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DRIVING THE BUSINESS OF TRADE AND INVESTMENT

Country Targeting Strategy 2011/12

Country Intelligence

India



September 2011

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Country background and economic overview

The Indus Valley civilization, one of the world's oldest, flourished during the 3rd and 2nd millennia B.C. and extended into northwestern India. Aryan tribes from the northwest infiltrated onto the Indian subcontinent about 1500 B.C.; their merger with the earlier Dravidian inhabitants created the classical Indian culture. The Maurya Empire of the 4th and 3rd centuries B.C. - which reached its zenith under ASHOKA - united much of South Asia. The Golden Age ushered in by the Gupta dynasty (4th to 6th centuries A.D.) saw a flowering of Indian science, art, and culture. Islam spread across the subcontinent over a period of 700 years. In the 10th and 11th centuries, Turks and Afghans invaded India and established the Delhi Sultanate. In the early 16th century, the Emperor BABUR established the Mughal Dynasty which ruled India for more than three centuries. European explorers began establishing footholds in India during the 16th century. By the 19th century, Great Britain had become the dominant political power on the subcontinent. India's nuclear weapons tests in 1998 caused Pakistan to conduct its own tests that same year. Despite pressing problems such as significant overpopulation, environmental degradation, extensive poverty, and widespread corruption, rapid economic development is fueling India's rise on the world stage. In January 2011, India assumed a non-permanent seat in the UN Security Council for the 2011-12 term.

India is developing into an open-market economy, yet traces of its past autarkic policies remain. Economic liberalization, including reduced controls on foreign trade and investment, began in the early 1990s and has served to accelerate the country's growth, which has averaged more than 7% per year since 1997. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services and software workers. In 2010, the Indian economy rebounded robustly from the global financial crisis - in large part because of strong domestic demand - and growth exceeded 8% year-on-year in real terms. Merchandise exports, which account for about 15% of GDP, returned to pre-financial crisis levels. An industrial expansion and high food prices, resulting from the combined effects of the weak 2009 monsoon and inefficiencies in the government's food distribution system, fueled inflation which peaked at about 11% in the first half of 2010, but has gradually decreased to single digits following a series of central bank interest rate hikes. In 2010 New Delhi reduced subsidies for fuel and fertilizers, sold a small percentage of its shares in some state-owned enterprises and auctioned off rights to radio bandwidth for 3G telecommunications in part to lower the government's deficit. The Indian Government seeks to reduce its budget deficit to 5.5% of GDP in FY 2010-11, down from 6.8% in the previous fiscal year. India's long term challenges include widespread poverty, inadequate physical and social infrastructure, limited non-agricultural employment opportunities, insufficient access to quality basic and higher education, and accommodating rural-to-urban migration.

Country statistics

Indicator	Measure	World position
Geography		
Area	3,287,263 sq km	7
	land: 2,973,193 sq km	
	water: 314,070 sq km	
Area comparative	slightly less than double the size of Iran	
Border countries	total: 14,103 km	
	Bangladesh 4,053 km, Bhutan 605 km, Burma 1,463 km, China 3,380 km, Nepal 1,690 km, Pakistan 2,912 km	
Coastline	7,000 km	
Natural resources	coal (fourth-largest reserves in the world), iron ore, manganese, mica, bauxite, titanium ore, chromite, natural gas, diamonds, petroleum, limestone, arable land	
Land use	arable land: 48.83%	
	permanent crops: 2.8%	
	other: 48.37% (2005)	
Irrigated land	622,860 sq km (2008)	
Demographics and population development		
Population size	1,189,172,906 (July 2010 est.)	2
Population structure	0-14 years: 29.7%	
	15-64 years: 64.9%	
	65 years and over: 5.5% (2011 est.)	
Popn growth rate	1.344% (2011 est.)	86
Net migration rate	-0.05 immigrant(s)/1,000 population (2011 est.)	118
Urbanization	30% of total population (2010)	
	growth: 2.4% (2010-15 est.)	
Sex ratio	1.08 male(s)/female (2011 est.)	
Life expectancy at birth	66.8 years (2010 est.)	161
Total fertility rate	2.62 children born/woman (2010 est.)	79
HIV prevalence rate	0.3% (2009 est.)	83
Literacy rate	61% (2001 census.)	
School life expectancy	10 years (2007)	

Indicator	Measure	World position
<i>The economy</i>		
Currency	Indian rupee: 46.16/US\$ (2010 est.), 48.41 (2009 est.)	
GDP (PPP)	total: \$4.06 tr (2010 est.)	5
	growth: 10.4% (2010 est.); 6.8% (2009 est.)	5
	per capita: \$3,500 (2009 est.)	163
GDP composition	agriculture: 16.1%	
	industry: 28.6%	
	services: 55.3% (2010 est.)	
Labour force	467m (2009 est.)	2
	unemp rate: 10.8% (2010 est.), 10.7% (2009 est.)	118
Labour force by occupation	agriculture: 52%	
	industry: 14%	
	services: 34% (2009 est.)	
Poverty rate	25% (2007 est.)	
Gross investment (% of GDP)	32% of GDP (2010 est.)	15
Public debt	55.9% of GDP (2010 est.)	45
Inflation rate	10.9% (2009 est.); 8.6% (2008 est.)	201
Commercial bank prime rate	12.19% (Dec 2009); 13.31% (Dec 2008)	56
Agricultural products	rice, wheat, oilseed, cotton, jute, tea, sugarcane, lentils, onions, potatoes; dairy products, sheep, goats, poultry; fish	
Industries	textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals	
Electricity	production: 723.8bn kWh (2009 est.)	6
	consumption: 568bn kWh (2007 est.)	6
Oil	production: 878,700 bbl/day (2009 est.)	24
	consumption: 2.98m bbl/day (2009 est.)	5
	reserves: 5.8bn bbl (1 Jan 2010 est.)	23
	exports: 738,600 bbl/day (2007 est.)	23
	imports: 2.9m bbl/day (2007 est.)	6
Natural gas	production: 38.65bn cu m (2009 est.)	22

Indicator	Measure	World position
	consumption: 51.27bn cu m (2009 est.)	16
Current account balance	-\$26.91bn (2010 est.)	182
Trade	exports: \$201bn (2010 est.)	23
	imports: \$327bn (2010 est.)	13
Export commodities	petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel	
Import commodities	crude oil, precious stones, machinery, fertilizer, iron and steel, chemicals	
Export partners	UAE 12.5%, US 11.1%, China 6.1%, Hong Kong 4.2%, Singapore 4.1% (2009)	
Import partners	China 11.2%, US 6.5%, UAE 6%, Saudi Arabia 5.7%, Australia 4.2%, Germany 4.2%, Iran 4.1% (2009)	
Reserves of forex & AU	\$284.1bn (Dec 2010 est.); \$274.7bn (Dec 2009 est.)	7
FDI stock	at home: \$191.1bn (Dec 2010 est.)	23
	abroad: \$89.04tr (Dec 2010 est.)	26
Communications		
Telephones	mainlines in use: 35.77m (2010)	8
	mobile cellular: 670m (2010)	2
Internet	country code: .in	
	hosts: 4.536m (2010)	18
	users: 61.338m (2010)	6
Transport		
Airports	352 (2010)	23
	with paved runways: 249	
	with unpaved runways: 103	
Pipelines	condensate/gas 2 km; gas 9,596 km; liquid petroleum gas 2,152 km; oil 7,448 km; refined products 10,480 km (2010)	
Railways	63,974 km	4
Roadways	3,320,410 km	3
Ports and terminals	Chennai, Jawaharal Nehru, Kandla, Kolkata (Calcutta), Mumbai (Bombay), Sikka, Vishakhapatnam	

Data sources

Central Intelligence Agency [CIA]; *the World Factbook*. www.cia.org. Accessed: July – August, 2011.

Note: more information on leading companies in each of the strategic sectors for investment promotion can be accessed from MARKETLINE: www.marketlineinfo.com. The website can be accessed through TIKZN's 'Online Subscriptions' link available on the portal.

Investment & Trade Promotion