



# On the RISE

India now has one of the fastest growing economies in the world, Irish investors should take note, writes Dr. Prabhu Kulkarni.

**T**he largest democracy with 1.1 billion people is also one of the fastest growing economies in the world. Indian per capita GNP doubled in the last five years and GDP is growing at about 9% per annum since 2005. The country's international trade is increasing at the staggering rate of between 20% and 25% annually.

It is anticipated that the increased oil costs and turmoil in the global financial market will have a relatively low impact on the Indian economy.

Indian GDP is expected to grow by 8.5% in 2008-2009 and by over 9% the following year as the contribution of international trade to Indian GDP is less than 15%.

According to the Asian Development Bank (ADB) the

global financial slowdown is now underway and a slowdown is expected in the economies of the US, European Union and Japan.

The developing economies of Asia, especially China and India, are expected to slowdown, but only marginally.

During 2008, China is expected to grow solidly by 10%, while India will grow by 8%. The Indian Government has already upgraded this forecast to 9%.

The ADB acknowledges that "in the past 18 months both these countries have tightened monetary policy, raised interest rates and placed higher reserve requirements on banks. India's real exchange rate has appreciated.

"In 2008 slower growth of

global demand will likely have a more pronounced effect on China, which is considerably more open to trade than India."

The new India has a high-tech, highly skilled economy driven by knowledge. The country's universities are churning out thousands of highly qualified science and computer graduates working in software, biotechnology and engineering firms in metropolitan India. There is huge demand for retail goods and services.

## THE EU AND INDIA

This Indian miracle offers significant opportunities to Irish exporters who have not benefited from it like the other EU member states.

The 27 member state EU is the largest trading partner of India, accounting for 23% of India's international trade.

EU trade with India increased dramatically in 2007 to €55.6bn from €47bn in 2006 and exports increased to €29.4bn in 2007 compared to €24.4bn in 2006.

EU-India relations improved further with the signing of the Strategic Partnership Agreement to cover mutual interests in trade, investment, science & technology and the development cooperation. In 2007, EU investment in India increased four fold to €10.9bn, from €2.5bn in 2006.

German-India trade has increased to €6bn in 2007, up 35% in three years. The German Chancellor, Angela Merkel, in October 2007, called for a doubling of trade between India and Germany to €20bn by 2012.

The two countries signed seven memoranda of understanding, including one for science and technology. Recently Germany announced that it has decided to make India its major trade partner in Asia.

French President Sarkozy as the chief guest of India's Republic Day in January 26, 2008, led a large French business delegation to India. Bilateral trade between India and France increased during the last three years by nearly 55% to over €6bn in 2006-07.

The UK has been the principle trading partner of India due to the shared history. India-UK trade in 2007 was €8.7bn, however the relationship has changed in the last few years.

Recently Indian entrepreneurs have acquired a number of prestigious iconic British companies. India is the second largest investor in the UK and the Indian diaspora there controls a significant portion of British business.

Sweden, Finland, Denmark, the Netherlands, Austria, Italy, Spain and other European countries also sent trade delegations led by their heads of government to India in 2007 and/or 2008, and are

experiencing between 25% and 50% growth in trade.

Recently, Norway signed an agreement with India to supply salmon worth €500m annually.

Bilateral trade between the US and India has increased to \$15bn, after the largest US trade mission to India led by president Bush in 2007, and is expected to reach \$40bn by 2012.

India-China trade has increased to \$20bn in 2007 from \$5.5bn in 2005. India and Russia have set up a Joint Task Force to take bilateral trade to \$10bn by 2010.

Irish Trade with India is relatively small, less than 1% of India's international trade. In 2007, Irish imports of goods and services from India was €288.47m and exports to India were €225.65m.

India is a net importer, purchasing services and goods more than it exports. This is an opportunity for Irish exporters. A number of large and medium size Irish companies are operating in India successfully.

Personally it is a pleasure for me to see the large CR2 House in the heart of Mumbai's commercial district or buy a chicken sandwich at a Delhi O'Brien's sandwich bar.

#### OPPORTUNITIES

The current Indian five-year plan (2007-13) is a highly ambitious, multi-billion dollar programme for investment in every sector of economy. Some of these proposals offer major opportunities to Irish investors and exporters.

#### IT & ICT

The Big 5 of Indian IT companies – TCS, Infosys, Wipro, Satyam and HCL – are expected to recruit 100,000 people with one-fourth of the expected 400,000 new jobs created to be in the Indian IT/ITES industry in 2008.

India has emerged as the fastest growing nation in the global services trade sector and, contrary to popular belief, its import growth in commercial services has outpaced exports in 2006, according to a WTO report.

Against the world average of

## The current Indian five-year plan is a highly ambitious, multi-billion dollar programme for investment in every sector

10%, India's services imports grew by a hefty 40% in 2006, while exports jumped by 34%, making India the most dynamic country in services trade.

#### FOOD PROCESSING

The Indian food sector is estimated to be worth over \$200bn and is expected to grow to \$310bn by 2015.

With milk production of 92 million tonnes per year, it is the largest milk producer in the world. And with 50 million tonnes of fruit per year, it is the second largest fruit producer in the world. Less than 10% of milk and fruits are converted into the value added products.

#### POWER

Per capita consumption, which was 238 kWh in 1990, rose to 435 kWh in 2003 and currently stands at 630 kWh, far below the world average of 2,430 kWh.

At 8% GDP growth, India's per capita consumption in 2032 is estimated at 2,640 kWh which is just comparable to the present day world average. It will require huge investment in the power sector.

A current five-year plan aims to add nearly 70,000 MW of generation capacity during the next five years. Along with this, transmission network expansion and a matching distribution augmentation are planned.

A working group formed to prepare a comprehensive plan for the power sector estimated that an investment of more than €175.44bn would be required for the expansion during 2007-2012, including about €71.93bn for utility-based generation and IPPs,

and €74.93bn investment in the transmission, distribution and rural electrification segments.

#### TOURISM

Leading business and market intelligence provider Euromonitor International has projected that the number of tourists travelling from India will be 16.3 million by 2011. This rise in the number of Indians travelling abroad is being driven by rising disposable incomes in middle classes.

#### MEDICAL TOURISM

India has emerged as a winner in medical facilities in terms of affordability and quality. The cost of healthcare in India is about one-fifth to one-tenth of what is charged in the West.

International accreditation, quality care and medical expertise make it an increasingly popular destination for patients across the globe.

A cost comparison confirms this. A heart bypass surgery can cost as low as \$5,000 in India, compared to \$30,000-\$60,000 in the US.

#### INFRASTRUCTURE

Infrastructure is the biggest opportunity for investment. Many more years of economic growth is expected in infrastructure.

An example of this development is the ambitious, \$90bn, Delhi-Mumbai Industrial Corridor (DMIC) started in January 2008. The project is modelled on the Tokyo-Osaka Corridor and will be jointly funded by the Indian and Japanese Governments. It will provide new power capacity of 4,000MW, three new Greenfield sea ports and six airports. It will link 10 cities, each with a population of more than one million – Faridabad, Surat, Delhi, Greater Mumbai, Meerut, Jaipur, Ahmedabad, Surat, Vadodara, Pune and Nashik.

National Highways Projects are equally impressive. The Public Private Partnership (PPP) model has enabled greater private sector participation in the creation and

maintenance of infrastructure. So far, under the viability gap funding scheme, 37 proposals have been received, of which 21 proposals have been granted in-principle approval with a total project cost of \$2,460bn.

There are multi-billion dollar investment potentials in improving existing airports, shipping terminals, railway stations and expanding and modernising thousands of kilometres of secondary roads.

There are also plans for apartments, commercial buildings, hotels, office blocks, shopping centres, storage facilities and even golf courses.

#### URBAN DEVELOPMENT

Cities feeling high and dry after being excluded from the €8.7772bn modernisation programme under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) may have a second chance.

The urban development ministry is setting up a \$500m fund in collaboration with the World Bank to finance urban infrastructure facilities in the cities not included in the JNNURM.

In the next two decades China and India will undergo industrialisation four times the size of the US and at five times the speed, according to Tony Blair, now a special envoy to the Middle East. He asked Yale alumni at a recent talk to turn their eyes to emerging global powers like China and India, noting that for the first time in many centuries, power is moving East.

According to S. Gopalakrishnan, CEO and managing director, Infosys at the first convocation of the Asian School of Business (ASB) in Thiruvananthapuram, "This is India's moment. I wish that you will make this your moment." Irish Investors and exporters should make it their moment too.

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