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The Indian economy is on its path of recovery. The Central Bank has predicted that the GDP growth is likely to grow

Recession is the buzzword these days. Everybody seems to be afraid of the future.

However, at Amity, we have always stressed that it may be treated as the best opportunity which not many will get in their lifetime.

This year, in the month of February, based on the research of our core team, we predicted a strong recovery in stock markets immediately after the elections. Many did not believe in our economic prediction when during INBUSH we opined that one can expect a return of 40% in selected stocks, within 3 months time. However, the predictions proved to be true and stock markets went up more than 45% and many selected stocks even rose more than 100%.

The newly elected UPA government is delving hard on developing strategies to put economy on high growth trajectory. People from all walks of life are anxiously waiting for the budget that will be announced by the Finance Minister Mr Pranab Mukherjee on 6th of July 2009. As always, everyone is anticipating more tax sop in the coming budget and is hopeful that the provisions in the budget will act as a catalyst for economic growth.

On the global front also International organizations are worried about the global slowdown. IMF have warned the policymakers that the worst of the slump is yet to come. The World Bank has confirmed that the global recession this year will be deeper than it predicted in March 2009. The world economy is expected to contract 2.9 percent this year, compared to previous forecast of a 1.7 percent decline. The bank is expecting the growth only in 2010 to the tune of 2 percent, down from a 2.3 percent predicted by the bank earlier.

With so much concern about recession, its implication on each nation and impact on the global growth, this edition of E Journal focus on the Global slowdown. Even though there in a slump in all the economies across the world but still there are some sectors that have witnessed growth. Banking, Real estate are some of the sectors that are badly effected by recession but on the other hand there are sectors like Pharmaceuticals, education, insurance that have witnessed growth in last one year. The article "Sectors immune to Perils of Recession" focus on such sectors that have not been effected by recession. Other article " Disinvestment to beat recession" focus on benefits of disinvestment, at this juncture when government needs fund to fill the huge fiscal deficit. E Journal Classroom section explains the term recession and the last section i.e newsbriefs have news articles on International business.

Kindly let us know your suggestions and feedback on this issue. We will also like to have your contributions in the form of research papers, articles and cases for our coming issues.

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Disinvestment to beat Recession
Ms Alka

Government is considering to dilute its stake in Coal India Limited. It will sell up to 10 per cent of its holding in state-owned company to raise funds to manage the fiscal deficit which has increased drastically and is at 6.2 per cent of gross domestic product. Currently the fiscal deficit is Rs 3,30,114 crore, against the Gross Domestic Product of Rs. 53,32,753. Major reason behind such a huge deficit is

- sharp fall in the revenue from the industrial and services sectors as they were hit by the global turmoil.I industrial production figures in March showing a contraction of 2.3 per cent

- The increase in government spending due to several stimulus packages announced by the Government to get out of the slowdown.

- tax cuts to boost the economy. The government has cut excise duty by six per cent and service tax by two per cent, in addition to announcing sector-specific measures to arrest the impact of the global financial meltdown on the Indian economy.

The United Progressive Alliance (UPA) after coming in power again, after the overwhelming victory in the elections for 15th Lok Sabha, is facing dual challenge of managing the fiscal deficit and taking the economy out of the recession. Even though the economic condition of the countries around the globe have started to improve slightly but still until and unless some strategic initiatives are taken by the Government the economy will not be good shape again.

The Government has already given around Rs. 1,75,000 crores as stimulus packages to revive the economy but still the condition has not improved much but on the contrary the Government is burdened with huge fiscal deficit. Government should devise strategies to manage its revenue and expenses so that it can focus on other areas that need urgent attention.

As most of the revenue is diverted towards the economic revival sectors pertaining to social issues like employment generation, infrastructure development, education and poverty reduction are getting neglected. To reduce the deficit one of the option is to cut down the expense, which the government cannot exercise due the efforts to revive the economy. The government cannot increase the tax and duties either, which are the major sources of its income as it will further worsen the situation. The only option that is available with the government is to look for alternate sources of revenue and disinvestment of PSUs is one of the option that can fetch money to the Government. As economic growth will be restored only by increased spending funded by incremental earnings thus government is planning to exercise this option to put the economic growth on high growth trajectory..

Why disinvestment?

Economists are of the view that much of Government control is not required in the functioning of the PSUs and therefore they should gradually dilute their stake in these companies and the proceeds from disinvestment can help in filling the huge gap between expenses and revenue. Government will not opt for blind privatisation as was followed by the BJP-led NDA government, but will go in for diluting the government equity while maintaining management control

The Congress party had in its election manifesto said that if re-elected, disinvestment will be pursued though privatisation will not be followed and now with the Left parties out of the government and it will be comparatively easy for the government to put the disinvestment plans in action without much of hue and cry from the opposition.

The President also in her inaugural speech of the 15th Lok Sabha mentioned about government's plans to sell its stake in the PSUs. Prime Minister Dr. Manmohan Singh also indicated after the second round of swearing in of Union Ministers at Rashtrapati Bhawan that dilution of stakes in such PSUs will be one of the major initiatives of the new disinvestment policy expected to be announced in the Union Budget for 2009-10 in the first week of July.

Share prices of several state-owned companies jumped sharply after UPA Government came to power and reiterated its disinvestment plans (Table 1).

Table 1 : Returns since announcement of election results

Company	Returns (%)
NDMC	104.5
STC	73.1
Vijaya Bank	68.8
MMTC	64.2
Neyveli Lignite	51.3
BoM	49.9
IDBI Bank	48.6
MRPL	47.6
CPCL	47.5
RCF	45.9
ONGC	44.6

A host of companies waiting for the government nod for disinvestment include Bharat Sanchar Nigam Ltd (BSNL), railway consultancy firm RITES, National Aviation Company, and Ircon. Disinvestment of NHPC and Oil India has already been cleared by the government but capital market could not be tapped due to the negative sentiment. Government will also opt for IPO route to mobilize funds route as was done earlier in case of Rural Electrification Corporation, wherein the Government fetched 1,421 crore. IPO of four PSU were again offered in 2007 out of which IPO of Power Grid Corporation and Power Finance Corporation fetched Rs 5,580 crore.

Currently, Governement have more than 90 percent share in Hindustan Copper, MMTC, HMT, NDMC, FACT, National Fertilizers, Scooters India, Andrew Yule & Co, ITI, RCF and STC India (Table 2) and if it give up 10 percent stake in these companies, government can mobilise around Rs 37,000 crore. By diluting 10 percent stake, the government can justify the requirement under regulations of SEBI according to which all listed companies must have a minimum floating stock of 10 per cent of total equity.

Moreover, disinvestments up to 10 per cent in listed PSUs are least likely to cause any controversy or provoke political opposition.

Table 2 : Status of Government stake in PSUs

Company	Total outstanding In shares (mn)	Govt stake in %	in shares (mn)	Disinvested shares (in million)	Price per share (in Rs) on Jun 3
Hindustan Copper	925.22	99.59	921.42	3.79	270.70
MMTC	50.00	99.33	49.67	0.34	28271.15
HMT	760.35	98.88	751.83	8.52	74.34
NMDC	3964.72	98.38	3900.49	64.23	412.00
FACT	354.77	98.11	348.07	6.71	52.45
National Fertilisers	490.58	97.64	479.00	11.58	79.65
Scooters India	42.99	95.38	41.01	1.99	25.05
Andrew Yule & Co	296.33	94.42	279.79	16.54	56.30
Neyveli Lignite	1677.71	93.56	1569.67	108.04	136.60
ITI	288.00	92.98	267.78	20.22	41.15
RCF	551.69	92.50	510.31	41.38	81.59
STC India	60.00	91.02	54.61	5.39	366.45

Shareholding pattern as on 31st March 2009
Source: Business Standard Research Bureau
Current disinvested equity calculated on total outstanding shares minus government stake

Benefits of Disinvestment

The advantages that the government will derive by disinvesting in the PSUs are :

- Centre can utilize the receipts from the sale of shares of PSUs to keep up its commitment to its various social sector programmes without further deterioration of budget balances.

- Disinvestment can be an effective tool to enforce market discipline in the PSUs. After disinvestment PSUs will be open to public scrutiny and they will have to comply with the requirements of the SEBI and the stock exchanges, which includes quarterly release of their income statements and timely dissemination of market-sensitive information.

- Common man would be the main gainer of the disinvestment process. Disinvestment will provide individuals an opportunity to create wealth for themselves as disinvestment of PSUs will give them an opportunity to own part of the shares of public sector companies

- By diluting the stake the government can also take PSUs to the market with either an IPO or a FPO.

- Disinvestment will also improve the corporate governance of PSUs

- PSUs can measure its performance through the yardstick of its stock valuation in the open market.

- Later on more stocks of the listed PSUs can be floated to raise resources from a reviving stock market.

- PSUs to tap the capital market to meet their individual funds requirement for expansion plans.

Though the government could not materialize its disinvestment plans during the first term due to the opposition from the southern ally. But after the election victory for the second term the Government can exercise the option, moreover the government can also take lessons from the past experience on how the government should go about with disinvestment process.

Sectors immune to Perils of Recession
Ms Shirin Alavi

In the present era every business sector is affected by global crisis and everybody is talking of slow down in business, still in India there are few sectors which have grown in this adverse situation.

There are various factors that determine the impact of the current economic crisis on a sector.

1. First, how dependent is the industry (or its customers) on credit? Any credit-oriented industry such as construction or automobiles will be more affected than others.
2. Second, how much of the firm's revenue is derived from countries with high exports? Export-oriented countries such as South Korea and Taiwan are likely to be more affected than India, where exports are just 25% of gross domestic product. The worst-case scenario is if a firm needs loans to manufacture material that consumers buy on credit, and sell to people living in countries with high exports.
3. Thirdly, how important the sector is for social development
4. Lastly, importance of the sector in fulfilling the day to day need of the consumers

In India there are few sectors that have witnessed growth and have not been effected much by the disastrous effects of recession. Some of these sectors are :

Pharmaceuticals

In these turbulent times, the pharma sector has shown comparative resilience and has been relatively less effected. There are two reasons for this: the domestic pharma market continues to experience healthy growth and the demand for generic (a biological equivalent of an originator pharmaceutical product) medicines is on the rise in international markets.

The pharma sector is not completely immune to the slowdown and global economic crisis, but the impact is less severe. Over the past two years, the $8 billion domestic pharma industry has grown at a rate of more than 12%. It is likely to see high single digit growth in 2009. The growing incidence of lifestyle diseases, rising disposable incomes, greater penetration of health insurance and expanding medical infrastructure will continue to foster growth in the domestic market. We are fortunate that prices of medicines in India are extremely low compared to other nations whose governments are persistently doing all efforts to bring down their healthcare costs. They are encouraging the use of quality, affordable medicines from India. The need for medication is also growing with the ageing world population and changing disease patterns. The US, the world's largest pharma market, with a generic penetration of over 60% (by volume), is a huge market for Indian pharma companies. Japan the world's second largest pharma market, has a low penetration of generic medicines and Indian companies are looking to make the most of this opportunity. Emerging markets like Romania, Brazil, Russia, China, South Africa, Central & Eastern European nations are also expected to attract a lot of attention. They will remain a hot centre for opportunity. There is also growing excitement as drugs worth $60 billion are expected to come off patent in the US in next few years. These positive trends indicate a huge market opportunity for Indian pharma companies, who have over the years carved a niche for themselves, in most of the global markets.

The coming together of India's largest pharma company, Ranbaxy and top global innovator, Daiichi Sankyo signals the arrival of a revolutionary business model that is expected to emerge as a standard for growth in the pharma industry in the future. Big pharma and large generic companies will look at strategic partnerships focusing tie-ups in marketing, R&D, manufacturing and intellectual property as tremendous benefits and synergies can be derived from such alliances. Besides, India is increasingly attracting investments in the area of innovation and if all goes well we could become a significant innovation hub in the future. Today, pharma companies across the world are beginning to consider India as a partner of choice for outsourcing.

FMCG Sector

Recession has not affected the FMCG sector on a high note but definitely there is a slowdown in growth then also if we compare it with other sectors of the economy the growth rates in this sector have not dazzled much. The FMCG sector has acquired many new consumers through better penetration using the smaller pack or the low unit price strategy. To control the high cost of inputs, the FMCG companies are designing new strategies. The firms have introduced new packs into the market which are costlier when compared to the actual quantity they contain. For instance, global beverages major Coca Cola introduced most of its major brands, including Coca Cola, Diet Coke, Thumps Up and Maza, in new size of 350 ml. The company also introduced the new Xpress 350 ml pack for its Sprite brand. The company already has 500 ml bottles in the market priced at Rs 20. However, the recently introduced 350 ml pack, which cost Rs 15, is helping companies to widen their profit margin by Re 1 on each bottle.

Food Industry

People all over the world across different culture and communities need basic food materials like wheat, pulses, rice, fruits and vegetables for sustaining lives come whatever or economic crisis. Food processing companies are not much affected by recession rather they have increased their prices and thus earning profits. The food processing industry in India was seeing growth even as the world was facing economic recession. The industry is presently growing at 14 per cent against 6–7 per cent growth in 2003–04.The Indian food market is estimated at over US$ 182 billion, and accounts for about two thirds of the total Indian retail market. Further, the retail food sector in India is likely to grow from around US$ 70 billion in 2008 to US$ 150 billion by 2025. Thus unlike other industries, food manufacturing industry is not highly sensitive to economic conditions, as the demand for food is likely to remain relatively stable even during periods of recession. The world's need for clean water will continue to grow further.

Education Sector

The Education Sector is having loads of demand as it is considered the basic necessity. Moreover in our country it is seen as a long term investment by parents, and with respect to the demand still there is a huge gap in supply. The Indian students are crazy to study in foreign universities which have prompted foreign educational institute's to target young students in India. We will see more and more foreign educational institutions coming up in India in next few years.

The education sector in India will witness huge government as well as private investment. D E Shaw, a US$ 36 billion, global private equity firm is planning to invest around US$ 200 million in the education sector in India. In fact, the more tough the economic conditions, more is the competition and hence more the value of educational qualifications.

Health Care

People tend to be sick irrespective of recession or progression. By 2016, the number of people in older age groups, with improved average healthcare needs, will grow faster than the total population, as a result, the demand for health care will increase. So the healthcare industry is not much affected by global crisis. India in case of health care facilities still lags behind. Also there is a huge gap between demand and supply at all the levels of society. In India a multispeciality hospitals are not available in many urban areas. Moreover the pattern of lifestyle in metros is such that sometimes various environmental, social and financial pressures create a need of psychological consultation. Healthcare, which is a US$ 35 billion industry in India, is expected to reach over US$ 75 billion by 2012 and US$ 150 billion by 2017. The Indian healthcare industry is prepared to emerge as a global hub due to the distinct advantages it enjoys in clinical excellence and low costs.

Legal Services

The crime rate does not depend on economics. In fact, there is a tendency for it to rise during difficult economic times and recession. Thus, the need for security personal, police officers, airport and sea port security, and trained security for corporates and housing complexes shall always be in demand. With increasing legal transactions, criminal cases and civil disputes, and increasing demand for legal services in areas such as health care, intellectual property, environmental law it seems that recession has not much affected this particular sector.

Railways

We all know that the aviation sector has been badly affected due to global recession the increase in air fares has further increased the dependency of frequent travelers on railways and this has resulted in increased traffic in railways and long queues at railway booking counters. The freight traffic of Indian Railways has grown in the last few months, though at a slow pace, indicating only marginal impact of the global recession on the Indian Railways.

Telecom

No matter recession or progression the masses all over the world will communicate with each other. Moreover mobile communication has increased during the time of recession. People are upgrading and changing phones more often. With cheap cell phones available in the Indian market and cheaper call rates, the sector has become the necessity and primary need of everyday life. Telecom sector started with a subscriber base of 228 million in the year 2008 and will likely to end with a subscriber base of 332 million. The telecommunications industry in India is one of the fastest growing in the world and India is projected to become the second largest telecom market globally by 2010. The Telecom industry expects to add at least another 90 million subscribers in 2009 despite of recession

TV Industry

In the recession period due to loss in businesses and job cuts more people stayed back at home and got enough time to watch TV, they sought entertainment at home and hence advertising revenues have increased for the commercial channels. The TRP of religious channels have increased compared to the other entertaining/commercial channels. Moreover the strike of film producers against release of films in multiplexes added to this. According to statistics the television industry is likely to grow by 22 per cent over the next five years.

Environmental Areas

As the world ecology is getting imbalanced year after year and people are getting more and more environmental conscious the environmental upgradadtion is getting importance and more people are getting hired in this particular segment and recession is not affecting this industry.

Marketing and Business Promotion Consultants

Many business firms have restricted their budgets with respect to this. But even then business consulting professionals are needed to analyze a situation, implement a plan, and work to safeguard the future of the business. The current economic crises calls for the marketing and management consultant to reduce the costs and to suggest steps for surviving in the markets.

Energy

The increase in oil prices and recession had led masses to make efficient use of energy but they cannot stop using it completely. Thus this sector continued to grow because there is a desperate need to find alternative sources of energy and renewable energy as we are on the edge of getting depleted of the fossil fuels.Infact mining sector is one to add more number of jobs in the recession period.

Infrastructure

In the recession period air transportation is likely to be effected, but the rail, road or water transport continued to thrive as people, moving from one place to another as a part of their daily activities, aren't going to slow down except for some seasonal variations. Thus passenger transportation sector was not much affected. Moreover a economy will not grow if there is not sufficient infrastructure to carry out the economic activities. The even during the time when economy is not growing much, government is planning to promote the investment in infrastructure development.

Thus, in spite of bad economic times there are various recession proof opportunities, all that we need to do is to be more careful in targeting the right one.

E Journal Classroom
Recessional Impediments In Economic Growth
By: Shirin Alavi

What is Recession?

These days recession is the latest media buzzword, every news channel, web sites, national and weekly dailies flash the headlines related to it. Almost every national daily has included a special column to support how recession is affecting- industrial growth in different sectors across borders, prices, living standard of masses, disposable incomes, and employment ratio of different countries.

Determinant of Recession:

Let us first take a look which economic indicator is the major determinant of recession in an economy. The most important indicator of recession is Gross National Product (GDP) of a nation, if there is a negative GDP growth over two consecutive quarters then we assume that economy is going through the cycle of recession.

Now an analysis is required to understand how Recession actually came into effect. It is now more than a year since the sub-prime lending crisis in the US mortgage sector came to light. The unparallel and still expanding financial crisis in the developed world brings with it the end of the false perception of the market being efficient. This is the right time when we should re think the term financial liberalisation in order to reduce global instability. This crisis has led to a generalized credit crunch in other financial sectors, which ultimately affects the real economy and the world economy at large. The current crisis is the result of a lack of government regulation of the financial sector due to insufficient supervision and allowing reckless lending by financial institutions. This analysis however misses' one point, this crisis is not a failure of the system, it is central to the mode of functioning of the system itself.

Effect on Developing Economies:

The intense fluctuations in stock prices along with other factors seen in emerging markets in the past two weeks have made it clear that the developing world is not isolated from the financial turmoil in industrial countries. The crisis will have different impacts in different places, depending on, in particular, the extent of integration of the capital market of the concerned developing economy. But as we all know every thing has some positive effect too thus one of the biggest positive outcome of this financial crisis is that it has created an opportunity for replacing the economic model with more progressive alternatives.

News briefs

Lessons from the financial crises

23 Jun 2009

These are difficult times. Bankers, including former bankers like myself, are in deep trouble. And deservedly so. We are the main, (though not the only) culprits in creating the current massive financial crises in the world. No one has ever accused bankers of being particularly bright or hardworking or reliable. Remember the guy who lent you an umbrella in fair weather and took it back when it rained. But now with their oversized bonuses under public scrutiny, bankers' reputation has touched new lows, somewhere between bandits and thieves. No wonder, UBS has directed its bankers not to travel outside Switzerland lest they be arrested overseas for their misdeeds. Even the highly respected central banker's actions are being questioned - it is conceivable that Maestro Alan Greenspan may have been affected by irrational exuberance.

Even though public's anger against bankers and AIG executives is justified, the important thing is to learn what mistakes were made, and reform the system to prevent their recurrence. Even more important is to take the right lessons from the crises and not the wrong one. In months and years to come, there would be a great deal of analysis on what caused the current financial crises. However, there is a fair degree of consensus that extreme excesses in the following areas contributed substantially to it:

In the US, too much money was lent to consumers, far beyond their ability to repay. Consumer credit which used to be 100- 150% of the GDP for most of the last century shot up to 300% in the last 10 years.

Size of the banking sector as a whole and individual banks became too large and very highly leveraged. As Simon Johnson, former chief economist of IMF, notes in a recent article in The Atlantic, the financial sector's profits which used to be around 16% of the total US corporate profits increased to 41% in recent years. Similarly the size of the banking sector in relationship to domestic economy in countries like Iceland, UK and Switzerland became excessively large.

Too many complex financial products were created and distributed. The real risks of these products were not understood by the bankers, rating agencies or the investors. The structured products creators and marketers within the banks became too powerful and the risk managers too weak, so there were no checks and balances.

Bankers were paid too much. We have heard about the obscene bonuses being paid to bankers and AIG executives in the US. Even closer home, in 2007, IIM graduates were getting offers of more than a crore per year from international banks, multiple of what their learned professors are earning.

US treasury secretary Tim Geithner in his testimony to House Financial Services Committee said, "I share the anger and frustration of the American people, not just about the compensation practices at AIG and in other parts of our financial system, but that our system permitted a scale of risk-taking that has caused grave damage to the fortunes of all Americans”.

Developing countries' economies to grow 1.2 per cent: WB

The Economic Times *22-Jun-2009*

WASHINGTON: The World Bank on Monday estimated economic growth in developing countries of 1.2 percent this year, and said that without China and India, output would shrink 1.6 percent.

Amid the worst global financial and economic crisis in seven decades, the multilateral institution eight days ago lowered its outlook on global growth, to a contraction of 3.0 percent this year.

It slightly revised the global gross domestic product (GDP) figure today, to a 2.9 percent decline.

The development lender's preceding forecast, published in late March, put developing countries' annual growth at 2.1 percent, and at zero if China and India were excluded.

In 2010, global growth was projected at 2.0 percent, and that of the developing countries at 4.4 percent, according to the bank. Excluding China and India, the developing countries would grow 2.5 percent.

China's economy was forecast to expand 7.2 percent in 2009 and 7.7 percent in 2010, while India's forecast was for 5.1 percent followed by 8.0 percent.

The latest World Bank forecasts on gross domestic product - a measure of goods and services output in a country - came in a report, "Global Development Finance 2009: Charting a Global Recovery."

World Bank cuts 2009 global growth forecast

22 Jun 2009, Economic Times

BEIJING: The World Bank has cut its 2009 global growth forecast, saying the world economy will shrink by 2.9 percent and warning that a drop in investment in developing countries will increase poverty

``The global recession has deepened," the Washington-based multilateral lender said in a report.

Global trade is expected to plunge by 9.7 percent this year, while total gross domestic product for high-income countries contracts by 4.2 percent, the bank said. It said economic growth in developing countries should slow to 1.2 percent, but excluding relatively strong China and India, developing economies will contract by 1.6 percent.

The bank's latest forecast is a sharp reduction from its March prediction of a 1.7 percent global contraction, which it said then would be the worst on record.

Economic damage to developing countries ``has been much deeper and broader than previous crises," warned the report, issued Sunday in Washington. ``Unemployment is on the rise, and poverty is set to increase in developing economies," it said.

The global economy should start to grow again in late 2009, but ``the expected recovery is projected to be much less vigorous than normal," the report said. It said banks' ability to finance investment and consumer spending would be hampered by the overhang of unpaid loans and devalued assets.

``To break the cycle and revive lending and growth, bold policy measures, along with substantial international coordination, are needed," the World Bank said.

Investment and other financial flows to developing countries plunged by an estimated 39 percent in 2008 to $707 billion, the World Bank said. It said foreign direct investment in developing countries is projected to drop by 30 percent this year to $385 billion.

Eastern Europe and Central Asia have been hit hardest and the region's gross domestic product is expected to plunge by 4.7 percent this year, the bank said. It said growth should recover next year to 1.6 percent.

GDP in Latin America and the Caribbean should shrink by 2.3 percent this year before rebounding to expand by 2 percent in 2010, the report said. In the Middle East and North Africa, growth is expected to fall by half this year to 3.1 percent, while that of sub-Saharan Africa will drop to 1 percent from an annual average of 5.7 percent over the past three years, the bank said.

East Asia should post a 5 percent expansion, supported in part by China's stimulus-fueled growth, the bank said.

Duty-free import regime ushered for 2,202 items from Singapore
Business Line, 23 June 2009
New Delhi, June 23 India has knocked off import duties on 2,202 items as part of its tariff elimination commitments under the Comprehensive Economic Cooperation Agreement (CECA) with Singapore.

The 2,202 items on which tariffs have now been eliminated include sail boats, ships, trawlers and fishing vessels, dredgers, golf clubs, wrist watch, wall clocks, percussion instruments, musical keyboards, flutes, ultrasound scanners, aircraft parts, optical fibre, helicopters, railway coaches, instant print film, photographic paper, new tyres for aircraft, used tyres, ice-cream, pasta, and fish.

Ever since the CECA came into effect in August 2005, the rupee has depreciated about 30 per cent against the Singapore dollar, making imports into India costlier. This may to an extent nullify the advantages of tariff removal on these products.

The CECA with Singapore was India's first comprehensive agreement with a trade partner. The bilateral merchandise trade has seen a near five-fold increase in the three years post-CECA from about $3.6 billion in 2005 to $19.11 billion in 2008.

Meeting its other commitment under the CECA, the Centre has reduced tariffs on 2,413 items. These can now be imported into India at tariff equivalent to 50 per cent of the most favoured nation (MFN) applied rate, according to Finance Ministry sources.

As for the 539 additional items, mostly manufactured products, on which India had taken newer tariff liberalisation commitments in December 2007, the Finance Ministry has now taken the next step by slashing import tariffs.

Of the 539 tariff lines, tariff elimination is to be achieved in five equal cuts between January 15, 2008 and December 1, 2011 for 307 items. The 307 items are mainly articles of base metals, machinery and mechanical appliances, chemicals, and textiles and textile articles.

For another 97 products, the tariff elimination is to be achieved in nine equal cuts between January 15, 2008 and December 1, 2015. These 97 items comprise mainly machinery and mechanical appliances, plastic and rubber articles and textile items.
For 135 products, the tariff reduction to five per cent duty is to be achieved in nine equal cuts between January 15, 2008 and December 1, 2015.

India, China collaboration can turn downturn into opportunity: Report

Business Line, 12th June 2009

Macau, June 11 Luxury brands; gems and jewellery; media and entertainment; health and wellness; and tourism are some of the sectors where India and China can collaborate, says a FICCI-KPMG report.

For instance, India processes 90 per cent of the world's diamond, which allows Indian diamond processors significant opportunities in China, says the study adding that China is one of the few countries which has displayed positive growth in the diamond market.

Polishing units

Also, China is the largest consumer of jade, emerald and pearl providing new avenues for Indian companies to commence operations of cutting and polishing units in China.

The report — 'Global Financial Meltdown: Turning crisis into opportunity through enhanced cooperation between India and China" — will be presented at the Fifth FICCI-IIFA Global Business Forum meeting here.

Luxury brands — is another area where both the countries are estimated to grow by approximately 20-30 per cent over the next five years, the study points out.

The Indian retail industry – which allows 51 per cent foreign direct investment — can provide a good opportunity for large Chinese retail houses to start their operations in India.

Luxury hotels

Similarly, given the potential demand for luxury hotels in China, the Taj Group of Hotels has ventured into China. India can also prove to be an attractive destination for Chinese luxury hotels. Both the countries have 100 per cent FDI allowance in this sector which is an added advantage, says the study.In tourism, China and India can utilise their unique selling points along with their mutual attractions and interests, according to the study.

Medical tourism

India's emergence as a medical tourism destination for international travellers presents an attractive proposition for the health-conscious Chinese traveller, it says. Attractive tourist packages can be designed by Indian agencies for Buddhists from China and similarly Hindus of India can be offered pilgrimages to Mount Kailash and Mansarovar.

China — one of the main exporters of gymnasium equipment to European countries such as Germany — can find opportunities in the growing health and wellness sector in India.

Exports drop 33.2% in April; imports fall 36.6%
June 1 2009, Business Line

India's foreign trade front presented a dismal picture in the inaugural month of the current fiscal, with both exports and imports declining by 33.2 per cent and 36.6 per cent respectively in dollar terms, compared to April 2008.

Provisional trade figures released by the Department of Commerce show that exports during April 2009 at $10,743 million were 33.2 per cent lower than the $16,076 million during April 2008.

In rupee terms, the decline was a relatively less drastic 16.4 per cent at Rs 53,779 crore (Rs 64,340 crore).

Imports, too, plummeted during April by 36.6 per cent at $15,747 million against $24,823 million in April 2008.

In rupee terms, the decline was by 20.6 per cent at Rs 78,832 crore against Rs 99,347 crore.

The Commerce Secretary, Mr Gopal K. Pillai, told *Business Line* here that the steep reduction in import was understandable, given that most of the imports were for export production such as in the case of gem and jewellery.

He hoped the situation would become normal only after September 2009, given that the country was cruising on a very high export and import growth trajectory of over 30 per cent during the first half of 2008-09.

Oil imports down
Oil imports in April 2009 at $3,634 million were 58.5 per cent lower than such imports valued at $8,749 million in April 2008.
Non-oil imports at $12,113 million were down 24.6 per cent ($16,074 million).
As a result of steeper decline in imports, the country's trade deficit narrowed to $5,004 million in April 2009 from $8,747 million in April 2008.

Moody's economy.com analyst said the sharper decline in imports helped contain the trade deficit, while lower global oil prices compared to a year ago played a role in keeping overall import payments in check.

It cautioned that the moderation in both inbound and outbound shipments would drag on the performance of various business sectors ranging from trade to transport.

Need for fresh look at free trade pacts in South Asia

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Mr Vishambhar Saran, Senior Vice-President of Indian Chamber of Commerce, while speaking recently at the 4th China-South Asia Business Forum at Kunming City, China, emphasised the need for setting up a long-term cooperative mechanism for taking forward the Forum's initiatives.

It was important to examine the depth and coverage of the existing FTAs in South Asia and their implications on the private sector, he said, pointing out that the private sector had always played a major role in the globalisation process through the integration of production networks across the country.

South Asia, he felt, should examine the scope of open regional approach — being followed in East Asia — as it would certainly be a positive move to remove unnecessary tariffs, para-tariffs, various restrictive rules of origin and other associated barriers in the South Asia Free Trade Agreement. South Asia should not view the process of bilateral FTAs within the region as inimical to the process of regional cooperation, he added.