of India and also Prime Minister have decided to have a separate authority.

What is your message to the business community?

There is a lot of potential in Assam. There has been a wrong perception that has been going on. Besides, there are so many flights to and fro from Guwahati to the other parts of the country. There is not much difference between the rich and the poor. In Maharashtra, there are a cluster of people in the villages but in Assam the villages are like mini towns, they have schools, colleges etc. There is a wrong perception that has been built up on the North-eastern side that there is no significant development. In a span of three years there have been so many malls that have come up. There are several shops and restaurants that remain open throughout the night. Culturally we are also very rich, including the rural areas which you will never find in any part of the country.

Even on the educational side there are a good number of schools coming up. I have been giving a lot of importance to education. Education should be service-oriented and so I am changing the whole set-up. So I advised my agriculture department to introduce crash courses which are for a short duration of six months. These are short courses in a particular field. The program started two years ago will be completed next year. However, for this infrastructure has to be created. We are expanding but whether we have sufficient people to cope with these schemes remain to be seen.

I want to develop various cities throughout the State and not just Guwahati. I want to decentralize. I want to diversify. Distribution is very important. There should be growth centres everywhere. My aim is to have township growth at the block level, just as in foreign countries. I want every place to develop equally. I have created a roadmap for this as well. I have also approached the concerned authorities to do this. There has just been a discussion over this issue and I have expressed my views.

You have a radical view and how do you see yourself taking everyone along with you?

Yes, you have to take people with you. But there are a lot of times I have to face a difference of opinion. When trying to chart a roadmap for development I am faced with problems such as why does interest go up, why land prices soar, expenses of projects escalate and so on and so forth.

What would you like to comment on the foreign direct investments in the country?

Naturally you need foreign direct investment, but one must have an action plan and the State will back it up. It is just like a foreign company. An Indian company is rather short-sighted in its view. Whereas a foreign company goes for details beyond 20 years, 50 years. The advantage is that the foreign companies have a lot of resources. But now Indian companies are coming up and I am very happy with the way they are coming up, by competing with each other they have increased their capabilities. Take for instance the pharmaceutical companies. A lot of things are outsourced. Indian companies have proved that they can compete in the global market. ■

Hydropower holds key to Assam's Industrial Growth

Assam's young and youthful Minister for Power, Industry and Commerce **Pradyut Bordoloi** believes that his State holds immense potential for economic growth. In an interview with **Satya Swaroop**, Managing Editor of New Media, Bordoloi identifies various sectors including hydropower, biotech, IT and tourism as engines of growth that can convert Assam into an economic powerhouse. Excerpts

What initiatives the Government is taking to promote hydropower projects in Assam?

The North East region is actually projected as a storehouse of hydropower. It is estimated that in the North East region we have a potential to generate 60,000 MW of hydropower. The Brahmaputra is a huge river into which all the tributaries merge. Nearby is Arunachal Pradesh, where a maximum number of power projects can be developed. The Government of India is taking lot of initiatives to promote them. Some of our projects are already in the pipeline. See, power projects are taken up only in the areas where there are high gradient lands, hilly or mountainous region. The Brahmaputra is our strength. Once it reaches the flat land it flows down to Bangladesh. Here, the hydropower projects are not feasible but we have now decided to adopt a new technology developed in Brazil with which we can generate small capacities of power from the flat land.

What about the power projects, which have small capacity to generate? What kind of help you are getting from the Government for development in other sectors?

Mega power projects take years to complete. Instead doing huge projects, we are going to have power projects with small capacities of 5, 10, 25 and 30 MW. Till now, we have the North East Industrial Policy which the Central Government gave us back in 1999. It was not for power projects but industrial projects. But this time, we have got a new package from 1st April, 2007. It includes biotech, IT, service

sector and tourism. The best thing about this is that they have brought the power sector also into it. The underlining objective of our industrial policy now is generating income and employment.

What is the biggest problem Assam is facing in the present-day scenario?

Unemployment, of course. We are trying to link up with rural economy. Connectivity with them is very important. We are building roads all over as we know that rural areas need to be connected to markets. Apart from this, we are looking for development in horticulture, mega houses, cold storage, which would definitely fetch jobs. We are employing around 700 people in the soon to be launched Gas Cracker Project. What is important is that we are developing the downscale industries here. Downscale industries would accelerate industrial activity and would employ more than a lakh people.

What are the new areas you are looking up for development?

We have got a breakthrough. We have got two blocks now. We have signed a MoU (Memorandum of Understanding) with Oil India. We are going for exploration of gas and crude oil, so these are areas we are looking for. Then we have biotech, which is again very important. It has been brought under the North East Industrial and Investment Promotion Policy (NEIIPP), 2007. We have our tea research facility, only one of its kind in the world, now in Jorhat. We want to convert this into an international bio-tech firm. Tea is our strength. We produce 55 per cent of India's tea. Most of our produce in Assam is CTC. Whatever we are producing 80 per cent of it is consumed in the Indian domestic market.

There is a general perception among tourists that Assam is not safe, especially for foreigners. How do you counter this?

It's a myth that has to be exploded. Guwahati went through a very bad phase. Ten years back we had a very bad phase. We had insecurity but people have realized that now it's much better than what it was before. The North East region had created that kind of impression that there is no peace. For peace we need development. If development is there peace would automatically follow. Our emphasis is on development and that's what our Government is working on. We are trying to improve infrastructure. We are going to change the skyline of Guwahati.

Any landmark achievement you would like to highlight.

We are trying to give a big shot! Power is of course one of them. We have deregulated it. Due to the hydro policy, a lot of development is expected to take place. One of it is the 'Gas Cracker Project' which was signed by late Rajiv Gandhi in 1985, though it never took off. But this year on 9th April, it did happen. We are investing around Rs 6000 crore in it.

What is the extent of investment?

Now, with conducive policies, investment in Assam has been very good. Like Hindustan Lever has come and set up a unit. It's a success story. But at the same time, that policy got diluted because the same policy was extended by NDA Government to Uttaranchal, Himachal Pradesh, J&K. With the same package available, the prospective investors won't stay because they would go elsewhere. No one would come to the North East. But now we have our USP, our new policy - we are looking for investments in the power sector as well as other industrial activities also. My job is to facilitate and we want to have investments and I am sure that's going to happen now.

Do you travel abroad to track investments?

You see lot of people have travelled in the past. But I don't know what achievements they have made.

What is your vision for Assam on the industrial front?

Huge mega projects would take place. We want to identify the hubs like biotech. We are powerful in terms of human resources as well. Our boys and girls are very good in sales. They have got that exposure. We have a very large pool of talent. You would notice that the North East is exporting huge pool of young boys and girls all over the country especially in the hospitality industry.

Assam's First Independent Hydro Power Project Commissioned

By Md. Sabir Nishat

After a long hiatus of 27 years, the 100 MW Karbi Langpi Hydro Electric Project was finally commissioned and dedicated to the people of Assam by Chief Minister Tarun Gogoi at the project site, Lengery in Karbi Anglong on April 6 last. It's the State's first independent hydro project initiated by Assam Power Generation Corporation Limited, a successor company of Assam State Electricity Board.

A 50 MW unit of the project was commissioned just before the National Games at Guwahati in February to ensure adequate and uninterrupted supply of power during the mega event.

The project was sanctioned by the Planning Commission way back in 1979 but it got bogged down due to the protracted anti-foreigners' agitation in the 80s, lack of funds, natural calamities coupled with other factors. Apart from the cost overrun in the past 27 years leading to escalation from the original Rs.36.36 crore to a whopping Rs.546.78 crore the power requirement of the State has also gone up by 60 per cent from 1979 to 2007 (at present, the State needs 800 MW of electricity every day but generates only 220 MW on its own). It was the Gogoi Government in its previous term (2000 to 2006) that gave a serious thrust to the State's first independent hydel power project.

Admitting that it took a very long time to complete the project, Chief Minister Gogoi told Open Trade in the course of an interview that his Government never lost hope and went all out to finally see it through. "Power is required by all and it is important to complete power projects on time to reduce shortage. The problem of power shortage is everywhere… it is there in Jorhat, as in Karbi Anglong," he added.

He disclosed Government's plans to make Assam a self sufficient State on the power front. "The Karbi-Langpi project is only the beginning. More projects will follow suit", he said.

"We must generate more power as the State's requirement in 2015 will be about 1,500 MW. We can meet the target easily by harnessing our rivers and streams," he added.

State Power and Industries Minister Pradyut Bordoloi, speaking to Open Trade, said that Karbi Anglong and North Cachar Hills, the two hill districts in the State, have immense potential to generate power through micro-hydel projects.

Meanwhile, the State Government has unveiled a new small-hydro-power development policy enabling the people to generate electricity between 1 MW to 25 MW through micro projects. No Government permission is required to set up a unit, but just a concurrence.

Roughly, the cost of installing a power plant with 1 MW capacity is about Rs.1 crore. The Government promises to reimburse up to 90 per cent of the total expenses as a capital investment subsidy.

100 MW Karbi Langpi Hydro Electric Project

SALIENT FEATURES

Name of the river on which it exists: Borpani
Cost of the Project: Rs. 546.78 cr.
Height of the Dam: 54.50 meters
Length: 221.00 meters
Annual Energy: 390 MU
Cost of Generation: Rs.1.37 per KWH

A Dream Destination for Lovers of Wildlife

Spread along the cloud-kissed foothills of the Eastern Himalayas, Assam is a dream destination of every tourist. While the hills soar to the sky, floating majestically through the flat lands of the valley is the mighty Brahmaputra River, originating from the northern Himalayas. Steeped in lores, legends and Vedic chores, dotted with temples and ancient monuments, Assam is home to the mystical art of "Tantra".

Guwahati, the capital city of Assam is situated on the banks of the Brahmaputra and is often likened to Banaras. Guwahati is the abode of the Goddess Kamakhya. The Kamakhya Temple is associated with the legend of Shiva and Daksha Yagna. In the middle of the Brahmaputra lies the peacock island of Umananda, home to the sacred Lord Shiva temple.

Tourism Minister Rockybul Hussain believes that Assam being the gateway to the other States of the North East, needs better transport and communication facilities. "These are very important for the speedy economic development of the region and vital for the growth of the tourism industry," he says.

The Srimanta Sankaradeva Kalakshetra is an important destination characteristic of an open-air amphitheatre which conducts regular traditional performances not just from the State of Assam but also from other States.

Rangpur

Rangpur is a historical place situated south of Sivasagar. It was the fourth capital of Assam. It has the largest of secular buildings called Talatal-ghar which are multi-storey houses, but does not have any residential building. The temple of Ghanashyam is typical of having the only complex of a secular character. The main structure is adorned with exquisite terracotta work consisting of trellises, creepers, flowers and a number of gods and goddesses depicting different mythological scenes. Overall the building has a feel of non-religious structure.

Temples and Monuments

History of Assam dates back to the Vedic period and has been influenced by both Islam and Sikhism, which is evident from the ancient temples and monuments. Most of them were destroyed in natural calamities, but a lot of the remains are still scattered over an extensive area. Some of the most important monuments among what remained are

Maibong Stone Temple; Khaspur ruins; temples at Sivadol, Vishnudol, and Devidol; royal palaces at Gargaon, Kareng Ghar and Talatal Ghar; the pavilion (Ronghar) and Maidams (Vault) at Charaideo.

Wildlife

Assam is the best place to visit when it comes to wildlife. People worldwide flock to this State to experience a great variety of wildlife, both rarest and extinct in their natural habitat. In all there are four national parks, seven wildlife sanctuaries and three bird sanctuaries along with the best flora and fauna. They house 80 species of mammal, including some of globally threatened species such as the golden langur, hoolock gibbon, pigmy hog, hispid hare, white-winged wood-duck, tiger, clouded leopard, elephant, swamp deer, gangetic dolphin and many more. Besides, there are 800 species of bird and 195 species of reptile which can be seen at these sanctuaries. Some of the famous sanctuaries to look out for are:

Kaziranga National Park: It is the oldest park located in Golaghat and Nagaon districts. UNESCO declared Kaziranga as a world heritage site in 1985. It covers an area of 430 sq. km. The landscape is typical of a forest, elephant grass, rugged reeds, marshes and shallow pools. The animals present are rhinoceros, elephant, tiger, cat, hog badger, capped langur, hoolock gibbon, ibis, cormorants, egret, heron fishing, etc. During the winter season a whole host of migratory birds can be seen.

"The revival of tourism is an uphill task. Once a big money spinner, tourism has been hit hard by insurgency", says Deba Kumar Bora, Press Advisor to the Chief Minister, Assam.

"The Gogoi Government is seeking to reverse this fall-out from the dark days" says Bora, who is a confidante of the Chief Minister. Festivals like Kaziranga Elephant Festival, Tea Tourism, Rongali Utsav, etc, have started contributing to the inflow of tourists, he further says, adding, that the Center should extend all financial help as in the case of Kashmir.

Assam Tourism conducts tours during the season which is between November and April. However, private tour operators are also present. Tours are conducted by jeep, car or on elephant back. A host of star and non-star category hotels provide boarding and lodging facilities.

Manas National Park: Manas National Park is the only tiger project in Assam, situated at the foothills of the Himalayas. It is approximately 176 km from Guwahati. It has been given the honour of being a world heritage site since it has a rare combination of picturesque beauty and a rare wealth of wildlife. It covers an area of 519.77 sq. km. though the core area is 360 km. The rare species at Manas are hispid, hare, pigmy hog, golden langur, rhinoceros, wild buffalo, tiger etc. Besides these, there are common animals which include Himalayan bear, sambhar, etc. Some of the birds seen during the winter season are river chat (white capped red star), fork tails and various types of ducks including the ruddy shelduck, Indian hornbill and the great pied hornbill.

The Tourism Department has two lodges, one at Barpeta and the other at Bansbari. The State Forest Department also has two bungalows at Mathanguri which are deep inside the forests. ■

North East Industrial and Investment Promotion Policy (NEIIPP), 2007

The Government has approved a package of fiscal incentives and other concessions for the North East Region namely the **'North East Industrial and Investment Promotion Policy (NEIIPP)**, 2007', effective from 1.4.2007, which, inter-alia, envisages the following:

(i) Coverage:

The North East Industrial Policy (NEIP), 1997 announced on 24.12.1997 covered the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Under NEIIPP, 2007, Sikkim will also be included. Consequently, the 'New Industrial Policy and other concessions for the State of Sikkim' announced vide O.M. No.14(2)/2002-SPS dated 23.12.2002 and the Schemes thereunder i.e. Central Capital Investment Subsidy Scheme, 2002, Central Interest Subsidy Scheme, 2002 and Central Comprehensive Insurance Scheme, 2002, notified vide Notifications No. F.No.14(2)/2002-SPS dated the 24.12.2002 will be discontinued from 1.4.2007.

(ii) Duration:

All new units as well as existing units which go in for substantial expansion, unless otherwise specified and which commence commercial production within the 10 year period from the date of notification of NEIIPP, 2007 will be eligible for incentives for a period of ten years from the date of commencement of commercial production.

(iii) Neutrality of location:

Incentives will be available to all industrial units, new as well as existing units on their substantial expansion, located anywhere in the North Eastern Region. Consequently, the distinction between 'thrust' and 'non-thrust' industries made in NEIP, 1997 will be discontinued from 1.4.2007.

(iv) Substantial Expansion:

Incentives on substantial expansion will be given to units effecting 'an increase by not less than 25% in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernization and diversification', as against an increase by 33½ % which was prescribed in NEIP, 1997.

(v) Excise Duty Exemption:

100% Excise Duty exemption will be continued, on finished products made in the North Eastern Region, as was available under NEIP, 1997. However, in cases, where the CENVAT paid on the raw materials and intermediate products going into the production of finished products (other than the products which are otherwise exempt or subject to nil rate of duty) is higher than the excise duties payable on the finished products, ways and means to refund such overflow of CENVAT credit will be separately notified by the Ministry of Finance.

The new policy has fulfilled most of our demands and is much better than the previous one. The increase in capital subsidy up to Rs.30 crore from the current Rs.30 lakh per unit will give a major boost to the industrialization efforts of the North Eastern States and will help in generating employment opportunities thus solving the unemployment problem to a great extent.

I appeal to the private sector and the young entrepreneurs of Assam to take full advantage of the policy as well as the State's Industrial Policy with a slew of incentives to set up industries in our State.

Tarun Gogoi
Chief Minister, Assam

(vi) Income Tax Exemption:

100% Income Tax exemption will continue under NEIIPP, 2007 as was available under NEIP, 1997.

(vii) Capital Investment Subsidy:

Capital Investment Subsidy will be enhanced from 15% of the investment in plant and machinery to 30% and the limit for automatic approval of subsidy at this rate will be Rs.1.5 crores per unit, as against Rs.30 lakhs as was available under NEIP, 1997. Such subsidy will be applicable to units in the private sector, joint sector, cooperative sector as well as the units set up by the State Governments of the North Eastern Region. For grant of Capital Investment Subsidy higher than Rs.1.5 crore but upto a maximum of Rs.30 crores, there will be an Empowered Committee Chaired by Secretary, Department of Industrial Policy & Promotion with Secretaries of Department of Development of North Eastern Region (DONER), Expenditure, Representative of Planning Commission and Secretary of the concerned Ministries of the Government of India dealing with the subject matter of that industry as its members as also the concerned Chief Secretary/Secretary (Industry) of the North Eastern State where the claiming unit is to be located.

Proposals which are eligible for a subsidy higher than Rs.30 crores, will be placed by Department of Industrial Policy and Promotion before the Union Cabinet for its consideration and approval.

(viii) Interest Subsidy:

Interest Subsidy will be made available @ 3% on working capital loan under NEIIPP, 2007 as was available under NEIP, 1997.

(ix) Comprehensive Insurance:

New industrial units as well as the existing units on their substantial expansion will be eligible for reimbursement of 100% insurance premium.

(x) Negative List:

The following industries will not be eligible for benefits under NEIIPP, 2007:-

(i) All goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.

(ii) Pan Masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

(iii) Plastic carry bags of less than 20 microns as specified by Ministry of Environment and Forests Notification No. S.O. 705(E) dated 02.09.1999 and S.O.698 (E) dated 17.6.2003.

(iv) Goods falling under Chapter 27 of the First Schedule to the Central Excise tariff Act, 1985 (5 of 1986) produced by petroleum oil or gas refineries.

(xi) Incentives for Service/other Sector Industries

Incentives under NEIIPP, 2007 will be applicable to the following service sector activities/industries:-

I. Service Sector:

(i) Hotels (not below Two Star category), adventure and leisure sports including ropeways ;

(ii) Medical and health services in the nature of nursing homes with a minimum capacity of 25 beds and old-age homes ;

(iii) Vocational training institutes such as institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion, design and industrial training.

A number of tax concessions under the existing provisions of Section 10A and 10AA of the Income Tax Act are already available to the IT sector. However, one of the important impediments to the development of Software Technology Parks or IT related SEZs in the North Eastern Region is the non-availability of trained human resources in the North Eastern Region. Accordingly, tax benefits as is availed under Section 80 IC of the Income Tax Act would be extended to IT related training centers and IT hardware units.

II. Incentives for Bio-technology Industry:

The Bio-technology industry will be eligible for benefits under NEIIPP, 2007 as applicable to other industries.

III. Incentives for Power Generating Industries:

Power Generating plants will continue to get incentives as governed by the provisions of Section 81A of the Income tax Act. In addition, power generating plants upto 10 MW based on both conventional and non-conventional sources will also be eligible for capital investment subsidy, interest subsidy and comprehensive insurance as applicable under NEIIPP, 2007.

(xii) Establishment of a monitoring mechanism for implementation of the NEIIPP, 2007:

In order to establish a monitoring mechanism for implementation of NEIIPP, 2007, a 'High Level Committee' / an 'Advisory Committee' under the Chairmanship of Secretary, Department of Industrial Policy and Promotion and comprising Secretaries of the Ministries/ Departments of Revenue, Department of Development of North Eastern Region (DONER), Banking and Insurance, Representative of Planning Commission, CMD, NEDFi as well as major stakeholders including the industry associations of the North Eastern region would be constituted. In addition, an 'Oversight Committee' will be constituted under the Chairmanship of the Union Commerce and Industry Minister with Industry Ministers of NE States as its members.

(xiii) Value Addition

In order to ensure genuine industrial activities in the North Eastern Region, benefits under NEIIPP, 2007 will not be admissible to goods in respect of which only peripheral activities like preservation during storage, cleaning operations, packing, re-packing, labelling or re-labelling, sorting, alteration of retail sale price etc. take place.

(xiv) Transport Subsidy Scheme

The Transport Subsidy Scheme would continue beyond 31.3.2007, on the same terms and conditions. However, an early evaluation of the scheme will be carried out with a view to introducing necessary safeguards to prevent possible leakages and misuse.

(xv) Nodal Agency

The North East Industrial Development Finance Corporation (NEDFi) will continue to act as the nodal agency for disbursal of subsidies under NEIIPP, 2007. ■