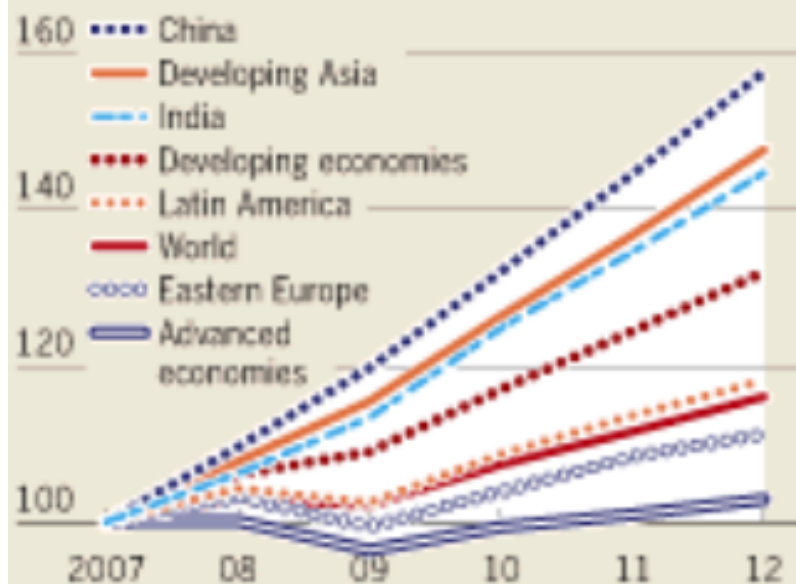


INDIAN ECONOMY 2012

- Sailed through GFC with 8% growth; very optimistic prognosis up to early 2011
- But India Hype: “reform pause” since 2004; need new reforms to expand economic freedom and keep growth at 8% upwards
- Dramatic fall in growth and sentiment in last 15 months; corruption scandals and policy paralysis

GDP since the crisis

Real GDP (at purchasing power parity, rebased)



Overview of the World Economic Outlook Projections

(Percent change unless noted otherwise)

	Year over Year								
			Projections		Difference from January 2012 WEO Projections		Q4 over Q4		
	2010	2011	2012	2013	2012	2013	Estimates 2011	Projections 2012	2013
World Output¹	5.3	3.9	3.5	4.1	0.2	0.1	3.2	3.7	4.1
Advanced Economies	3.2	1.6	1.4	2.0	0.2	0.1	1.2	1.6	2.2
United States	3.0	1.7	2.1	2.4	0.3	0.2	1.6	2.0	2.6
Euro Area	1.9	1.4	-0.3	0.9	0.2	0.1	0.7	-0.2	1.4
Germany	3.6	3.1	0.6	1.5	0.3	0.0	2.0	0.9	1.6
France	1.4	1.7	0.5	1.0	0.3	0.0	1.3	0.5	1.4
Italy	1.8	0.4	-1.9	-0.3	0.2	0.3	-0.4	-2.0	0.7
Spain	-0.1	0.7	-1.8	0.1	-0.2	0.4	0.3	-2.5	1.3
Japan	4.4	-0.7	2.0	1.7	0.4	0.1	-0.6	2.0	1.8
United Kingdom	2.1	0.7	0.8	2.0	0.2	0.0	0.5	1.5	2.3
Canada	3.2	2.5	2.1	2.2	0.3	0.2	2.2	2.0	2.3
Other Advanced Economies ²	5.8	3.2	2.6	3.5	0.0	0.1	2.5	3.6	2.9
Newly Industrialized Asian Economies	8.5	4.0	3.4	4.2	0.1	0.1	3.1	4.8	3.1
Emerging and Developing Economies³	7.5	6.2	5.7	6.0	0.2	0.1	5.8	6.3	6.4
Central and Eastern Europe	4.5	5.3	1.9	2.9	0.8	0.5	3.8	1.6	3.6
Commonwealth of Independent States	4.8	4.9	4.2	4.1	0.5	0.3	3.7	3.8	4.0
Russia	4.3	4.3	4.0	3.9	0.7	0.4	3.7	3.9	4.1
Excluding Russia	6.0	6.2	4.6	4.6	0.2	-0.1
Developing Asia	9.7	7.8	7.3	7.9	0.0	0.1	7.2	8.1	7.7
China	10.4	9.2	8.2	8.8	0.1	0.0	8.9	8.4	8.4
India	10.6	7.2	6.9	7.3	-0.1	0.0	6.1	6.9	7.2
ASEAN-5 ⁴	7.0	4.5	5.4	6.2	0.2	0.6	2.5	8.5	5.5
Latin America and the Caribbean	6.2	4.5	3.7	4.1	0.2	0.1	3.6	3.9	4.8
Brazil	7.5	2.7	3.0	4.1	0.1	0.1	1.4	4.7	3.4
Mexico	5.5	4.0	3.6	3.7	0.1	0.2	3.7	3.6	3.8
Middle East and North Africa (MENA)	4.9	3.5	4.2	3.7	0.6	-0.2
Sub-Saharan Africa	5.3	5.1	5.4	5.3	-0.1	0.0
South Africa	2.9	3.1	2.7	3.4	0.1	0.0	2.6	3.0	3.7
<i>Memorandum</i>									
European Union	2.0	1.6	0.0	1.3	0.1	0.1	0.9	0.2	1.7
World Growth Based on Market Exchange Rates	4.2	2.8	2.7	3.3	0.3	0.1	2.3	2.7	3.4

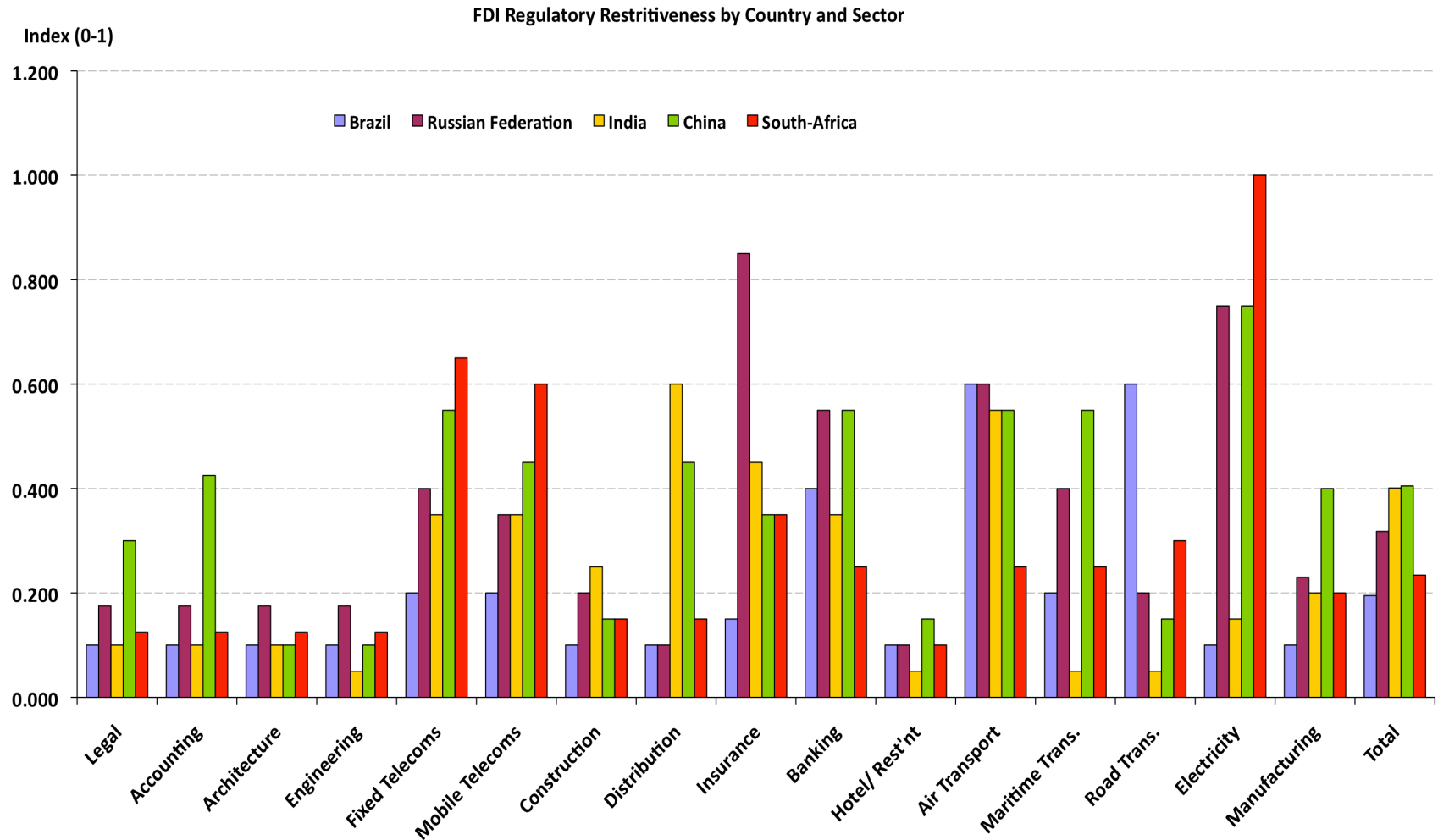
INDIAN ECONOMY 2012

- Partial reforms (like China): product-market liberalisation but not factor-market liberalisation; former on Union list, latter on State and Concurrent lists
- Results: higher growth since 1991 but lopsided – capital and skill-intensive rather than labour-intensive; not as successful as East Asia
- Urgent need for new reforms, but prospects not good

Bound and Applied MFN Tariffs (WTO 2010)

Country/ Economy	Year	Tariff Binding Coverage in %	Simple Average Final Bound (All goods)	Simple Average Applied Tariff (Manufacture)	Simple Average Applied Tariff (Agriculture)	Simple Average Applied Tariff (All Goods)	Trade Weighted Average (All goods)	Maximum MFN Applied Duties
EU	08/09	100,0	5,2	3,9	13.5	5,3	2.9	166
US	08/09	100,0	3.5	3.3	4.7	3.5	2.0	350
Japan	08/09	99.7	5.1	2.5	21.0	4.9	2.0	641
Brazil	08/09	100	31.4	14.1	10.2	13.6	8.8	96.7
Russia	08/09	-	-	10.1	13.2	10.5	10.3	357
India	08/09	73,8	48.5	10.1	31.8	12.9	6.0	246
Indonesia	08/09	95.8	37.1	6.6	8.4	6.8	4.1	150
China	08/09	100,0	10.0	8.7	15.6	9.6	4.3	65
South Africa	08/09	96.4	19.0	7.5	8.9	7.7	5.0	878

OECD FDI Regulatory Restrictiveness Scores for BRIICS - excl. Indonesia (1 = closed, 0 = open)



World Ranking in Ease of Doing Business (2012)

	Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contract	Resolving Insolvency
Brunei	83	136	83	28	107	126	122	20	35	151	44
Singapore	1	4	3	5	14	8	2	4	1	12	2
Thailand	17	78	14	9	28	67	13	100	17	24	51
Indonesia	129	155	71	161	99	126	46	131	39	156	146
Malaysia	18	50	113	59	59	1	4	41	29	31	47
Philippines	136	158	102	54	117	126	133	136	51	112	163
Vietnam	98	103	67	135	47	24	166	151	68	30	142
Cambodia	138	171	149	130	110	98	79	54	120	142	149
Laos	165	89	80	138	72	166	182	123	168	110	183
Myanmar	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
China	91	151	179	115	40	67	97	122	60	16	75
India	132	166	181	98	97	40	46	147	109	182	128

Indicators for Trading Across Borders (2012)

	Ease of Trading Across Borders (World Ranking – DB 2012)	Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)
Brunei	35	6	19	680	6	15	745
Singapore	1	4	5	456	4	4	439
Thailand	17	5	14	625	5	13	750
Indonesia	39	4	17	644	7	27	660
Malaysia	29	6	17	450	7	14	435
Philippines	51	7	15	630	8	14	730
Vietnam	68	6	22	580	8	21	670
Cambodia	120	9	22	732	10	26	872
Laos	168	9	44	1,880	10	46	2,035
Myanmar	n/a	n/a	n/a	n/a	n/a	n/a	n/a
China	60	8	21	500	5	24	545
India	109	8	16	1,095	9	20	1,070

Indian Division of Powers (b)

Under Central Control

Administrative functions such as defense, foreign affairs

Labour, quality standards

Railway, shipping, ports

Income tax, customs and excise

Deals with the RBI, public debt

Natural resources

Indian Division of Powers (c)

Concurrent list: Under Common Control

Inter state interactions

Labour issues

Education

Environment

Power

Shipping and inland waterways

Indian Division of Powers (a)

Under State Control

Law, Order, Justice and local governance

Public Health and Environment

Land and water Airports, post & telegraph

Some types of taxes

Infrastructure, except national highways

Some aspects related to Commerce & Industry

INDIAN ECONOMY 2012

- Silver linings
 - Crisis or low growth
 - Emergence of stronger civil society and independent institutions, supported by emancipated middle class
 - Opening of Indo-Pak trade
 - Reforms in the states

India and its States



INDIAN ECONOMY 2012

TABLE				
<i>Overall Economic Freedom Ratings: 2009</i>				
States	2005		2009	
	Overall	Rank	Overall	Rank
Tamil Nadu	0.57	1	0.59	1
Gujarat	0.46	5	0.57	2
Andhra Pradesh	0.40	7	0.51	3
Haryana	0.47	4	0.47	4
Himachal Pradesh	0.48	3	0.43	5
Madhya Pradesh	0.49	2	0.42	6
Rajasthan	0.37	12	0.40	7
Jharkhand	0.40	8	0.38	8
Jammu & Kashmir	0.34	15	0.38	9
Kerala	0.38	10	0.36	10
Maharashtra	0.40	9	0.36	11
Punjab	0.41	6	0.35	12
Karnataka	0.36	13	0.34	13
Uttar Pradesh	0.35	14	0.34	14
West Bengal	0.31	18	0.33	15
Chhattisgarh	0.33	16	0.33	16
Orissa	0.37	11	0.31	17
Assam	0.30	19	0.29	18
Uttarakhand	0.33	17	0.26	19
Bihar	0.25	20	0.23	20

INDIAN ECONOMY 2012

- Geopolitics: An Asian, not a global power, and inferior to China; but is it a “premature superpower”?

INDIAN ECONOMY 2012

- What implications for the EU?
 - Bad news for the EU-India FTA: either no FTA or a weak FTA
 - Focus more on targeted states, G2G and B2B – where the real market-access issues lie
 - India and the Rupee will be around in a decade. Can the same be said of the Euro and the EU?