

Govt to relax FDI norms

Business Standard: gennaio 21, 2010

New Delhi: Another roadblock to be removed from FDI path; Load on insurance chest.

The government of India proposes to ease the norms for foreign direct investment (FDI) approval.

At present, projects worth more than Rs 600 crore require the final approval of the Cabinet Committee on Economic Affairs (CCEA). The department of industrial policy and promotion (DIPP) has proposed that this ceiling be raised to anywhere between Rs 1,000 crore and Rs 1,500 crore.

The new norms are likely to be notified after the introduction of a consolidated FDI policy framework on April 1 this year. Projects below the threshold would get their final approval from the finance minister after they have been cleared by the Foreign Investment Promotion Board (FIPB).

According to the current norms, any FDI infusion, irrespective of its size, into projects worth above Rs 600 crore requires a formal clearance from CCEA after it passes through FIPB under the Ministry of Finance. This is mandated in Press Note 7.

Senior DIPP officials told Business Standard that it was in favour of raising the threshold to augment greater FDI inflows into the country and minimise the role of CCEA. "The proposal has been in works for some time, but we plan to introduce it when the consolidated FDI policy framework comes into effect and we receive stakeholders' views," said a senior DIPP official. Once notified, the move is expected to benefit companies across all verticals from telecom, retail, airlines, banking and financial services that view India as one of the prime investment destinations. He added that the government was not planning to review the FDI ceiling for any sector.

Even as FDI inflow has been rising since 2000, it still does not play a significant role in capital formation, according to a recent report by the Organization for Economic Cooperation and Development. The latest move is part of the policy measures aimed at smooth FDI flow into the country.

Recent Ccea Approvals

Pepsico's \$200 mn FDI within 3 years

Arcelor Mittal Netherlands BV for FDI infusion of Rs 503.37 crore

Unitech Wireless to raise foreign shareholding up to 74% with Rs 3,740 crore investment

NTT Docomo Inc. Japan to acquire equity in Tata Teleservices with FDI of Rs12,924 crore

Mitsui & Co. India for expansion of business activities

Sistema Shyam Teleservices for conversion of operating company into operating-cum-holding company and making downstream investments

Last month, Commerce and Industry Minister Anand Sharma unveiled a draft consolidation of the FDI policy. It aimed to bring greater clarity by replacing all 177 press notes outlining the guidelines and making it investor-friendly. The draft guidelines were released for stakeholders' consultation till January 31. It would be finalised by March 31. The new policy would then be subjected to inter-ministerial review after every six months.

FDI inflows increased to \$27 billion in 2008-09 from \$3.2 billion in 2004-05. During the period April-September 2009-10, FDI inflows reached \$15 billion. The government has set a target of achieving \$50 billion annual FDI by 2012 and \$100 billion by 2017.

Rural job generation to get PPP push

Business Standard: gennaio 19, 2010

New Delhi: After the infrastructure sector, the public-private partnership (PPP) model will be extended to rural job generation as well.

The initial success of the flagship National Rural Livelihood Mission (NRLM) has prompted the rural development ministry to seek a four-fold increase in Budget allocation for the project.

The new mission has been expanded from the government's Swarnajayanti Gram Swarozgar Yojana (SGSY), which had a budget of Rs 2,350 crore in 2009-10.

"This time, we have asked for Rs 10,500 crore from the finance ministry," said Rita Sharma, secretary in the rural development ministry.

Supporting Bharat

The National Rural Livelihood Mission has so far trained 100,000 rural youth, of whom 80,000 already have jobs

The rural development ministry has sought a four-fold increase in Budget allocation for NRLM. NRLM currently has 15 private partners. But the interest among private enterprises and NGOs to participate in the programme is increasing

The PPP scheme involves private enterprises to give short duration vocational training to the rural youth

The government bears the cost of the training as a subsidy on condition that the private parties would provide jobs to trained personnel

The target is to provide employment to 50 million families below the poverty line over the next seven years

The scheme allows private enterprises and non-government organisations (NGOs) to develop skills in the rural population in various fields, with a guarantee of a job afterwards. Sharma told Business Standard: "We have projects sanctioned for 600,000 people. The scheme has so far trained about 100,000 rural youth. Out of them, 80,000 have already got jobs."

NRLM currently has 15 private partners. "But, we have noticed an increased interest among private enterprises and NGOs to participate in this programme. We have received a lot of proposals from them. We want to expand this programme in the next financial year," said Sharma.

The PPP scheme involves private enterprises to give short duration vocational training to the rural youth. The government bears the cost of the training as a subsidy on condition that private parties would provide jobs to the trained personnel.

The target is to provide employment to 50 million families below the poverty line (BPL) over the next seven years. During the tenure of the first United Progressive Alliance (UPA) government, the initial cost was estimated at Rs 50,000 crore, according to former rural development minister Raghuvansh Prasad Singh.

The ministry has estimated that the construction sector will need 10 million skilled workers. Similarly, another 10 million workers can be absorbed in the textile sector. The food processing industry, another emerging area, will require at least 5 million people. While these three industries can take care of 25 million BPL families, the rest will have to depend on self-employment.

“One person per BPL family will be attached to a self-help group. They can form a team and specialise in some craft or profession. If they work in a group rather than as individuals, they will be able to achieve better economies of scale,” Sharma said.

The ministry would also provide marketing assistance to artisans involved in traditional craft making, added Sharma.

According to the original plan, around 9 million people can be absorbed in the dairy sector. The government would buy each of them a cow and a buffalo and link them to established dairies as well. The PPP scheme would also train people in segments like fishery, piggery and poultry farms.

While the UPA government boasts of leading a nation of the young, the last Economic Survey had warned that the demographic dividend could become a demographic nightmare if not addressed properly. The government, which has already launched the National Skill Development Mission, is in favour of a time-bound and specific approach to its employment generation mission.

Tata acquires Mosaic from BT

Business Standard: gennaio 19, 2010

London: Tata Communications announced today an agreement to acquire the Mosaic business of the BT Group (formerly British Telecom).

Mosaic is a web portal-based on-demand digital media management platform that manages content and workflow from production to distribution across market ecosystems.

Details of the deal, including the acquisition cost have not been disclosed. The unaudited value of the gross assets that are the subject of this transaction was £0.5 million (Rs 3.7 crore) on September 30, 2009, a release from Tata Communications said.

The Mosaic business helps media customers improve cross-enterprise content creation, management and multi-format delivery. It is targeted at the entire spectrum of media customers encompassing production houses, emerging digital media publishers, content service providers, and TV channels, the company said.

“The acquisition of the Mosaic platform strengthens our global media and entertainment portfolio, with powerful cloud-based digital media management applications that can be accessed over the Web. This enhances our existing portfolio of services that we are offering to the media and entertainment sector” said Vinod Kumar, President and COO, Tata Communications.

European B-schools keen on India

The Economic Times: gennaio 15, 2010

Ahmedabad: With the world keenly looking at emerging economies, India is increasingly becoming a preferred destination for management students from European B-schools.

IIM Ahmedabad (IIM-A), which started the dual-degree programme three years ago, is now getting more offers for a tie-up from foreign B-schools, as students there are keen for an exposure in the Indian market.

The IIM-A that tied up with Bocconi Italy and ESSEC France for the dual degree programme in 2006 and 2007 respectively, will now add more foreign institutes for the programme.

The premier B School is set to tie up with HEC Paris, a top-ranking global French B-school, for a dual degree. It is also in talks with Leipzig Graduate School in Germany for a similar programme.

Similarly, IIM-Calcutta , which so far did not run a dual degree programme , has been approached by a few European B-schools.

Under the dual degree programme, students get to study for one year in a foreign B-School after completing one year in India.

While the number of seats for a dual degree programme are limited, the programme offers a student chance to understand markets in two different geographies within the same time frame, and also earn an additional degree. Further, the students can also take part in the campus placement process to work in the country.

Prime Minister advocates creation of Solar Valleys

Gov : gennaio 12, 2010

New Delhi: While launching 'Solar India', the Jawaharlal Nehru National Solar Mission, Prime Minister Dr Manmohan Singh recommended the creation of Solar Valleys across the country and advised industrial houses to view it as considerable opportunity.

Dr Singh said that if the Mission were to come to fruition, many Solar Valleys would have to be created along the lines of the Silicon Valleys that spur the information technology industry across the country. He said that the valley had the potential to turn into hubs for engineering and research, solar science and fabrication and manufacturing.

The Prime Minister said that the Mission's ambitious target of 20,000 MW was "doable and we should work single-mindedly to achieve it as a priority national endeavour". He noted that solar energy is already bringing benefits to many of India's people and that the spread of solar power-based rural applications could change the rural energy sector.

Education sector holds US\$ 100 bn investment potential, say experts

Gov: gennaio 11, 2010

New Delhi: The country's education sector presents an investment potential of US\$ 100 billion over the next five years according to sector experts.

The growth potential in the sector is driven by increasing demand for skilled professionals and need for infrastructure development.

The education sector could turn into one of the most preferred sectors for investment by venture capitalists and private equity players, as per sector experts.

According to experts, enabling private participation in education, private players can have a significant role in the expansion of the sector.

Reliance MediaWorks acquires UK-based iLabs

Business Standard: gennaio 08, 2010

Mumbai: Reliance MediaWorks has acquired British-based iLabs to strengthen its post-production facilities. These include processing, restoration, 2D to 3D conversion and other services to broadcasters and studios.

iLabs has been working on high-end processing for film, television, commercial and shorts' productions. Reliance MediaWorks CEO Anil Arjun said: "Through Reliance MediaWorks UK (the new acquisition and its existing presence in Britain), we would provide next-generation services for the local film makers and broadcasters, while also catering to Hollywood and Hindi film businesses."

Reliance MediaWorks UK, the company said, has already secured image processing and restoration work for two high-profile projects from leading British broadcasters at Reliance MediaWork's LA-based subsidiary, Lowry Digital, which is Hollywood's leading film restoration company. Lowry Digital has handled projects for leading studios like Walt Disney, Paramount Pictures, MGM and 20th Century Fox and entertainment leaders like George Lucas, Steven Spielberg and James Cameron. Also, recently, Lowry Digital has handled the restoration of footage sent back to Earth from Apollo 11, as part of the 40th anniversary celebrations of the mission, for the National Aeronautics and Space Administration (Nasa) of the US.

The company had also established an optical fibre network, a first of its kind, through Reliance Globalcom's Ethernet Private Line. This network has been used for close to a year for distributing digital cinema releases of Indian films from Mumbai to the US.

Automobiles: The wonder decade

The Economic Times: dicembre 31, 2009

India's drive to the top of the small car heap took off in the late 1990s. Ten years on, and some painful consolidation later, India is THE mini hub and the world is its market.

The Market Vrooms

The car market has zipped from 577,000 units in 1999-2000 to 1.2 million units in April-November 2009-2010

Analysts estimate the current fiscal to close at 2 million units (including SUVs)

Global CEOs like Nissan-Renault's Carlos Ghosn are already pegging the next decade to take the market to 6 million units

The Mini Rocks

A bunch of MNC players flooded the market with tech savvy small cars

The competition expanded the market thanks to new products and a price war between market leader Maruti and newbies Tata Motors and Daewoo

The Tata Indica, a local breakthrough and India's first homegrown car, was launched in 1998

The Tatas followed it up with a global breakthrough 10 years later with the world's cheapest car, Nano

As India's appetite for the small car grew, so did local competence. The result: a top quality component base and frugal engineering skills

More MNCs lined up for small car action, even those like Toyota and Honda not traditionally mini players

From tweaking existing models and even phased out variants for India, MNCs are now developing car architectures or platforms with India as the lead country; for instance, Toyota and Honda

Ticket to Ride

As the biggest small car market in the world and the fastest growing car market after China, India is now a bonafide auto hub

Global auto companies are looking to tap the market and its engineering expertise

MNCs like Nissan Renault want to replicate the Nano formula, and not just for India

As oil prices zoom, the small car is the flavour of the month everywhere, except the US. And India is the belle of the ball

Go east

Most analysts now agree that the heart of auto country is moving eastwards, towards India and China. The good news is, between the two markets, there's little overlap. While China is a sedan market, India is a hatch heaven. India's small car focus is suddenly hot property for global auto majors. European and Japanese companies are already using India for contract manufacturing. The next step is to use homegrown Indian technology for cost-effective engineering. This, along with marketing savvy, will be the next big leap for the industry. That the local market will by then be three times bigger won't hurt either.

Emerging markets and recession

Counting their blessings

Developing countries have come out of the recession stronger than anyone had expected. This will have profound consequences for the rest of the world

Dec 30th 2009

From The Economist print edition

THE political and social consequences of the worst economic crisis since the Great Depression have been milder than predicted. In developing countries, at least, governments have not fallen in a heap, as they did after the Asian crisis of 1997-98. They have not battled their own people on the streets, as happened in Europe during the 1930s. Social-protection programmes have survived relatively unscathed. There have been economic-policy shifts, naturally, but no panicky retreat into isolation, populism or foreign adventures. The good news has not been spread evenly, of course: some countries have ridden the storm more successfully than others. And these are only first-round effects: things could still get worse. So far, though, resilience has been the order of the day.

This was not expected a year ago. Then, it seemed likely that normal rules would apply—that when the rich world sneezes, developing countries get swine flu. In the fourth quarter of 2008, when rich economies were contracting by 5% to 10% a year, real GDP fell at an average annualised rate of around 15% in some of the world's most dynamic economies, including Singapore, South Korea and Brazil. The fall in Taiwan's industrial output—down by a third during 2008—was worse than America's worst annual fall during the Depression.

Emerging markets seemed likely to suffer disproportionately because of their trade and financial links with the West. Exports in that dreadful last quarter of 2008 fell by half in the Asian tigers at an annualised rate; capital flows to emerging markets went over a cliff as Western banks “deleveraged”. The Institute of International Finance (IIF), a think-tank in Washington, DC, forecast that net private capital flows into poor countries in 2009 would be 72% lower than at their peak in 2007, an unprecedented shrinkage.

As people peered ahead into 2009, no forecast looked too dire. “The end of globalisation” was a common refrain. Some thought emerging markets would turn inward to protect themselves from the contagion of the West. Others forecast that hundreds of millions of people would be tipped into hunger. The IMF's managing director, Dominique Strauss Kahn, fretted that unless governments did the right things at the right time, there was a “threat of civil unrest, perhaps even of war”.

At the start of 2010 there are indeed a billion hungry people, for the first time in 40 years. But the other forecasts now look excessively gloomy. Whereas the last three months of 2008 saw one disaster after another, the end of 2009 was a period of healthy recovery, as measured by capital, bond and stockmarkets.

During 2009 the largest developing-country stockmarkets recouped most or all of the losses they had suffered during 2008 (see table). October 2009 saw the largest monthly inflow into emerging-market bond funds since people started tracking the numbers in 1995.

V for vigour
Stockmarkets, % change on previous year, \$ terms

	2008	2009
Brazil	-55	+142
China	-68	+125
India	-62	+88
Indonesia	-57	+114
Malaysia	-42	+46
Mexico	-40	+56
South Korea	-56	+61
Taiwan	-47	+78

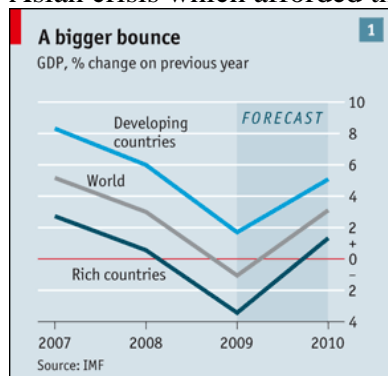
Source: Thomson Reuters

Russia's central bank estimated that the country would attract \$20 billion of capital inflows during the fourth quarter, compared with capital outflows of \$60 billion in the first nine months. The IIF now reckons that net private capital flows to developing countries will more than double in 2010 to \$672 billion (still a long way below their peak). So much new money is flooding into emerging markets that calls for capital controls are echoing around the developing world

.This craze for emerging-market paper could perhaps prove a bubble. But as a measure of reputational change, it is accurate. Countries that were disaster zones at the start of 2009 achieved gold-rush status by the end of it. This turnaround reflects a resilient economic performance during the recession. It also reflects a stunning degree of political and social cohesion.

The most important economic reason for this is that emerging markets were less affected by the rich world's recession than seemed likely early in 2009. Big populous countries—China, India, Indonesia—did not tip into recession; they merely suffered slower growth. Brazil and the Asian tigers saw output fall but bounced back. The pattern, though, was variable. The Baltic states endured a depression; Mexico suffered from its dependence on America; eastern Europe was harder hit than Asia; poor African countries suffered more than middle-income Asian ones.

Overall, the loss of output in emerging markets during 2007 was somewhat greater than it had been in the Asian crisis of 1997-98, but less than had been expected and much less than the fall in world gdp (see chart 1). Emerging markets benefited from their own economic-stimulus programmes and from policy activism in rich countries. Rich-country bail-outs and monetary loosening stemmed worldwide financial panic and helped stoke an appetite for emerging-market exports and assets. In addition, some developing countries built up big cushions of foreign-exchange reserves after the Asian crisis which afforded them some protection.



Surprising stability

This economic resilience has had big political and social benefits. Politically, the most striking feature of the crisis is how little instability it caused. The worst slump in decades has so far led to the fall of just one emerging-market government: Latvia's (Iceland's government also collapsed). Other east-European governments have come under pressure, notably Hungary's.

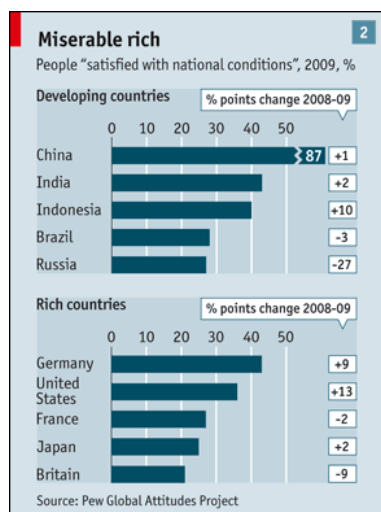
But two of the biggest emerging markets—India and Indonesia—held national elections in 2009, and both were won by the ruling party. This was unusual in India, which traditionally votes against incumbents. In another emerging giant, Brazil, the outgoing president is likely to leave office in 2010 with poll ratings in the stratosphere (Luis Inácio Lula da Silva's favourability ratings stayed above 60% for most of 2009). The global crisis seems to have consolidated, not undermined, the popularity of large developing-country governments, presumably because the economic crisis was perceived to have begun elsewhere and been dealt with efficiently.

Contrast that with what happened during the Asian crisis of 1997-98. Widespread rioting in the wake of abrupt devaluation led to the fall of Suharto's 30-year dictatorship in Indonesia. Devaluation added to popular discontent in the Philippines, culminating in the overthrow of President Joseph Estrada. There was mass discontent in Thailand as millions of urban workers lost their jobs and wandered back to their villages. Financial collapse in Russia produced a political crisis and led to the sacking of the prime minister, Sergei Kiriyenko. A couple of years later, Argentina defaulted on its debt and ran through three presidents in ten days at the turn of 2001-02. ("What did you do for Christmas?", ran the contemporary joke. "I was president.") In country after country, governments reacted to financial stress and plunging currencies by imposing emergency austerity measures which brought them into conflict with rioters on the streets. That has been much rarer this time.

The second striking feature of the crisis has been that, with one or two exceptions, it seems not to have caused any fundamental shift of popular opinion. There has been no upsurge of angry pessimism, nor any significant backlash against capitalism or free markets. That doubtless explains much of the political composure.

Compared with people in the West, those in big emerging markets seem in almost sunny mood. In China, India and Indonesia, according to the Pew Global Attitudes Project in Washington, DC, more than 40% of respondents say they are satisfied with their lives (in China the figure is 87%). In France, Japan and Britain, the share is below 30% (see chart 2). This is unusual: measures of "life satisfaction" tend to rise with income, so you would expect levels to be lower in emerging markets,

as they were in 2002-03. The reversal of that pattern may reflect a sense in those countries of their quick recovery.



It is true that the overall levels hide some disturbing trends. A study of Bangladesh, Indonesia, Jamaica, Kenya and Zambia by the Institute of Development Studies at the University of Sussex found that people there said they were saving less, celebrating together less often and thought that neighbourly support was declining. People also thought children and old people were being abandoned more often. But, overall, such concerns are as great or greater in rich countries.

The mood in emerging markets is both unusual and consequential. To see how, compare what is happening there with trends in parts of the West. Americans, for example, seem to be hankering for isolationism. According to Pew's polling, 49% of Americans now think their country should mind its own business internationally. That is more than 30 points higher than when the question was first asked in 1964. Jim Lindsay of the Council on Foreign Relations points out worrying parallels between what is happening now and America's reaction to the Great Depression, which sparked a period of introspection that ended only with the second world war. Developing countries are not suffering such anger or frustration.

That same resilience informs their attitudes to markets. Arvind Subramanian, of the Petersen Institute for International Economics in Washington, DC, argues that the recession has set off "no serious questioning of the role of the market" in developing countries. It is true that China has seen a disproportionate rise in lending to state-owned enterprises, but this is not necessarily regarded with favour. China's media have been flooded with reports of abuses by state firms, all featuring a newly popular, negative-sounding term *guojin mintui*, which means "the state advances and the private sector retreats".

Asked "Are you better off under free markets?", people in emerging markets are more likely to say yes than those in rich ones. The share of respondents who think they are better off fell in 2009 by between four points (Germany) and ten points (Spain). In most emerging markets, the share either rose (in India and China) or stayed flat (in Brazil and Turkey). No sign of an anti-capitalist backlash there.

The combination of political stability and popular composure has given emerging markets what might be called "policy space" in which to act. They have used it to the full—and mostly for the better. This, in turn, has enhanced their reputations for economic management.

Little big spenders

At the start of 2009 falls in foreign-trade taxes, remittances, aid, commodity prices and capital inflows all threatened developing countries' fiscal positions, and their social spending especially. For a few, the threat materialised: 20 countries, many in eastern Europe, signed standby arrangements with the IMF and tightened fiscal policy. But by and large, the slash-and-burn approach to crisis management associated with previous bouts of economic trouble was avoided. For the first time in a global recession, emerging markets were free to loosen fiscal policy.

Some produced big stimulus programmes. China's is the best known, but Russia, Hong Kong, Kazakhstan, Malaysia, Vietnam, Thailand, Singapore, Brazil and Chile also unveiled large anti-crisis budgets or counter-cyclical spending programmes. As a share of GDP, stimulus spending by the emerging-market members of the G20 was larger than spending by the rich members. In that sense, emerging markets did more than their Western counterparts to combat global recession. Even countries that could not afford emergency programmes like China's let their fiscal balances deteriorate as counter-cyclical spending got under way. In Africa, oil importers let their budget deficits rise from 2.2% of gdp in 2008 to 6% in 2009.

By ring-fencing social spending, developing countries managed to protect some of their poorest people. Brazil expanded the coverage of its assistance programme for the poor, called Bolsa Familia, by over 1m households to 12m. India expanded to the whole country a programme that guarantees 100 days' employment on public works each year to any rural household that wants it. China's massive stimulus programme may have forestalled disaster in the migrant-labour force. Half the 140m labourers working in Chinese cities returned home in early 2009; a fifth stayed there, and another fifth could not find work when they returned to the cities. But as spending on infrastructure started to kick in, employment surged; by the middle of the year, joblessness among rural migrant workers was down to less than 3%. Beyond China, fear of social unrest associated with jobless migrants (as in 1997-98) has not materialised. A forthcoming study of 11 countries by Oxfam, a British NGO, found that migrants took new jobs, often at lower wages or with longer hours. In Vietnam some were even given money to stay in the cities by their families in the countryside—a kind of reverse remittance. But there was no mass return to the villages.

Flexibility is strength

The Oxfam study describes the myriad ways in which countries resisted the recession. Remittances held up better than expected. Parents refused to take their children out of class, or else switched them from private to public schools. Some even cut down on their own food to keep children in education. There were outright job losses in some parts of countries' economies, such as export sectors and mining. But the commoner reaction to falling demand was to cut hours and wages, reduce benefits and insist on more flexible working conditions. In other words, the main result of the slowdown was not unemployment (though there was some) but a move towards more flexible labour markets.

How long this can go on is unclear. Cash-transfer and make-work schemes are expensive: most poor countries cannot afford them. Worse, the poorest were more vulnerable than middle-income countries anyway because of the food-price spike of 2007-08: hence the rise in the number of hungry people to 1 billion, the highest figure since 1970. In general, the informal sector (home workers, ragpickers, street vendors) has been hit harder than the formal sector and is beyond the reach of government anti-poverty programmes. Although developing countries have done what they can, it would be wrong to think their people have escaped the recession entirely.

It is worth adding that not all the actions of developing-country governments have been equally enlightened. Emerging markets have been the worst sinners in a new round of protectionism. Whether you look at the number of new trade-damaging measures tracked by the World Trade

Organisation, or the numbers of sectors or trading partners hurt, Russia, China and Indonesia are all among the top five protectionists; Argentina is in the top ten. Rich countries have been slightly less destructive. Still, as Simon Evenett, a professor of trade at the University of Saint Gallen, Switzerland, points out, this is not as dreadful as it might have been, or as it was in the 1930s. Only four countries have implemented restrictions affecting more than a quarter of their product lines: across-the-board tariff barriers are not the fashion. But as growth picks up and fights for market share increase, these restrictions could lay a basis for further trade disputes.

The tectonic consequence

When the Earth's tectonic plates grind against one another, they do not always move smoothly; sometimes they slip. A year after the West's slump began to spread to emerging markets, it has become clear that the recession has been a moment of tectonic slippage, a brief but powerful acceleration in the deep-seated movement of economic power away from rich nations towards emerging markets.

Illustration by Adrian Johnson Since 2007, according to Goldman Sachs, the biggest emerging markets—Brazil, Russia, India and China—have accounted for 45% of global growth, almost twice as much as in 2000-06 and three times as much as in the 1990s. It used to be said that although emerging markets were contributing an expanding share of world growth, they could not claim to be the real engine for the global economy because final demand for their exports lay in America. But that argument is weaker now that China has overtaken America as the main market for the goods of the smaller Asian exporters. The recession showed that economic power is leaching away from the West faster than was thought.

Previous recessions have left most developing countries with their reputations for economic management in tatters, and with credibility to regain in capital markets. This time, it is the rich whose reputations have been damaged. The fiscal response of many emerging markets has enhanced their credibility, and they find themselves with an unexpected reputation for fiscal prudence. The debt-to-gdp ratio of the 20 largest emerging markets is only half that of the top 20 rich nations. Over the next few years rich countries' debt will rise further, so emerging markets' indebtedness will be only one-third of theirs by 2014. Already there are signs that financial markets are rewarding them for good behaviour. Sovereign-risk spreads have been lower in the biggest emerging markets than in some euro-zone countries; in 2009, Hong Kong did more initial-public offerings than New York or London.

At the start of the crisis, a Mexican minister sighed: "At least this time it's not our fault." The comment was laden with sad irony: like everyone else, he expected that Mexico's innocence would make no difference and that emerging markets would be hammered anyway. But they have not been. So far the story of global recession in emerging markets has had that rarest of themes: virtue rewarded.

Gates Warns of Militant Threat in South Asia

By ELISABETH BUMILLER

The New York Times Published: January 20, 2010

NEW DELHI — Defense Secretary Robert M. Gates warned on Wednesday that the interconnected extremist groups on the Afghanistan-Pakistan border were working to destabilize the entire region and that “a victory for one was a victory for all.”

Defense Secretary Robert M. Gates and officials in New Delhi talked Wednesday about countering the Taliban and Al Qaeda.

Speaking in New Delhi at a news conference after meetings with Prime Minister Manmohan Singh of India and the country’s defense and external affairs ministers, Mr. Gates said Taliban groups and other militant organizations operating under the umbrella of Al Qaeda intended to destabilize not only Afghanistan and Pakistan but also India.

Mr. Gates, who was in the middle of a two-day visit to New Delhi, India’s capital, said that the groups could provoke conflict between India and Pakistan, and that focusing on only one extremist group for elimination was not the solution.

“It’s dangerous to single out any one of these groups and say, ‘If we could beat that group that would solve the problem,’ because they are in effect a syndicate of terrorist operators,” Mr. Gates said. In short, he said, “the success of any one of these groups leads to new capabilities and a new reputation for all.”

Mr. Gates said he welcomed India’s support in the war in Afghanistan — perhaps including a small role in training Afghan security forces — but implicitly rejected the deployment of any Indian troops in the country because of the reaction of Pakistan.

The two countries, violently carved apart in 1947 at the end of British rule, have fought several wars and harbor deep suspicions of each other. India maintains a large force along its border with Pakistan; militant groups once nurtured by Pakistan’s intelligence service have struck at Indian targets, including Mumbai in 2008 and India’s embassy in Kabul last year. There is also a festering rivalry over which country controls Kashmir.

India has steadily poured aid and investment into Afghanistan since the toppling of the Taliban in 2001, spending more than \$1 billion so far on infrastructure, schools and hospitals. India is working on a new building for the Afghan Parliament as well as a crucial 124-mile road across Nimruz Province that will link Afghanistan, a landlocked country, to an Iranian port.

Some of these projects have been uncontroversial, but Pakistan suspects India of using Afghanistan to destabilize Pakistan’s western border and resents any threat to its influence in the country.

“Let’s be honest with one another here,” Mr. Gates said. “There are real suspicions in both India and Pakistan about what the other is doing in Afghanistan. And so I think that focusing each country, focusing its efforts on development, on humanitarian assistance, perhaps in some limited areas of training, but with full transparency toward each other in what they’re doing, would help allay these suspicions.”

Mr. Gates repeated previous praise for India for its “statesmanship” in response to the November 2008 terrorist attacks in Mumbai, formerly Bombay, which American and Indian officials have

attributed to Lashkar-e-Taiba, a Pakistan-based militant group. But Mr. Gates said that India might not show such restraint again.

“I think it is not unreasonable to assume Indian patience would be limited were there to be further attacks,” Mr. Gates said.

The defense secretary said that he would talk to Pakistani officials “so they can focus on what has become a real existential threat to Pakistan, these different terrorist groups operating in its territory.”

Despite pledges from Pakistan to dismantle militant groups operating on its soil, and the arrest of a handful of operatives, intelligence officials say Lashkar has persisted, even flourished, since the Mumbai attacks, in which 10 Pakistanis killed more than 160 people.

Later Wednesday, Mr. Gates traveled to Agra to tour the Taj Mahal, then returned to New Delhi for a dinner with Indian military officials.

Lydia Polgreen contributed reporting.

What’s That? 50 Degrees Isn’t Winter? Tell That to the People Shivering Here

Keith Bedford for The New York Times

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NEW DELHI — Behind the counter of J & J Trading Company, an appliance wholesaler in a warren of electrical shops in Old Delhi, Rajinder Singh has no patience for customer service. A man eyeing the Turbo Hot Air asks for a test. Could the small metal heater be plugged in? Buy it first, Mr. Singh demands.

. The winter seems to come as a surprise to many.

Another customer wheedles for a discount. “Don’t ask for a better price,” Mr. Singh retorts. “You are getting a heater, and we are running out. That is enough.”

He is right. Within a half-hour, the last Turbo Hot Air is gone. One man bought four, having driven over from a suburb because stores there were empty. The clamor in Mr. Singh’s store is testament to a phenomenon not usually associated with New Delhi: winter. Once again, it has arrived.

There are colder places, this cannot be denied. If other cities are besieged by snow and measure the cold by how far the mercury plunges below zero, Delhi has never in recorded history actually experienced freezing temperatures. It is usually inflamed by varying stages of summer. The all-time recorded low, in 1935, was 33.08 degrees Fahrenheit.

But if winter is both mild and short in Delhi, it is assuredly felt, and, as evidenced by the rush for heaters, it finds many people ill prepared. In India’s northernmost reaches, the cold can be fatal; about 300 deaths have been reported this season by the Indian news media, including at least 10 in Delhi. When temperatures in New Delhi dipped into the 40s this week, a bureaucratic alarm bell sounded. Local officials ordered elementary and middle school students to remain home as a safeguard against the chill.

At P & T Senior Secondary School near the heart of the city, Parveen Sharma sat behind her desk, wrapped in a woolen shawl, and offered a stiff upper lip when asked if coming to work this week was a hardship.

“Duty is duty, sir,” said Ms. Sharma, the principal. More than 700 younger children were excused, but teachers, administrators and high school students reported. “No one is complaining.”

The school, like others in the city, is not heated, nor is it equipped with air-conditioning for when the temperatures push near 120 degrees on the hottest days of summer. “We Indians are very strong,” Ms. Sharma said as the midday temperature outside warmed suspiciously close to the low 60s. “Nobody complains that it is too hot or too cold.”

Wednesday was Lohri, the festival that belatedly marks the winter solstice in India. Traditionally, farmers in the state of Punjab celebrate by tossing sweets into a bonfire in hopes of a good harvest, and since Delhi is filled with Punjabis, the tradition is repeated, as elsewhere in north India. But beyond the festival, bonfires have become a symbol, good and ill, of the Delhi winter, a reminder of how many people live exposed to the elements.

At nighttime, after the stultifying evening traffic has eased and the streets begin to empty, the orange light of small contained fires flickers from street corners. If some cities ban such fires, Delhi both celebrates them — a local columnist wrote an ode to the bonfire this week — and regards them as an essential source of warmth for the many people living or working outside.

The city also lives with the consequences, as the fires blend with seasonal fog and car exhaust to create a nasty wintertime soup. One weather forecast for Wednesday diagnosed the condition succinctly: “Smoke. Cool.”

The author Gurcharan Das recalled a Delhi childhood of blue winter skies and afternoons watching his mother in their tiny garden, shifting her chair away from the chill of the afternoon shadows. In the heat of summer, people hide from the sun; in those winter days, she chased it.

But these days the blue skies have become more rare. During the past week, the soup has been so thick that flights have been delayed or canceled. Passengers on one international flight had their takeoff delayed by 21 hours.

“The sky used to be blue,” Mr. Das said. “It was cold, so we could enjoy the sun. It was the most wonderful thing. But now the sun is lost.”

On one recent night, as the nighttime traffic lingered past 9 p.m., tiny fires blazed across the city. Workers on a new subway line in south Delhi huddled around one fire, taking a break from directing cars through the construction zone. In the Chandni Chowk shopping district of Old Delhi, rickshaw drivers squatted next to a fire while homeless migrants kept warm nearby by burning trash before moving for the night into a large tent set up by the city. And at nearly every taxi stand in south Delhi, drivers sat beside fires, waiting and hoping for a fare.

“You feel cold when you don’t have work,” said Sohan Singh, a driver, his yellow turban reflected in the fire’s dim light. “We eat here. We sleep here. This is our home and our office.”

Thursday was the Hindu holiday of Makar Sankranti, during which, among other things, people perform good deeds, often for the less fortunate. In Chandni Chowk, Sanjay Anand sat cross-legged in his shawl-and-blanket shop. “Just now, someone came and wanted to donate 100 blankets to the poor,” Mr. Anand said, gesturing toward a large stack of blankets wrapped in canvas. “So that package is his.”

In the last week, Mr. Anand said, about 15 people a day had come in for blankets. "Some people drive around at night and give them to people they find sleeping on the road," he said.

Opinion is divided on whether winter is getting colder in Delhi or slightly warmer, or whether the cold is lasting longer or ending sooner. But everyone agrees that it persists in showing up. B. P. Yadav, a weather forecaster, said average temperatures in January ranged from lows of 44 degrees to highs of 68 degrees, or sunbathing weather in Finland. He predicted that temperatures would begin to rise during the back half of the month, meaning that the heater business would cool off at J & J Trading.

Then Rajinder Singh, the proprietor, would need to shift his inventory to a product in demand for the other 10 months of the year: fans.

India's Afghanistan dilemma

India may be able to help stabilise Afghanistan, but it must tread carefully to avoid inflaming old tensions with Pakistan

By Eric Randolph
guardian.co.uk, Tuesday 5 January 2010

When Obama proclaimed an 18-month deadline for his Afghan "surge", he had two purposes. One was to assuage the concerns of the anti-war constituency back home. The other was to provide a wake-up call to countries in the region who will, so the reasoning goes, pay the highest price for continuing instability in Afghanistan.

That call is being answered in India, where officials are starting to fret over what happens in their neighbourhood when the US starts packing up shop. Shashank Joshi recently made a strong case in the Guardian that now is the time to build on India's considerable soft power presence in Afghanistan – which consists of development aid, cultural ties and symbolic projects such as the building of the new parliament building in Kabul – and combine it with an increased hard power posture.

Others have started to flesh out what that might look like: more combat troops in north and west Afghanistan, and large-scale training programmes for the Afghan national army.

There are two problems with all this. The first is that "filling the vacuum" left by the Americans could easily become "leaping into their quagmire". It is very much in Obama's interest to spread the burden, and the difficulties he faces in extricating the US from the Long War ought to be a sobering lesson for those seeking to step up their involvement.

The other problem is Pakistan, whose military establishment dreads the prospect of an India-friendly government on its western flank and may sponsor further militancy against Indian interests in retaliation. Advocates of a bigger Indian footprint in Afghanistan argue that they should not kowtow to the neurotic concerns of a paranoid Pakistani establishment. They are wrong, for it is that very neurosis that is India's real enemy – much more so than the Taliban or even the militant cells seeking a repeat of the Mumbai attacks. India may be able to contribute positively to a more stable Afghanistan, but the starting point for any policy decision must be how it will play with the Pakistanis.

What has somehow been lost in this discussion is the central role of Kashmir. When Obama was still on the campaign trail, he frequently called for a comprehensive regional solution linking

Kashmir to problems on the AfPak border. But once in office, things changed. When Richard Holbrooke was appointed special representative for Afghanistan and Pakistan, it was notable that his brief did not include India or Kashmir. The reason for the change of heart, it turned out, was that India had intensively lobbied Washington to leave Kashmir off Holbrooke's agenda, incensed at the idea of outside interference. India's wishes have been realised: not once did the word "Kashmir" appear in Obama's Afghan strategy speech at the start of December.

And yet it is common knowledge that Kashmir remains priority number one for the Pakistani military and the main reason for its reluctance to commit fully to the US effort in Afghanistan. The whole point of Pakistan's support for the Taliban during the 1990s – and in a more nuanced fashion to the present day – has been to give it "strategic depth" in its long-term struggle with India.

Having successfully isolated the Kashmir issue, Indian hawks now risk treating Afghanistan as if it, too, were a stand-alone problem. Keen to exert their growing regional influence, they ask: "What can we do to support the government in Kabul and bolster Indian interests there?" when the key question should be: "How will our actions be perceived by the Pakistani establishment and will it encourage them to crackdown on terrorists in their midst?"

Pakistan's neurosis cannot simply be dismissed – it is the hammer that will continue to drive a wedge between the two countries for as long as it exists. No amount of military superiority or regional influence will ever make India truly safe from another terrorist strike while the Kashmir question remains unresolved. Part of the Pakistani neurosis stems from a history of violence between the two, but recent years have surely added an element of resentment to the mix. How easy can it be to watch as India extricates itself in the world's eyes from the old India-Pakistan dynamic – which conjured images of intractable conflict, wasted potential and the threat of imminent nuclear war – to forge a new hyphenation of India-China, which speaks instead of booming growth figures, acceptance into the civil nuclear club, and banquets at the White House? This is how the world increasingly looks on India – as a potential superpower for the 21st century – while Pakistan remains mired in the past, playing out centuries-old battles between Shia and Sunni, Mehsud and Wazir, and looking to a future already mortgaged to foreign debtors.

The harsh reality that Indians face is that despite frequently being the victim of aggression in recent years – from the bombing of its parliament in December 2001 to the Mumbai attacks of November 2008 – the impetus for change must come from them. With a landslide election victory last April, its government has the political capital for bold moves that its counterpart in Islamabad lacks.

Reflecting his strong position, the Indian prime minister Manmohan Singh took a brave first step towards restarting negotiations (which have been stalled since Mumbai) when he signed a joint declaration on terrorism with Zardari in July 2009. He did so despite the inclusion of suggestions that India has supported separatist insurgents in Pakistan's Baluchistan province, for which there is little or no proof. Inevitably, this did not play well back in India, but the prime minister understood that the aim cannot be one of apportioning blame – the decades have created simply too much on both sides for that to be productive.

Rather, India's goal must be to build a new trust, ease anxieties and find a way for Pakistan to share in some of the benefits that relative stability has brought. This does not preclude India from offering assistance to Afghanistan, but whatever form that takes must be determined with a clear understanding of how it will impact on Kashmir negotiations and the broader anxieties of a neighbour to which it is inextricably tied.