

## India's Economic Interaction with world

### 1. Reliance and BP: Single largest FDI in India

- In February 2011, it was reported that the United Kingdom energy giant BP Plc has signed a \$ 7.2-billion (₹ 32,500 crore) deal to buy **30 per cent stake** in 23 oil and gas blocks of Mukesh Ambani's Reliance Industries Ltd. India's largest private sector company.
- The 23 blocks also include the **KG-D6 block**, RIL's biggest discovery so far. BP also agreed to pay up to \$ 1.8 billion following exploration success in the future.
- Reliance and BP will enter into a 50 : 50 joint venture for sourcing and marketing of gas. The joint venture will also endeavor to accelerate the creation of infrastructure for receiving, transporting and marketing of natural gas in India.
- Reliance said the partnership will combine BP's world class deep water exploration and development capabilities with Reliance's project management and operations expertise.
- It is not often that a business deal gets signed at 10, Downing Street, in the presence of the Chancellor of the Exchequer of Britain.
- The deal between BP, a company struggling to repair its reputation after the disaster in the Gulf of Mexico, and Reliance Industries, was apparently considered big enough to be blessed by the British establishment.
- **The deal is the single largest FDI investment in India** and it was two years in the making.
- Mukesh Ambani also reiterated that the agreements were under the **New licensing and exploration policy (NELP)**. This was in contrast to the stalled **Cairn-Vedanta deal** where the blocks were awarded prior to NELP.
- The deal covers about 2,70,000 sq km, making it India's largest private sector holder of exploration acreage, comparable to UK's North Sea. Reliance will continue to be the operator for the blocks.

### 2. India Prefers 'Brent' to Cheaper US Crude Oil

- US crude oil, which is also termed as **West Texas Intermediate (WTI)**, is cheaper, than **brent crude**.
- The reason why India prefers brent is simple, there is loading, inland movement and a longer ocean voyage involved in buying WTI which narrows the price difference between the two crudes.
- **About Brent:** Brent crude is sourced from North Sea and refined in North Europe. The name Brent comes from the naming of shale UK exploration and production operation on behalf of Exxon Mobil and Royal Dutch shale, which originally named its fields after the name of the bird, i.e., **Brent Goose**.
- The symbol of Brent is **LCO(Light Crude Oil)**
- **Characteristics of Brent:**
  1. Brent is light crude oil, though WTI is lighter. Brent contains 0.37 per cent of sulphur. So it is sweet quality of crude, but WTI is sweeter.
  2. Brent is suitable for the production of petrol and middle distillaries.

3. **API gravity** of brent is 38.06 and specific gravity is 0.835. (The American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water. If its API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier and sinks. API gravity is thus an inverse measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids)

### 3. Venezuela and Nigeria find pride of place in Indian crude oil basket

- Countries like Venezuela and Nigeria have been strengthening their position as important suppliers of crude oil to India.
- However, West Asia remains the major source of crude for Indian refiners.
- Factors other than **geo-political dynamics** including the US sanctions on Iran have contributed to countries outside West Asia to increase their share of the pie.
- The entry of Venezuela in the dome of crude oil suppliers is because of Reliance industries, the country's biggest importer of crude oil; until 2010, Reliance used to import from Iran, but it **did not source any oil from Iran in 2011**.
- Iran's loss has been clearly Venezuela's gain, as Reliance imported 10.3 mt of crude from Venezuela. This alone made Venezuela as **7th largest importer** of crude oil for India.
- India's crude oil imports from Africa, especially Nigeria, have also been increasing significantly. As much as 15.8 mt was imported from **Nigeria** during the financial year 2011, the bulk of it (around 12.3 mt) by PSU refining major **Indian Oil**.
- This made Nigeria as **4th largest importer** of crude to India.
- The increasing contribution of Venezuela and Nigeria notwithstanding, **West Asia** still accounted for the bulk (almost 65 per cent) of the crude oil sourced by India in the fiscal 2011.
- **Saudi Arabia** maintained its pole position and supplied around 27.4 mt in 2010.

### 4. FII in India shows Downward Trend

- As per the figures published in July 2011 by the Securities and Exchange Board of India, foreign institutional investors (FIIs) is showing a down trend by pulling out \$ 497 million global depository receipts or GDRs, primary market, stock market, etc. from India between the period of January 2011 and June 2011.
- On the other hand, the rival neighbour of India, Pakistan, has got more foreign inflows in the first half of 2011-a total of \$ 230 million as FIIs was received by Pakistan in this period.
- However, there is no comparison between the stock exchange of Pakistan (Karachi stock exchange) and the Bombay stock exchange (the market cap of Pakistan's stock exchange is a mere \$ 35 billion whereas India's cap of \$ 1,500 billion.
- **Factors Responsible for this Downfall:**
  - he contributory factors for the down trend may be
  - High inflation.
  - Rise in commodity prices, particularly crude oil.
  - A few corruption seams, like 2G and other.
  - Investors having diverted their funds in safe havens like gold and silver.

