India-The Favoured Business Destination

India Japan Business Summit
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Indian Economy – On an upswing

- Growth of over 7.5% during last 3 years, Manufacturing growing at over 9% for last two years
- Fourth largest economy in the world in PPP terms
- Goldman Sachs Forecast (2004):
  - India to have sustained rapid growth on long term basis
  - Indian GDP to overtake Italy, France and Germany by 2025 and Japan by 2030
  - Indian economy expected to be third largest in real terms by 2050
Indian Economy – Global Integration

Total External Trade (2005-06) US $ 241 billion- growing annually above 20% in real terms
FDI equity inflows grew by 72% in 2005-06: 70% of FDI going into manufacturing industry

Estimate for total FDI inflows for 2006-07 is US$12 billion
Healthy Economic Indicators

- Annual inflation less than 4%
- Buoyancy in the capital markets-Stocks Index up by 36% in 2005, FII inflows of US $11.5 billion
  - US$ 6.7 billion raised on primary market in 2005
- Foreign exchange reserve of over US $ 160 billion
- Gross Domestic Capital Formation of 30.1% in 2004-05 ; domestic saving at 29%
Liberalization of Economic Regime

- De-licensing of industry since 1991
- Liberal Foreign Investment regime
- Continuous lowering of tariffs and other barriers- average import duty 12.5%; capital goods import at 5%
- Domestic taxation being reduced consistently- personal income tax 30%, 16% maximum excise duty and VAT introduced all over the country
Advantage India

- Young Demographic Profile
- Abundant availability of Skilled Human Resources
- Adequate natural resources and raw materials
- Large and growing domestic market
- Established rule of law and a vibrant three tiered democracy
Advantage India - Young Demographic Profile

- India a young country, with a median age of 24-54% of population below 25 years.
- India’s working population - 61% of the total population; expected to rise till 2025; and marginally decline thereafter till 2050; but still remain above 60%.
- Younger generation has more propensity to spend on lifestyle goods.
Advantage India- Skilled Human Resources

- Over 300 universities having 11200 colleges.
- Turns out 4,00,000 engineering and science graduates, over 3,00,000 non-engineering post graduates, 21,00,000 other graduates and 9,000 PhDs annually-skilled workforce getting augmented.
- Knowledge workers in software and service industry increased 25 times from 6800 in 1985-86 to 6,50,000 in 2003-04- give India an advantage in embedded software.
- Strength of IT workers is expected to go up to 2 million by 2008.
- IITs and IIMs among the best professional institutes in the world
- Design capabilities of high order- custom made goods, an advantage to India
- R&D facilitated
Advantage India- Abundant Natural Resources

- India ranks
  - 3rd in production of coal & lignite,
  - 4th in iron ore,
  - 6th in bauxite and manganese ore,
  - 10 in aluminum, and
  - 11th in crude steel

- India also the largest producer of milk and milk products, sugarcane, tea and pulses

- India the second largest producer of fruits and vegetables.
Advantage India- Large Domestic Market

- Large and growing domestic market size-210 million middle class, increasing by 15-20 million annually
- Huge upwardly mobile young population with high propensity to spend
- Massive investments occurring & planned in infrastructure, both urban & rural - sizable demand for cement, steel & machinery.
- Around 5 million Mobile phones added every month- total 130 million mobile phones.
- Passenger car market growing at plus 8% rate; crossed the million mark.
- Consumer durables registered growth of 8% during 2004-05- white goods & electronics and FMCG markets fast expanding.
FDI in India

- FDI permitted in almost all activities
- Up-to 100% FDI allowed in manufacturing
- Most FDI allowed on the ‘automatic route’- only to inform the Central Bank within 30 days of remittances
- Liberal policy for foreign technology collaboration
FDI Inflows

- FDI equity inflows increased by 72% in 2005-06 – expected to be US$ 12 billion in 2006 - 07
- Most FDI going into manufacturing – automobiles, engineering, telecom, electronics and chemicals
- Bilateral investment treaties, double taxation avoidance agreements and comprehensive economic cooperation agreements to facilitate investment signed with many countries.
- Infrastructure required to attract and support FDI being improved through involvement of private industry and investment.
- Double Tax Avoidance Agreement with 69 countries and Bilateral Investment Protection Agreement with 47 countries.
Further Improving Competitiveness

- Foreign technology collaborations encouraged and allowed on liberal terms
- FDI in all manufacturing activities allowed up to 100% equity and on the ‘automatic route’-Central bank to be informed within 30 days of remittance
- Easy import of capital goods and raw materials- duty of 5% on machinery import and 12.5% on other goods
- Domestic taxes & duties on manufactures brought down to a maximum of 16% and VAT introduced
- Fiscal & Financial incentives for modernization and upgradation eg. textiles, leather, automobile
- Industrial infrastructure upgradation programs on cluster basis – provision of common testing & tool room facilities
- Special escort and hand holding services for investors-Japan desk in Ministry of Industry
Investment Zones- World Class Infrastructure

- Special Economic Zones (SEZ) Duty free zones, deemed foreign territories
- SEZ can be set up in the public, private or joint sector
- Units in SEZs to be net foreign exchange earner within 5 years. No export commitments
- Japanese business communities exploring setting up an exclusive Japanese SEZ
- Investment regions for chemicals, petrochemicals being planned- will have SEZ’s also.
Thank You

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