

EXIMIUS: EXPORT ADVANTAGE



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Cambodia on 30 April 1999. The ASEAN region has a population of about 542 million, a total area of 4.5 million square kilometers, a combined gross domestic product of US\$ 686 billion, and a total trade of around US\$ 790 billion.

Economic Growth – Recent Performance

The ASEAN countries have witnessed rebound in economic growth and activity, since the sharp downturn in the aftermath of the Asian crisis of

Table: ASEAN - Economic Growth (GDP at constant prices), 1996-2003

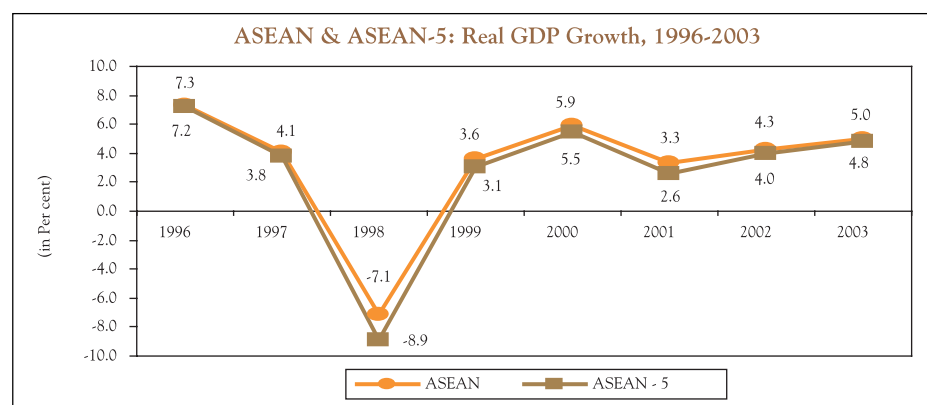
(% change)

	1996	1997	1998	1999	2000	2001	2002	2003
Brunei								
Darussalam	1.0	3.6	-4.0	2.6	2.8	3.0	2.8	3.2
Cambodia	4.6	4.3	3.7	10.8	7.0	5.7	5.5	5.0
Indonesia	7.8	4.7	-13.1	0.8	4.1	3.5	3.7	4.1
Lao PDR	6.9	6.9	4.0	7.3	5.8	5.8	5.7	5.9
Malaysia	10.0	7.3	-7.4	6.1	8.9	0.3	4.1	5.3
Myanmar	6.4	5.7	5.8	10.9	13.7	10.5	5.5	5.1
Philippines	5.8	5.2	-0.6	3.4	4.4	4.5	3.1	4.7
Singapore	7.7	8.5	-0.9	6.4	9.4	-2.4	3.3	1.1
Thailand	5.9	-1.4	-10.5	4.4	4.8	2.1	5.4	6.8
Vietnam	9.3	8.2	5.8	4.7	6.8	6.9	7.0	7.2
ASEAN	7.3	4.1	-7.1	3.6	5.9	3.3	4.3	5.0
ASEAN - 5*	7.2	3.8	-8.9	3.1	5.5	2.6	4.0	4.8

*ASEAN - 5 relates to Indonesia, Malaysia, Philippines, Singapore and Thailand
Source: ASEAN Statistical Yearbook 2004, ASEAN Secretariat

ASEAN Countries: Overview and Recent Developments

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok by the five original member countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, Vietnam on 28 July 1995, Laos and Myanmar on 23 July 1997, and



1997. After a steep decline of 7.1% in 1998, economic activity picked up thereafter with combined ASEAN GDP growth having risen from 3.3% in 2001 to 4.3% in 2002, and further to 5.0% in 2003 (Table). Among the ASEAN members, countries such as Lao PDR, Malaysia, Myanmar, Thailand and Vietnam have registered GDP growth above the overall ASEAN growth rate.

ASEAN - Sectoral Composition of GDP

The services sector dominates in ASEAN members such as Cambodia, Malaysia, Philippines, Singapore and Vietnam (ranging from 36.5% of GDP in Cambodia to 67.2% in Singapore), while the industrial sector dominates in Brunei, Indonesia and Thailand. In Lao PDR and Myanmar, the agriculture sector is dominant accounting for 50.2% and 42.9% of GDP, respectively.

ASEAN Free Trade Area

The ASEAN Free Trade Area (AFTA) was established in January 2002 to eliminate tariff barriers among the Southeast Asian countries, with a view to integrating the ASEAN economies into a single production base and creating a regional market of 500 million people.

ASEAN members have also devoted attention to trade facilitation in the area of customs and through the elimination of technical barriers to trade with a view to lowering costs of doing business in the region. Towards this end, ASEAN's efforts have been directed at the simplification and harmonization of tariff nomenclatures and the accelerated implementation of the WTO Valuation Agreement. ASEAN has now adopted an ASEAN Harmonised Tariff Nomenclature. ASEAN members have also agreed to align national standards with international standards, such as those of the International Standards Organisation (ISO), International Electrotechnical Commission (IEC)

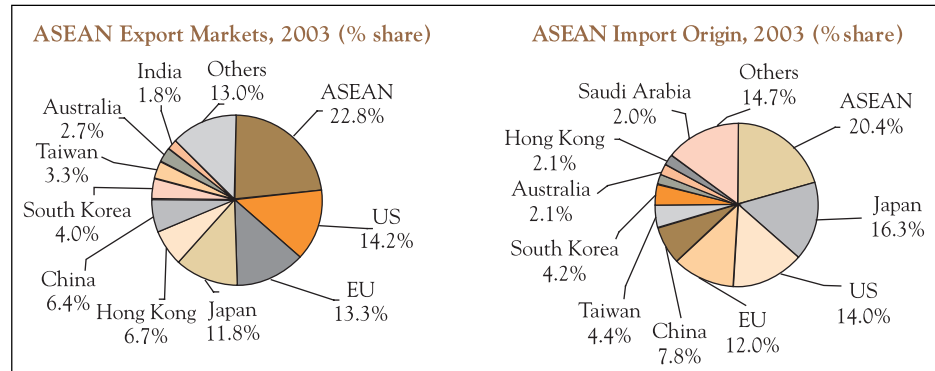
ASEAN : Sectoral Composition of GDP, 2003			
	(% share)		
	Agriculture	Industry	Services
Brunei			
Darussalam	2.1	58.4	39.5
Cambodia*	35.6	27.9	36.5
Indonesia	15.2	45.1	39.7
Lao PDR*	50.2	24.6	25.2
Malaysia	8.1	42.2	49.8
Myanmar**	42.9	17.3	39.7
Philippines	19.9	33.5	46.7
Singapore	0.1	32.7	67.2
Thailand	10.2	45.8	44.0
Vietnam	21.0	38.5	40.5

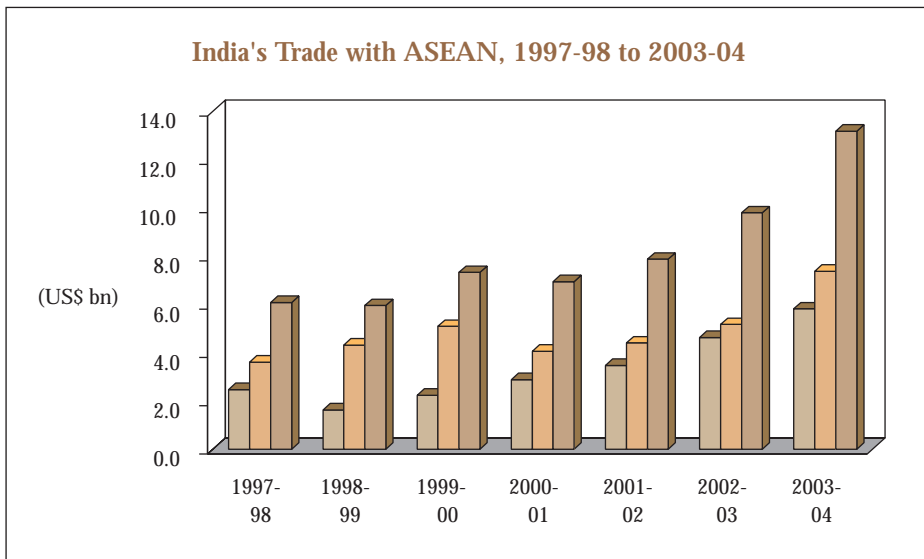
* - data for 2002, ** - data for 2000

ASEAN - GDP and GDP per Capita, 2003			FDI Inflows into ASEAN, 2003	
	(at curr. mkt. prices)		(US\$ mn)	
	GDP (US\$ bn)	GDP per Capita (US\$)		
Brunei			Brunei Darussalam	3,123
Darussalam	4.7	12,973	Cambodia	87
Cambodia	4.2	305	Indonesia	-596
Indonesia	208.6	977	Lao PDR	19
Lao PDR	2.0	364	Malaysia	2,473
Malaysia	103.7	4,141	Myanmar	128
Myanmar	9.6	179	Philippines	319
Philippines	79.3	978	Singapore	11,431
Singapore	91.4	21,829	Thailand	1,869
Thailand	143.3	2,241	Vietnam	1,450
Vietnam	39	481	ASEAN	20,304
ASEAN	685.8	1,265		

Note: Negative sign means disinvestment

Source: ASEAN Statistical Yearbook 2004





Forum of Asian Export Credit Agencies

To enhance cooperation and forge a stronger link in the region, a Forum of Asian Export Credit Agencies (ECAs) has been formed, with the first meeting held in India in 1986 at the initiative of Export-Import Bank of India (Exim India). Members of the Forum comprise ECAs from India, Indonesia, Malaysia, Thailand, Philippines, China, Japan and Korea. Annual meetings are held in different countries by rotation. Members of the Forum have entered into multilateral Letters of Credit (L/C) confirmation facility with each other. Exim India has, under the Forum, entered into bilateral L/C confirmation facility with ECAs of Thailand, Malaysia and Korea, respectively.

and International Telecommunication Union (ITU), for 20 priority groups which represent some of the most widely traded products in the region.

India's Trade Relations with ASEAN

Indo-ASEAN trade relations have witnessed distinct buoyancy in recent years. India's total trade (i.e. exports plus imports) with ASEAN have more than doubled from US\$ 6.1 billion in 1997-98 to US\$ 13.2 billion in 2003-04. Underlying this robust trend has been the sharp increase in both India's exports to and imports from the ASEAN region.

India's exports to ASEAN have risen from US\$ 2.5 billion in 1997-98 to US\$ 8.0 billion in 2003-04, with Singapore accounting for 36.5% followed by Indonesia (19.4%), Malaysia (15.3%) and Thailand (14.3%). India's imports from ASEAN have also risen from US\$ 3.6 billion to US\$ 7.4 billion during the same period, with Indonesia, Malaysia and Singapore accounting for 28.5%, 27.8% and 27.6%, respectively.

Closer economic cooperation and integration between India and ASEAN is set out in the Framework Agreement

on Comprehensive Economic Cooperation signed in October 2003. The Agreement envisages the creation of an India-ASEAN Regional Trade and Investment Area (RTIA), which would include a Free Trade Area in goods, services and investment. Further, India and ASEAN have also signed a Partnership Pact in November 2004, which envisages, among others, India-ASEAN Free Trade Area by 2011. As part of the 'Look East Policy', India has also entered into Framework Agreement for establishing Free Trade Area with Thailand, as also Comprehensive Economic Co-operation Agreement (CECA) with Singapore.

Asian Economic Community

Besides the endeavour to liberalise regional trade as envisaged under the ASEAN Free Trade Area (AFTA), ASEAN has also made major strides in building cooperative ties with countries in the Asia-Pacific region and continues to accord them a high priority, as affirmed in the ASEAN Vision 2020. The ASEAN Summit of 1992 mandated that "ASEAN, as part of an increasingly interdependent world, should intensify cooperative relationships with its Dialogue Partners." Consultations between ASEAN and its Dialogue Partners are

held at the Foreign Ministers' level on an annual basis. ASEAN's Dialogue Partners include Australia, Canada, China, the European Union, India, Japan, Republic of Korea, New Zealand, the Russian Federation, the US, and the UNDP.

Towards this end, as highlighted by the Indian Prime Minister during the Third India-ASEAN Business Summit held in New Delhi in October 2004, the current level of India-ASEAN relationship could be taken to a higher level, wherein an Asian Economic Community encompassing ASEAN, China, Japan, Korea and India, could be envisioned. Such an integrated market, linked by efficient road, rail, air and shipping services, would constitute an 'arc of advantage', across which there would be large-scale movement of people, capital, ideas and creativity. Such a community would be roughly the size of the EU in terms of income, and bigger than NAFTA in terms of trade. It would account for half the world's population, foreign exchange reserves exceeding those of the EU and NAFTA put together.

PROJECT OPPORTUNITIES

Business Opportunities Update: Upcoming Projects

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Sri Lanka/ Information and Communication Technology Agency of Sri Lanka, 160/24, Kirimandala Mawatha, Colombo 05 Sri Lanka Contact: Ms. Sunethra Samarakoon, Tel: (94-11) 236-9099 Fax: (94-11) 236-9091 E-mail: sunethra@icta.lk, info@icta.lk	E-Sri Lanka Development Project/ The project consists of: (1) the ICT Policy, Leadership and Institutional Development Program; (2) the ICT Human Resources Development and Industry Promotion Program; (3) the Regional Telecom Network; (4) the Tele-center Development Program; (5) the Reengineering Government Program; and (6) the e-Society Program.	World Bank US\$ 53 mn
Brazil/ Secretariat for Health Surveillance – SVS, Vigisus II Project, Unidade III do Ministerio da Saúde, SEPN Quadra 511 CEP: 707560-543, Brasília, DF, Brazil Contact: Mrs. Mônica Pereira Tel: (55-61) 448-8046 Fax: (55-61) 448-8262 E-mail: monica.pereira@saude.gov.br	Disease Surveillance and Control II Project/ The project seeks to (i) reduce mortality and morbidity from communicable and non- communicable diseases by strengthening the public health surveillance, and disease control system at the national, state and municipal levels, and (ii) improve the health outcomes of specially vulnerable groups.	World Bank US\$ 100 mn
Ukraine/ Dnipropetrovsk Water Company, 21A Krasna Street, Dnipropetrovsk 49101, Ukraine Contact: Valery Bezus, Deputy Director General Tel : (380) 56 744 50 98 Fax : (380) 56 744 64 48 E-mail: vale_bezus@ua.fm	Dnipropetrovsk Municipal Water and Waste-Water Project/ The proposed project seeks to improve the sustainability and level of water and waste water services in the City of Dnipropetrovsk, reduce operation and maintenance costs, water losses and discharge of untreated sewerage into Dnipro river and the Black Sea Basin.	European Bank for Reconstruction and Development US\$ 27 mn
Romania/ Transelectrica S.A., 33 General Gh. Magheru Blvd., Bucharest - 1, RO-70164, Romania Contact: Mr Razvan Purdila, PMU Director Tel: (40 21) 303 5616 Fax: (40 21) 303 5660 Email: rpurdila@transelectrica.ro	Transelectrica - Regional Transmission Link Project/ The proposed project consists of the construction of a new 110 km 400 kV overhead transmission line (OHL) connecting Oradea (Romania) and Bekescsaba (Hungary), between the Romanian power utility Transelectrica and the Hungarian power utility MVM.	European Bank for Reconstruction and Development US\$ 33 mn

Select opportunities for Indian exporters in upcoming projects around the world funded by multilateral funding agencies such as World Bank (WB), Asian Development Bank (AsDB), African Development Bank (AfDB) and European Bank for Reconstruction and Development (EBRD) are given alongside.

Interested exporters need to contact the concerned Executing Agencies to pursue the business opportunities. Our Multilateral Funded Projects Overseas (MFPO) team at Centre One Building, World Trade Centre Complex, Mumbai would be glad to be of help, if you keep us advised. Please contact **Ms. Samantha Peters** on Tel: 22185272 Extn: 2313.



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Vietnam/ Project Management Unit No.1 (PMU1), Ministry of Transport, 308, Minh Khai, Hanoi, Vietnam Fax: (844-4) 862 8984 Contact: Mr. Doung Danh Dung General Director	Central Region Transport Network Project/ The objective of the project are to (i) reduce transport costs and induce more efficient movement (ii) provide all- weather road connectivity (iii) improve road safety and (iv) establish sustainable road and bridge asset management systems.	Asian Development Bank US\$ 60 mn
Bangladesh/ Bangladesh Railway Contact : A.K.M. Mostafizur Rahman E-mail: jbrlpcon@citechco.net Bangladesh Water Development Board Contact : Sharif Rafiquel Islam E-mail : cplaning@bttb.net	Emergency Flood Damage & Rehabilitation Project/ The objective of the project is to sustain economic development by supporting the Government's efforts to rehabilitate high priority and essential infrastructure damaged by the 2004 floods in Bangladesh. The project also includes capacity building and training to strengthen the Government's disaster preparedness.	Asian Development Bank US\$ 180 mn
Uganda/ Ministry of Waters, Lands and Environment P.O. Box 7096, Kampala Uganda Tel: (256-41) 342931 Fax: (256-41) 230891	Farm Income Enhancement & Forest Conservation Project/ The project comprises three components: (1) Forestry Support Component, comprising two sub- components: (a) Community Watershed Management and (b) Tree Planting; (2) Agricultural Enterprise Development; and (3) Project Co-ordination.	African Development Bank US\$ 46.12 mn
Namibia/ Namibian Power Utility (NamPower) Windhock AfDB Contact: Mr. E.G. Taylor-Lewis, Director Country Operations; Projects financed by the African Development Bank Tel: (216) 7133-3511	West Coast Transmission Line Project/ The project comprises (a) the construction of 280 km of 220 kV power line from the Van Eck Power Station in Windhock to the West Coast of the country, (b) the construction of gas insulated switchgear substation at the Kuiseb substation on the West Coast and provision of 220 KV outgoing bay at the Van Eck Station, and (c) the interconnection of the Kuiseb and Walmund substations on the West Coast.	African Development Bank US\$ 21.3 mn

CONTRACT AWARDS

Select contracts secured by Indian
companies :

**RITES Ltd.,
New Delhi** Consultancy contract
for procurement
strengthening and
support for Second
Emergency Public
Administration
Project, secured in
Afghanistan, funded
by **World Bank**.

**Kirloskar
Brothers Limited,
Pune** Contract for supply
and erection of
electromechanical
equipment for Third
Pumping Stations
Rehabilitation
Project, secured in
Egypt, funded by
World Bank.

**Span Consultants
Private Limited,
New Delhi** Consultancy contract
for construction
supervision of
Nekempt – Mekenajo
Road Upgrading
Project, secured in
Ethiopia, funded by
World Bank.

**Birla NGK
Insulators Pvt.
Ltd., Hoogly** Contract for supply of
insulators for Power
Sector Development
Program, secured in
Sri Lanka, funded by
**Asian Development
Bank**

**Infrastructure
Professionals
Enterprise (P)
Ltd., New Delhi** Contract for project
preparation for Basic
Social Infrastructure
Development Project,
secured in **Sri Lanka**,
funded by **Asian
Development Bank**

**ONGC Videsh
Limited, New
Delhi** Turnkey contract for
multiproduct pipeline
project from
Khartoum to Port
Sudan, secured in
Sudan.

**KEC
International
Ltd., Mumbai** Turnkey contract for
supply, erection and
commissioning of
transmission lines for
Al Ain South West
Project, secured in
UAE.

India: An Emerging Investment Destination

In recent period India has emerged as a vibrant economy reflecting strong fundamentals. Particularly, during 2003-04, India registered a GDP growth rate of 8.2%. The potential of the Indian economy can also be gauged from the fact that the country's GDP, on Purchasing Power Parity (PPP) basis, ranks 4th in the world, behind that of the US, China and Japan. On the external front, India's merchandise exports registered a rise of 20.4% to reach US\$ 63.5 billion in 2003-04.

The buoyancy in exports has been sustained during the current year 2004-05, with exports having registered an accelerated growth of 24% during the first eight months (April-November). Services exports have also been robust. During 2003, India's services exports amounted to US\$ 24.9 billion, accounting for 1.4% of global services exports. Strong accretion to reserves has also underpinned the sound fundamentals on the external sector. India's reserves stood at US\$ 113 billion by end-March 2004 (equivalent to almost 18 months of import cover), which have increased further to US\$ 131.2 billion by December 31, 2004.

India's Potential and Prospects

The impressive performance of the Indian economy reflecting strong

fundamentals, has contributed towards its recognition as an attractive destination for investment and a large and growing market for business. India has emerged as a global player in information technology and is in the forefront of the unfolding new area of knowledge economy, with its large pool of scientific and creative human resources and R&D facilities.

Recent findings of internationally reputed organizations/institutions attest to the inherent strengths of the economy and corroborate the potential for India in the ongoing globalisation and investment scenario.

- ❖ In a recent report titled "**Doing Business in 2005: From Obstacles to Growth**" cosponsored by the World Bank and the International Finance Corporation, India has been rated among the top 10 reformers in the world.
- ❖ According to **AT Kearney's FDI Confidence Index 2004**, India has moved up three notches to third place, behind China and the US, and has overtaken Germany, Poland and Mexico. The report observes that India's strong performance among manufacturing, telecom and utility firms has been largely due to the country's desire to make productivity-enhancing investments in IT, BPO, R&D and knowledge management activities. Further, in its recent "**2004 Global Retail Development Index (of top 30 emerging markets)**", AT Kearney has ranked India as the second most attractive destination, after Russia and ahead of China.
- ❖ The attractiveness of India as a business hub is also brought out by a recently released **PricewaterhouseCoopers' 2004/2005 Global Retail & Consumer Study From Beijing to Budapest**, which has recommended India as one of the top six destinations for growth opportunities. The study points out that while China shows the most immediate opportunities in the retail and consumer segment, India offers more long-term potential for investment in the sector.
- ❖ As a destination for offshore businesses, India ranks at the top in the recent **AT Kearney's 2004 Offshore Location Attractive Index**, ahead of countries such as China, Malaysia, Czech Republic, Singapore, Philippines, Brazil, among others. Strong combination of competitive costs and significant depth in human resources, according to the report, has underlined India's strength in this regard.
- ❖ India's Competitiveness Index, as given by the **World Economic Forum's Global Competitiveness Report 2004-05**, also augurs well for the Indian economy. According to the Report, India's Growth Competitiveness Index in 2004 stood at 55, above that of Brazil (57), Poland (60) and Egypt (62). Underlying this positive ranking has been India's Public Institutions Index ranking which stood at 53, while India's Business Competitiveness Index ranking stood at 30.
- ❖ According to a recent cover story by **Newsweek**, India has been rated as the "best country" for the foreign investor. "Mature government institutions" have been identified as a major reason behind the rating.

According to the UNCTAD's World Investment Report 2004, FDI inflows into India has gone up to US\$ 4.3 billion in 2003 from US\$ 3.4 billion in 2002. It is also appropriate to mention that portfolio investment into India sharply rose to US\$ 11.4 billion during Indian FY 2003-04 from less than a billion dollars in the previous year. It can be concluded that the ongoing process of reforms and the emergence of India as a forerunner in knowledge economy will further strengthen India's position as a key investment destination.

Indian Ceramic Industry

In India, ceramic tile industry emerged in the late 1950s. Ceramic tile industry can be classified into three segments – wall tiles, floor tiles and vitrified & porcelain tiles. At present, the market share of these segments is 42%, 46% and 12% respectively in India. Ceramic tiles are produced both in organised as well as in unorganised sector. There are 16 units in the organised sector manufacturing ceramic wall tiles, floor tiles and vitrified tiles. In India, share of organised sector in total production is around 55%.

Global Scenario

There are three major regions in the world, namely Asia, Latin America and European Union (EU), that produce and export ceramic tiles in bulk. In 2002 they jointly produced more than 87% of world

output. World production of ceramic tiles was 5904 million sq.mt at the end of 2002. China was the largest producer with a total production of 2100 million sq.mt. Spain and Italy were the 2nd and 3rd largest producers with production of 651 million sq.mt and 606 million sq.mt respectively.

In terms of exports, Italy ranks 1st in the world. In 2002, Italy exported 438 million sq.mt of ceramic tiles, which is 8.10% of world consumption. Spain and China were the 2nd and 3rd largest exporters with export volume of 356 million sq.mt and 100 million sq. mt., respectively. In recent years, China's export has increased at a much faster pace than others. In terms of imports, USA is the largest importing country with an import share of 13.6%. Germany and France are the two other major importers of ceramic tiles with import volume of more than 100 million sq.mt each. USA, Germany and France jointly imported around 30% of total world imports in 2002.

India in the World

India ranks at 8th position with production of 150 million sq.mt, which is around 2.5% of global production. However, in terms of production growth, India ranks 2nd after Vietnam (CAGR of Vietnam is 38.17% during 2000-2002) with a CAGR of 24.35%. As regards exports, India holds a nominal share of 0.52% of global trade of ceramic products in 2002. India majorly exported to Saudi Arabia, UK and UAE and imported mainly from China and Germany. Recently a Market Access Initiative has been undertaken, to enhance the export of Indian ceramic products to select markets such as the USA, Mexico and the UK.

Some Concerns

For some time now, Indian ceramic tile manufacturers are facing the problem of low margin and falling profitability. According to industry sources, one of the reasons behind this scenario was the dumping of vitrified tiles into Indian

market by countries such as China, Indonesia, Sri Lanka, Malaysia and UAE. It is estimated that during the year 2003-04, nearly Rs. 100 crore worth of imported tiles were dumped in India. Dumping has become a major issue with China's entry into the Bangkok Agreement, which was developed with a view to promote free trade among South East Asian countries. Entry of China in the Bangkok Agreement would result in large import from China, as under this agreement Chinese goods would attract a duty of 10 percent as against 16 percent duty on import from other countries. This might severely affect the domestic producers.

Another major problem of the industry is the rising cost of manufacturing due to increase in prices of raw materials such as zirconium and titanium. The recent petroleum price hike has also affected the industry, though in an indirect manner. Because of the substantial bulk of the material, transportation of ceramic tiles accrues high freight element with increase in petroleum prices. The increase in transportation costs could not be passed on to the consumers due to stiff competition from China, UAE and some East Asian countries.

Future Outlook

Advanced ceramic products have high potential in global markets. These products find application in electronics, automotive and aerospace industries. The global market for advanced ceramics is growing and countries like Japan and USA dominate this segment. Of late, Indian ceramic industry is focusing on advanced ceramic products to step up exports.

Prospects for ceramic tiles industry mainly depends on construction activities. In India, as also in many of the developing countries, the construction sector is expected to do well in the coming years, due to developmental activities. The growth in construction sector around the world would increase the export opportunities.

Success Story – Samtel Color Ltd.

Samtel Color Limited (SCL), New Delhi, is the flagship company of Samtel Group, promoted by Mr. Satish Kaura, a technocrat in technical collaboration with M/s Mitsubishi Electric Corporation, Japan. Established in 1974, the group pioneered the manufacture of picture tubes for black and white televisions in India, which, until then, were imported. The Group has made rapid strides since then. Starting from an assembly operation, the Samtel Group is at present a vertically integrated entity, manufacturing all the critical components for picture tubes such as electron guns, deflection yokes and glass shells. Weathering the buff of liberalisation and competition, SCL has today emerged as the largest player in the industry, with a turnover of over Rs. 1000 crores and over 2500 employees. SCL is accredited with ISO 9002 certification and with a view to achieve international quality standards, the Company has launched the Six Sigma initiative to attain total quality in its systems. The Company's products have obtained safety approvals from Underwriters Laboratories (USA), VDE (Germany), CSA (Canada) and BIS (Britain).

The Samtel Group has several firsts to its credit. It was the first company to launch 12 inch, 14 inch and 17 inch black and white picture tubes in India; first to launch Monochrome Display Tubes in India; and first from the private sector to manufacture specialty tubes for industrial, military and medical appliances. SCL is the first company in India to design and manufacture super flat tubes with indigenous efforts. It is also the first to develop prototype for Plasma Display Projection Tube (PDP). SCL has established itself as the largest regular exporter of tubes, both color and B&W, and offers the largest range of 14 inch, 21 inch colour picture tubes in India.

SCL is a professionally managed company and the Company's Board comprises nine members including independent directors and FI nominees. The Company's manufacturing units are located at Ghaziabad and Parwanoo. During the year 2003-04, SCL recorded turnover of Rs. 922 crores with net profit of Rs. 13 crores reflecting pressure on margins, which was mainly on account of subdued demand and increased costs specifically on account of energy cost after suspension of CNG by GAIL. With a view to improve the bottomline, SCL focused on increasing volumes, reduction in wastage levels, reduction in finance costs and thrust on exports and the performance improved substantially in first quarter of the current year with Company recording turnover of Rs. 271 crores and net profit of Rs. 10 crores. SCL's exports during 2003-04 amounted to Rs. 146 crores with Europe and Asia as target export markets.

Exim Bank's association with the Samtel Color is a decade old, when the Company's dreams to launch the first color picture tube were in the offing. Exim's first loan to the Company was in 1995 for setting up a manufacturing line for 21 inch color picture tubes at a cost of Rs. 145 crores. The Company faced misfortune, when a fire broke out in its premises during the period of project implementation. The project incurred time and cost overrun but the Company

withstood these tough times, with support from Financial Institutions and Banks, like Exim Bank. In the subsequent years, the Company developed 14 inch tube and set up a line for manufacturing the product. A recent feather in the cap for SCL is launch of premium Super Flat Tubes in the color picture tube segment. Super Flat Tubes are being manufactured using technology developed in-house. The same facility also has the flexibility to manufacture various small and medium sized color picture tubes. The products launched by the Company are technologically superior and cater to customers like Videocon, Thomson, LG, Onida, BPL, Philips, Samsung among others. The Company has also established itself in the export market with TV manufacturers in Asia and Europe. Rapid expansion led to liquidity constraints for the Company in year 2002-03 and 2003-04. Exim Bank has provided support to the Company during these years of establishing itself, by extending funds for meeting the long-term working capital requirements.

Having stabilised its operations, the Company is planning to move on to manufacture of large size Color picture tubes of 29 inch and to 45 inch sizes. It has also developed Plasma Display tube in collaboration with IIT Kanpur, which will be commercially launched when the market is mature for the product. As a step towards globalisation efforts, Samtel Group in July 2001 acquired Cathode Ray Tube (CRT) division of Thales Electron Devices GmbH, Germany, a leading player in Medical Imaging and Avionics Display. Today the facility is a leading manufacturer of high technology, high resolution, professional CRTs for demanding applications in the defence, medical and industrial sectors. The Company has a dominant market share in the world market for displays for medical monitors. Exim Bank has been an active partner of the Samtel Group, extending support and assistance particularly in the crucial nascent years.

Exim Bank's Lines of Credit

Line of Credit is one of the financing mechanisms through which Exim Bank extends finance to support export of goods and services from India on deferred payment terms. Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas. The Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents.

Exim Bank has extended four LOCs, at the behest of Government of India, during the quarter - October to December 2004.

Under the LOC to the Government of **Lesotho**, importers from Lesotho are required to make advance payment of 10% of contract value to the Indian exporters and the balance 90% contract value would be reimbursed by Exim Bank to the Indian exporters, upfront upon the shipment of goods. Indian exports to Lesotho amounted to only US\$ 5.59 million during the year 2003-04 up from US\$ 3.79 million in 2002-03. Cotton yarn fabrics madeups, drugs, pharmaceuticals & fine chemicals, glassware and ceramics were the principal items in India's export basket to Lesotho. The LOC will facilitate and enhance India's trade level with Lesotho.

The LOC to the Government of **Senegal** was extended, for export of goods and services from India for development of rural SMEs in Senegal, as also for export of agricultural machinery and equipment. This is the second major initiative of Exim Bank for promoting trade between India and the West African market. Exim Bank has already in place, a LOC of US\$ 10 million to the West African Development Bank (BOAD), which can be utilized by the member countries of BOAD, including Senegal. Under the LOC to Senegal, the entire 100% of contract value would be reimbursed upfront by Exim Bank to the Indian exporters, whose contracts are approved by both sides, upon the shipment of goods.

The LOC to **Guyana** is earmarked for

financing construction of a cricket stadium at Georgetown, Guyana, for World Cup 2007. The construction of the stadium is expected to be completed by October 2006. Under the LOC, Exim Bank will reimburse the Indian exporter 100% upfront, upon shipment of goods and provision of services. The LOC would be used for financing at least 85% of total contract value for sourcing goods and services from India. The LOC is expected to boost India's exports to Guyana and successful completion of the project can have considerable demonstration effect in the Latin American and Caribbean Region, about India's capabilities and expertise.

Exim Bank extended a LOC of US\$ 7 million to the state owned Myanmar Foreign Trade Bank, **Myanmar**, for financing an information and communication technology (ICT) project in Myanmar. Under this LOC, Exim Bank will reimburse Indian exporters 100% of contract value, upon shipment of equipment of goods and provision of services. The credit period available is upto 10 years. Recently, Exim Bank extended a US\$ 56 million LOC to Myanmar for financing railway projects in that country, on similar lines.

Capital goods, plant and machinery, industrial manufactures, consumer durables and any other items under the 'Exim Policy' of the Government of India are eligible for being financed under these LOCs.

Indian exporters requiring additional information are welcome to visit Exim Bank's website www.eximbankindia.com/loc.html, which contains detailed information on Bank's LOCs, with a multilingual option, viz. Spanish, French, Russian, Portuguese, besides English, and/or to contact any of Exim Bank's offices in India/overseas.

For further information on all LOCs, please contact:

Mr. P. R. Dalal
General Manager
Export-Import Bank of India,
Tel: (022) 22185272
Fax: (022) 22182460
Email: eximloc@eximbankindia.com

	Borrower	Amount of Credit	Terminal Dates for Utilisation	
			Opening of L/C	Disbursement
1	Myanma Foreign Trade Bank, Myanmar	US\$ 7 mn	21.12.2006	21.06.2007
2	Government of Lesotho	US\$ 5 mn	To become effective soon	
3	Government of Guyana	US\$ 19 mn	To become effective soon	
4	Government of Senegal	US\$ 15 mn	To become effective soon	

Note

1. Exporter may contact Exim Bank for the current amount available for utilization under LOC.
2. Terminal Dates for Utilization are subject to modifications as and when necessary.

Workshop on 'Market Access and Technical Requirements in European Countries'

Exim Bank, in association with the Centre for Promotion of Imports from Developing Countries (CBI), The Netherlands, organised a workshop on 'Market Access and Technical Requirements in European Countries'. The workshop was meant for officers from chambers of commerce, export promotion councils, commodity boards and industry associations, with the objective of imparting knowledge and better understanding of changing market requirements in European countries.

Addressing the participants in the inaugural session of this workshop, Mr. T C Venkat Subramanian, Chairman and Managing Director, Exim Bank, mentioned that participation in international trade has become one of the key factors in the growth of firms and the prosperity of countries. With the formation of WTO and increasing competition, access to developed country markets is becoming more and more challenging, due to fast changing regulations on market requirements in the fields of safety, health, quality, environment and social issues.

The workshop was inaugurated by Mr. Maarten Reuchlin, Consul General, Consulate General of The Kingdom of The Netherlands, Mumbai.

Mr. Bas van den Brink, Programme Manager, CBI, Mr. Hans Verhulst and Mr. Benno Husken, both consultants with CBI, addressed the participants on various aspects of meeting the standards and technical requirements for exporting to European Union.

Exim Bank organizes such focused workshops to help Indian participants to gain better understanding on how companies can evolve corporate strategies to take advantage of emerging opportunities in promising markets.

Exim Bank, ECGC, MIGA Partnership

Exim Bank, Export Credit Guarantee Corporation of India Ltd. (ECGC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA) have formed a partnership that provides a package for financing and insurance solutions for Indian companies investing overseas, with the objective of supporting the outward expansion of Indian companies.

Under the arrangement, Exim Bank will provide the needed financing, while ECGC and MIGA will provide insurance against the risks that are out of investors' control such as currency inconvertibility and transfer restrictions; expropriation; war, terrorism and civil disturbance; and breach of contract. Additionally, investors can interact locally with ECGC while still benefiting from the World Bank's involvement.

Speaking on this occasion, Mr. T.C. Venkat Subramanian, Chairman & Managing Director of Exim Bank, mentioned that by providing financing and risk mitigation tools, the partnership between MIGA, Exim Bank and ECGC would cater to the needs of the Indian enterprise and encourage them in venturing abroad with higher level of confidence.

Mr. P.K. Dash, Chairman-cum-Managing Director of ECGC informed that the arrangement would have a very strong impact on efficiency and turnaround time. Investors can now work with a primary contact at ECGC who coordinates the process and eliminates duplication. Documentation for the non-commercial risk insurance aspect of the partnership has been standardized by MIGA & ECGC.

Mr. Luis Doderro, Vice President and General Counsel of MIGA, speaking on this occasion, said that MIGA's presence in this partnership arrangement would bring the World Bank umbrella of deterrence against host government actions that might affect project viability.

Seminar on Business Opportunities in African Development Bank Funded Projects

Exim Bank in association with African Development Bank (AfDB) organised a series of seminars in New Delhi, Mumbai and Bangalore during November 4-10, 2004. A high-level delegation from AfDB, led by Mrs. Aud Marit Wiig, Executive Director for India, AfDB and senior officials from procurement, infrastructure and cooperation departments constituted the faculty at these seminars. A highlight of the New Delhi seminar was the presence of Mr. Omar Kabbaj, President, AfDB.

The programme was aimed at providing information to Indian exporters on various business opportunities in AfDB supported projects, that could help promote Indian goods, civil works and consultancy exports to African continent. Mr. Omar Kabbaj, President, AfDB delivering the inaugural address at the New Delhi seminar mentioned that the opportunities in Africa are both interesting and challenging, and that AfDB would like to see a sustained level in the activities of Indian Business Community in their efforts to develop the continent. Mr. T.C. Venkat Subramanian, Chairman and Managing Director of Exim Bank highlighting the potential of the region and the emerging opportunities for Indian business, dwelt upon the various initiatives taken by Exim Bank to create an environment in which Indian companies could tap such opportunities. Mrs. Aud Marit Wiig, Executive Director for India, AfDB sought to introduce the developmental objectives of AfDB, focus sectors of lending, to companies in India. Mrs. Wiig mentioned that India's participation level is low as compared to other countries. Though India's equity contribution and voting power is less, this does not come in the way of bidding, as all stakeholders have an equal and fair opportunity.

Exim Bank has a long-standing working relationship with AfDB which includes organizing such programmes and facilitating participation of Indian companies in projects funded by AfDB.

Exim Bank's Foray into Africa

The commitment towards building relationships with the African region is reflected in the various activities and programmes which Exim Bank has set in place. Since Exim Bank commenced operations in 1982, the countries in the African Continent have always been a focus region, and thus a critical component of Exim Bank's strategy to promote and support two-way trade and investment.

To enhance bilateral trade and investment relations, Exim Bank has extended Lines of Credit (LOCs) to a number of institutions/agencies in Africa. Further, Exim Bank actively facilitates investment by Indian companies in Africa in the form of joint ventures and wholly owned subsidiaries.

To support such endeavors, Exim Bank has been consciously forging a network of alliances and institutional linkages to help further economic co-operation while promoting and facilitating Indian trade and investment. These in turn, serve to contribute to Exim's experience and expertise, support capacity creation

and enhance institutional strengthening. Towards this end, Exim Bank has recently taken up equity in **West African Development Bank (BOAD)** and **Development Bank of Zambia**.

The **West African Development Bank (BOAD)** is a specialized development financial institution of the member states of the West African Economic and Monetary Union (UEMOA), which covers Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Headquartered in Lome, Togo, BOAD was established by a treaty signed on November 1973 and commenced operations in 1976. BOAD is a public international institution, whose purpose is to 'promote the balanced development of its member states and to achieve economic integration within West Africa'.

The **Development Bank of Zambia (DBZ)** is a Development Finance Institution (DFI) established in the early 1970s by an Act of Parliament, as a joint venture between the Government of the Republic of Zambia (GRZ), Public Sector Financial Institutions, on one hand, local private sector and foreign bilateral and multilateral institutions, on the other. The Bank has played a pivotal role in promoting Zambia's economic development. In line with its mandate to provide medium and long-term development finance, the Bank has invested extensively in Agriculture, Agro and Mineral Processing, Forestry, Quarrying, Textile Pulp and Paper, Fisheries and Manufacturing sectors.

With Exim Bank becoming a member of BOAD and DBZ, India will now have privileged status on procurement of capital goods and services from member countries. This will enhance the prospects of Indian companies in securing business in projects funded by BOAD and DBZ. Also there exists good potential for export from India to member countries of BOAD and Zambia, of SME projects, in sectors like agro and food processing units, auto assembly

units, printing press, pharmaceuticals and packaging units. Thus, with Exim Bank's membership of BOAD and DBZ, India will be in an advantageous position not only to retain the market but also to enhance India's presence.

The member countries also offer opportunities in terms of foreign direct investment. Tourism, pharmaceuticals, computer software and accessories, agribusiness, banking and financial services, construction, leather industry and oil & gas are some of the common sectors across the African countries that hold potential for Indian investors. Besides participating in investment activities that are promoted by the respective governments of the African countries, Indian companies can also take part in multilateral funded projects. Membership of BOAD and DBZ will enable Indian companies to participate in these investment activities that are promoted by their respective governments of the member countries of BOAD and Zambia.

Membership in BOAD and DBZ would also give India greater opportunities of joint financing of projects in member countries of BOAD and Zambia. This would create an enabling environment for Indian consultants, suppliers and contractors to facilitate their active and responsive participation in BOAD and DBZ funded projects as well as multilateral funded projects.

Exim Bank is also a shareholder of Cairo-headquartered **African Export-Import Bank (Afreximbank)**. Exim Bank thus has a comprehensive range of activities in financing, facilitating and promoting India's trade with Africa. Addressing Africa's development challenges requires a fresh development paradigm based on bold and strengthened partnership with the international community. Towards this end, Exim Bank is committed to support Indian companies in their endeavours in seeking to contribute to the development of the emerging economic powerhouse – Africa.

Export Potential of Indian Entertainment Industry

India has the world's biggest movie industry in terms of number of movies produced. In the year 2003, the Indian film industry produced 877 films. Hindi films continue to be the largest segment within the industry. It is estimated that the total revenue of the film industry would be about Rs. 45 billion in 2003. There were 16 Hindi films, which grossed revenues exceeding Rs 100 million in this year. The industry revenue is expected to cross Rs. 100 billion by 2007.

Export Potential

International market for Indian film industry consists of theatre, video and television. This market has become increasingly lucrative for Indian producers, with some films realising 25-30% of their total proceeds from these markets. Indian film exports is estimated to have reached Rs. 5.25 billion in 2001. Markets like USA and UK have contributed particularly to the revenue growth of the industry; in the last five years, five films crossed revenues of US \$ 2 million in USA and UK. Besides, other territories such as Canada, Japan, South Africa, Mauritius, Australia, New Zealand and the Middle

East are fast becoming important markets for Indian films.

More number of films are expected to garner such higher revenue with increasing demand for Indian films in markets like UK and USA. The KPMG-FICCI Report on Indian film Industry estimates that there are over 10 million households of Indian origin in the world. If these 10 million Indian diaspora households have an entertainment expenditure of even 1%, it would give an estimated market value of US \$ 4 billion.

Crossover Indian films – films of Indian theme with international appeal – are increasingly becoming popular and successful. Though the crossover films may not be classified as Indian films, there are pull factors that creates global acceptability and positive impact on Indian mainstream films, which would help increase export revenues.

Opportunities

The industry is highly fragmented, with many new players entering the business. However, large players, who have been successful over a period of time, dominate the industry. These players have rich experience in managing all elements in the film value chain.

The technology of film-making in India is considered to be one of the best in developing countries. The industry is increasingly adopting digital technology from high-end digital cameras and graphics equipment to state-of-the-art studios and post-production facilities.

Corporatisation of the industry is taking place slowly with the growth of professional management and accountability. The business structure is also getting transformed and thus the value chain in this industry is being evolved through institutionalization of best practices across different film making processes.

There are opportunities for foreign investment in projects, production houses, film and television studios and film facilities, especially post-production,

distribution and exhibition stages.

Signing of co-production treaties with prospective countries would increase marketability of Indian films in international markets. The treaty could also include co-operation in transfer of animation and film production technologies.

Challenges

Despite usage of hi-tech production techniques, Indian films are considered as high cost ventures. It is felt that there is significant scope for reduction in overall costs of film production through structured planning and better economies of scale. Industry estimates that reduction of production cost by 25%, would save over Rs. 6200 million for the industry.

Piracy is the major problem facing the industry. The industry incurs huge loss every year due to piracy problem. To combat this problem, the film and cable industry have recently entered into a formal Memorandum of Understanding.

Another significant problem of the industry is multiplicity of government agencies to deal with various affairs of the industry. One central promotional agency to deal with all matters related to this industry would remove structural hassles.

With corporatisation, institutional film financing has started recently. However, the industry is largely dependent on private funds.

The Indian film industry is in the process of taking the initial steps towards realizing its potential of becoming a formidable player on the global entertainment canvas. The industry needs to be receptive to adapt and institutionalize business processes, which would enable this transformation. Exim Bank's foray into supporting the services sector (in addition to software, BPO sectors) has been with the entry into financing of the entertainment industry, which has huge export potential.

EXIMIUS CENTRE COLUMN

In the fourth quarter of 2004, The Centre took part in the following programmes.

A Programme on '*Financing Export-Oriented Agriculture*' was held in Pune in November 2004, jointly organised by Reserve Bank of India and Exim Bank. The Keynote address was by Shri A. M. Alam, Managing Director, Agriculture Finance Corporation, Mumbai. Mr. S. Sridhar, Executive Director, Exim Bank was on the evaluation team. The programme was attended by 30 participants mainly from the banking sector.

A seminar on '*Software Process Improvements – An Enabler of Business Excellence*' was organised at the Learning Centre in Pune during December 2004 with faculty support from TÜV Rheinland. The seminar was addressed by Mr. Srinivas Thummalapalli, Director, Management Advisory Services. The programme was attended by 20 participants from the IT sector.

The calendar of programmes for 2005 include:

- ❖ Orientation Program on '*Law Relating to Export & Management*' – Bangalore, January 2005.
- ❖ '*Marketing of Indian Products and Services in Australia*' - Bangalore, January 2005
- ❖ Workshop on '*Risk Management in Foreign Currency Transactions*' – Bangalore, February 2005.

- ❖ '*Investment opportunities in Canada*' – Bangalore, February 2005

Other programmes on the anvil are

- ❖ Seminar on '*Plantation Sector - Market Identification Strategies*', Bangalore.
- ❖ Workshop on '*Marketing of Handicrafts to Europe*' in association with CBI, The Netherlands; Guwahati and New Delhi.
- ❖ Seminar on '*EU Market Access with emphasis on international contracting and non-tariff barriers*' in association with CBI, The Netherlands; in Mumbai, New Delhi and Hyderabad.

The Centre's workshops are aimed at enhancing the capabilities of the industrial and financial communities in India and other developing countries. These programmes bring to their notice proposals of trade and investment, and offer them access to contemporary thinking in international trade and finance. The Centre remains committed to conducting result-oriented programmes that will bring international expertise to Indian corporates. The Centre welcomes suggestions on its future agenda.

For details on future programmes at Eximius Centre, contact:

Ms. Leona Pais in Bangalore on
Tel: (080) 25589106
E-mail: eximius@vsnl.com

BOOK REVIEW

Why Globalization Works – The Case for the Global Market Economy *Martin Wolf*

The debate on globalization has recently reached such a level of intensity, which inhibits rational discussion. The author in his book explains how globalization works and how it makes sense. The book confronts all the charges against globalization and delivers a critique of each.

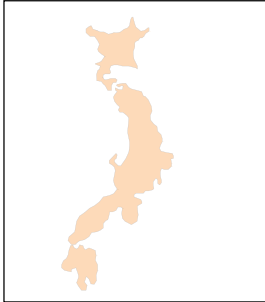
The author begins with presenting the political and economic case for a global market economy and analyses the history of globalization with a focus on the tragic ups and down in the twentieth century. The book offers an argument for a liberal market economy, utilizing standard references to the "mutually reinforcing and interdependent relationship between the market and the democratic state," and sketches a positive portrait of the history of globalization. While conceding the accuracy of some criticisms of market globalization, the author devotes much of the work to rebutting arguments of critics about globalization being a cause of global impoverishment, corporate domination, threats to the sovereignty of the democratic state, and the race to the bottom in environmental and social regulation.

The author shows that the biggest obstacles to global economic progress, almost everywhere, have been the failures not of the market but of politics and policies. The book puts in perspective the threats to globalization, including terrorism, and suggests a route towards a global market economy that works better, and for more people. The book is addressed to economists and to academics in neighboring disciplines as much as to the intelligent general reader.

[Review by : **Mr. Rajarshi Majumdar**
Planning & Research Group]

COUNTRY SCAN

Japan



Japan, in recent years, has witnessed recovery in economic activity, driven by exports, particularly to Asia, rebound in private

investment, and rising corporate profitability and recovery in equity markets. During 2004, sustained recovery has boosted consumer confidence, despite decline in inventory accumulation and fixed investment in the second quarter. Reflecting these developments, real GDP registered a rise of 2.5% in 2003, in contrast to a decline of 0.3% during the previous year. With underlying private domestic demand and external demand remaining robust, GDP growth is projected to rise to 4.4% in 2004. The medium term prospects for Japan are dependent on continued progress in reducing financial vulnerabilities in the corporate and banking sector. Priorities for the Government would include public sector reforms, strengthened competition policy, and enhanced labour market flexibility.

Venezuela

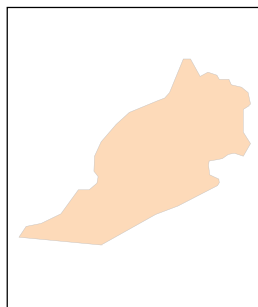


Following significant contraction in economic activity during 2002-2003, Venezuela's economy has bounced back, registering

strong growth rates of 34.8% and 13.6% in the first and second quarters of 2004. Recognising the recovery, S&P lifted the sovereign credit rating of Venezuela from B- to B in August 2004. Venezuela, the third largest producer of crude oil in OPEC, largely benefited from high oil export prices together with higher production in 2004. This has resulted in a public spending driven growth, which has been well supported by an expansionary

fiscal stance of the Government. International reserves continued to rise steadily touching US\$ 22 billion in October 2004 compared to that of US\$ 16 billion in 2003. On the political front, President Chavez has survived a referendum in August and will retain the presidency till 2006. The official exchange rate of Bolivar 1920:US\$ 1, implemented in February 2004, is likely to be devalued in early 2005.

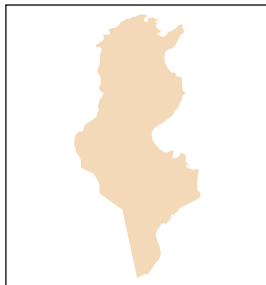
Morocco



Following a reduction in the quality of the wheat harvest, Morocco is expected to have grown by an estimated 4.4% in 2004. But growth in

the other sectors such as construction, mining and energy sectors had been buoyant during the year. Domestic demand has also been buoyant, underpinned by strong rural incomes following the good harvest of 2003 and increased household spending encouraged by lower interest rates. Investment has also been increasing as the number of new businesses launched in Morocco was 21% higher in the first half of 2004 as compared to the same period in 2003. The continuing weakness of the US Dollar is likely to have pushed export earnings measured in the US Dollar higher to US\$ 9.9 billion in 2004. Import spending also rose sharply in the face of high global oil and coal prices, as well as Morocco's substantial infrastructure requirements.

Tunisia

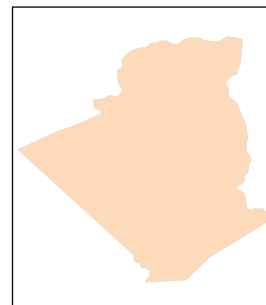


In 2004, a contraction in agricultural production has offset relatively buoyant expansion in industry and tourism, causing GDP

growth to slow down from 5.6% achieved in 2003 to a lower 4.7% in

2004. The tourism sector has been performing strongly, with the number of tourists and tourist nights and tourism receipts going up. The hotels, cafes and restaurants sector grew by 13.2% in real terms in the second quarter of 2004 compared with the same period in 2003. The stabilization of the trade deficit, together with robust growth in tourism receipts and remittances from Tunisians working abroad, has helped to strengthen the external account. A number of multilateral agencies has lent to Tunisia in 2004, including the African Development Bank (2 loans for infrastructure development), the European Investment Bank (2 loans to clean up shoreline polluted by chemical and petrochemical plants), the Arab Trade Financing Program (loan to fund foreign trade) and the World Bank (loan to support economic reforms to improve export competitiveness).

Algeria



Large increase in crude oil production has boosted economic activity in recent years, with real GDP increasing to 6.1% in 2003,

up from 4.1% in the previous year. With the Government opening up more exploration blocks to foreign operators, crude oil production is expected to increase further. An important policy initiative has been the Government's move to introduce the Hydrocarbons Reform Bill, which entails transforming the state-owned energy company, Sonatrach, into a commercial entity and creating two separate agencies to take over the company's current regulatory functions. Sonatrach will be entitled to take a stake of between 20% and 30% in production sharing agreements signed with foreign companies. By ending Sonatrach's regulatory role, the Government hopes to encourage free competition in the upstream, midstream and downstream sectors.

Select Currencies

Sri Lankan Rupee

The Sri Lankan Rupee (Rupee) is being managed under floating rate regime where the exchange rate is determined by the demand and supply of foreign currencies in the foreign exchange market, while the Central Bank intervenes mainly to smoothen out the excess liquidity. The Rupee has come under pressure over the last few months from heavy importer demand for USD to settle trade bills, widening trade and current account deficits and high international oil prices, while exporters have been holding on to their USD earnings expecting the local currency to weaken. There has been increased import demand because of the influx of seasonal goods that has put pressure on the currency. Sri Lanka's trade deficit in the first 10 months of 2004 widened by 49 percent year-on-year to USD 1.7 billion on the high cost of oil. The Sri Lankan Rupee closed at an all time low of Rs. 105.50 against the USD on 16th December 2004. Rupee has depreciated over 8 percent so far this year due to high crude prices and increased cost of imports. The Sri Lankan Rupee closed, marginally better at Rs. 104.48 against the USD on 31st December 2004.

Columbian Peso

According to the International Institute for Management Development (IMD) World Competitiveness Ranking 2004, Colombia was the only Latin American country to improve its position. The positive economic performance, in addition to the potential opportunities of a Free Trade Agreement (FTA) currently being negotiated with the United States, place Columbia as one of the most promising and attractive countries of the region. A weakening dollar has resulted in Colombian peso appreciating by about 15 percent against the dollar this year from Ps 2778: USD 1 in December 31, 2003 to Ps 2350: USD 1 as on December 31, 2004. The appreciation observed in 2004 was a departure from the devaluations Latin American countries had, against the dollar, between 2000 and 2003 coupled with high inflation. The appreciation has been associated with the strong external demand, influenced by the recovery of the Venezuelan economy and higher growth in the United States. The Central Bank of Columbia (Banco de la Republica) targets the inflation through the intervention interest rates. During the first quarter of 2004, the central Bank reduced its intervention interest rate by 50 basis points to 6.75% p.a, as a result of the lower inflation forecasts, and the exchange rate appreciation. To stem a rise in the peso, Colombia's central Bank further cut its money market intervention rates by 25 basis points to 6.5% p.a. on December 18, 2004. Through the foreign exchange market intervention the country's external liquidity position was strengthened to face possible adverse shocks on the foreign exchange rate and capital outflows that may affect future rise in inflation. Colombia has substantially reduced its external vulnerability as a

result of the flexible exchange rate regime, the relatively balanced current account and healthy international reserve stock of USD.

Great Britain Pound

After the collapse of the Bretton woods fixed exchange rate regime in 1971, the British Pound (Sterling) started as a floating currency at USD 2.55 and rose as high as USD 2.64 the following year. In the 1970's, the pound stayed above USD 2 for most of the times, but it started to fall in value and has been below USD 2 after that. Sterling rose above USD 1.95 for the first time in over 12 years on 7th December 2004. While Japanese and the euro zone policy makers are complaining about the export –damaging rise of their currencies, Britain has been remarkably quiet about the pound's surge against the tumbling dollar. This is mainly because only one sixth of British exports go to the Unites states, compared to one half to the euro zone. So the pound's rate against the euro is far more important to the British economy. Bank of England has kept the lending rate unchanged at 4.75% p.a at the monetary policy committee (MPC) meeting held on December 22nd 2004. The pound was steady at USD 1.9164 after the Bank's decision. Economists are expecting the interest rates to be steady till February 2005 as the MPC waits for a clearer picture of how the economy will do in the recent future. Interest rate differentials have been an important driver for sterling. Declines in sterling would be limited despite the outlook for higher US rates as concerns about the US budget and trade deficits deepen and keep the dollar on its broad downward trend. The pound was at USD 1.9194 as on December 31st 2004.

Indian Plantation Sector: Prospects and Challenges

Plantation sector in India mainly comprise crops like tea, coffee, rubber, cashew nut, areca nut, coconut, cardamom and pepper. Total area harvested under plantation crops in the year 2003 was 4.3 million hectares, producing 12 million tonnes. Average productivity of plantation crops in 2003 was 2865 kg/ha. A comparison of India with that of other major players shows that Indian productivity in select plantation sector is better than the world average.

The global trade of select plantation commodities is estimated to be of the order of US \$ 11 billion in 2002. India's combined exports of these plantation commodities were about US \$ 0.8 billion in 2002. With this level of exports, India's share in global trade of these plantation commodities is estimated to be over 7%.

Tea: India is the largest producer and also a leading consumer of tea in the world. Sri Lanka and China tops the list of major exporters of tea. Major markets for tea include Russia, UK, Pakistan, USA and Egypt. Average price realisation of Indian tea has been attractive in markets like France, Germany, Japan, Hong Kong and

The Netherlands. India holds high market share in countries like Russia, UAE, Germany, Poland and Kazakhstan.

Coffee: Global coffee production was estimated to be 7176 million kgs in 2003. Arabica coffee accounts for 75% of the world coffee production. Latin American countries are the lead producers of coffee. In India, about 52% of land under coffee cultivation and 60% of production belong to Robusta variety. Brazil is the largest exporter of coffee, followed by Vietnam and Colombia. USA is the leading importer of coffee followed by Germany, Japan, Italy and France. European countries like Italy, Germany and Belgium are the leading markets for Indian coffee.

Pepper: India was the second largest producer of pepper after Indonesia, until 2002. However, India lost its rank to Vietnam and Brazil, in the year 2003, due to stagnant in production. USA is the major importer with a global share of 25%. As regards exports, the leading countries were Vietnam, Indonesia, Brazil, Singapore and India. Export orientation of Indian pepper has been 40% on an average in the last four years. However, price realisation has declined during the same period. Most of the EU countries have provided preferential market access for India.

Cardamom: Export of cardamom is mainly undertaken by Guatemala and is followed by India and Indonesia. Though India is largest producer of cardamom, its export share in the world is 10%. Major markets for cardamom include Saudi Arabia, China, Hong Kong and Singapore. India mainly exports cardamom to Pakistan, UAE, Saudi Arabia, Japan and USA. However, Indian cardamom attracted better price realisation in countries like Sweden, Saudi Arabia, Oman and Lebanon.

Natural Rubber: The top natural rubber producing countries include Thailand, Indonesia, India, Malaysia, China and Vietnam. India accounts for around 10%

of global production, ranking at third position. Malaysia is the leading importer followed by USA, China and Italy, in the global map.

Strategies: Global competence can come only along with world-class quality, competitive pricing and a well-known brand. India, owing to large area under plantations and low cost labour has the price advantage in its stride. Efforts towards improvement in quality and making Indian brands popular abroad will be the key for the plantation sector in the international market. The industry, with the active support of the Government of India may like to source funds from multilateral agencies to fund replanting of this sector with high yielding / most preferred varieties.

Respective Commodity Boards may undertake structured market research to formulate product oriented strategy. Study of the supply chain of plantation commodities in the international arena would help Indian exporters in making right linkages for effective penetration into the foreign markets.

Price Stabilization Fund Scheme is an encouraging step, considering the price volatility in the plantation sector and inability of the growers to withstand such market risk. Institutional financial support for income risk / price risk management, in a structured manner would enable the sector to fight adverse conditions.

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Note: Indian Rupees are referred in crore and lakhs:

1 crore : 10 mn

1 lakh : 100 thousand

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