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EXIMIUS: EXPORT ADVANTAGE

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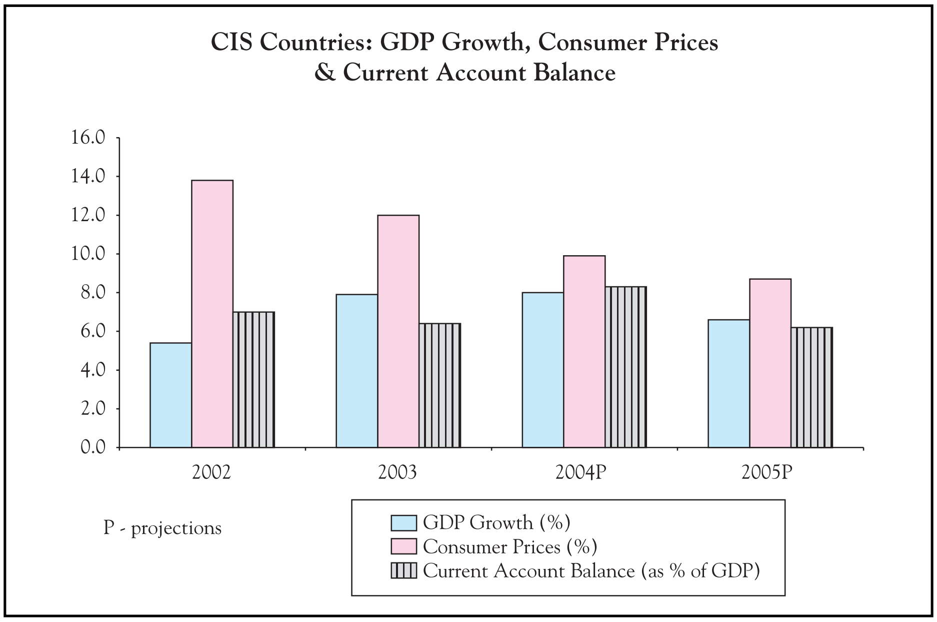
In this issue

An Overview of CIS Countries

Reflecting robust growth in most member countries, the CIS countries registered a combined strong GDP growth of 7.9% in 2003, up from a growth of 5.4% in 2002. Strengthened performance in 2003 was underpinned by a number of factors such as high oil prices, buoyant consumption and wage growth, and strong growth in investment in some countries. Continued robust economic trends in the CIS have been boosted to a large extent by the resilience of the Russian economy, as also improved macroeconomic stability and declining inflation. On the external front, the CIS countries have maintained surplus on the current account (amounting to 6.4% of GDP in 2003), due primarily to the strong surplus registered by the net energy exporters from the region (Chart).



Russia has continued to exhibit robust growth and resilience with high oil prices helping to sustain strong output growth and a large current account surplus. Real GDP growth strengthened from 4.7% in 2002 to 7.3% in 2003, and is expected to remain robust in 2004. Decline in inflation rate, from 15.8% in 2002 to 13.7% in 2003, has been accompanied by continued current account surplus which amounted to 8.3% of GDP in 2003. Current account surpluses and private borrowing from abroad are expected to sustain appreciation pressures on the rouble despite capital outflows. A strong rouble and increase in administered prices should help slow down inflation further in 2004 and 2005. Build up of foreign exchange reserves and reduction in external indebtedness led Standard & Poor's to upgrade Russia sovereign debt in January 2004, while Moody's had raised all Russian sovereign debt to investment grade in October 2003.

In *Ukraine*, GDP growth increased to 9.4% in 2003 from 5.3% in the previous year, boosted by strong domestic demand growth as also robust export growth. The industrial sector, and in particular manufacturing, continues to be the main driver of Ukraine's economic expansion. Manufacturing accounts for over three-quarters of industrial output, and remains by far the most dynamic segment of the industrial sector. During 2003, the manufacturing sector grew by 18% owing to continued domestic demand growth and favourable export conditions. Reflecting the country's improved access to international capital markets, Ukraine issued US$ 600 mn in Eurobonds in February 2004, following the US$ 1 bn in Eurobonds issued in 2003. The bond issues, in turn, have contributed to sharp build up in the country's foreign exchange reserves.

Strong domestic demand reflecting rising household consumption, and buoyant sales to Russia boosted *Belarus*' real GDP growth to 6.8% in 2003 as compared to that of 5.0% in 2002. Inflation registered a sharp slowdown from 42.6% in 2002 to 28.4% in 2003, and is expected to decelerate further to 19.5% in 2004, following tighter monetary policy, improved foreign exchange policies, a moderate inflation environment throughout the region, and recovery in external demand. Despite these improvements, however, inflation remains well above rates recorded elsewhere in the region.

In *Kazakhstan*, output growth remained robust at 9.2% during 2003, due mainly to the investment-led growth in oil sector production. Industrial output continues to be concentrated in key extractive industries, especially oil and gas sector, although large rise in output was also recorded in the textiles and construction material sector. Growth has also been boosted by increased demand from Russia, Kazakhstan's main export market for non-hydrocarbon products. During 2004, output growth is expected to remain strong at 9.0%, coupled with surplus on the current account.

Other CIS countries, viz. *Armenia*, *Azerbaijan*, *Georgia*, *Kyrgyz Republic*, *Moldova*, *Tajikistan and Turkmenistan*, have also generally maintained robust economic growth in recent years, supported by strong performance in the larger countries in the region.

The robust 13.9% GDP growth registered by *Armenia* in 2003 was the second consecutive year of double-digit growth, with the construction sector making the largest contribution. Activity in the construction sector has been boosted by the completion of projects financed by a US-based foundation, which has contributed around US$ 170 million to the construction of residential housing and roads, and the refurbishment of several cultural institutions in the country. During 2004, however, output growth is expected to slowdown due to sluggish domestic demand arising from limited access of private companies to affordable finance.

Table: CIS Countries - Real GDP, Consumer Prices & Current Account Balance

	Real GDP Growth (% change)			*Consumer Prices (% change)*			*Current Account Balance (% of GDP)*		
Countries	*2002*	*2003*	*2004P*	*2002*	*2003*	*2004P*	*2002*	*2003*	*2004P*
CIS	5.4	7.9	8.0	13.8	12.0	9.9	7.0	6.4	8.3
Russia	4.7	7.3	7.3	15.8	13.7	10.3	8.9	8.3	9.9
Ukraine	5.3	9.4	12.5	0.8	5.2	8.3	7.5	5.8	10.2
Kazakhstan	9.8	9.2	9.0	5.9	6.4	6.8	-3.5	-0.2	2.1
Belarus	5.0	6.8	6.4	42.6	28.4	19.5	-2.6	-2.9	-3.6
Armenia	12.9	13.9	7.0	1.1	4.8	3.0	-6.6	-7.1	-5.9
Azerbaijan	10.6	11.2	9.1	2.8	2.2	5.3	-12.3	-28.3	-24.2
Georgia	5.5	11.1	8.5	5.6	4.8	5.8	-6.0	-7.5	-8.1
Kyrgyz Republic	-	6.7	5.5	2.1	3.1	4.5	-2.2	-2.3	-3.7
Moldova	7.8	6.3	5.0	5.3	11.7	10.7	-6.0	-9.3	-6.6
Tajikistan	9.1	10.2	10.0	12.2	16.4	7.2	-2.7	-1.3	-2.2
Uzbekistan	3.2	1.5	2.5	44.3	14.8	11.8	1.2	8.9	8.2
Turkmenistan	19.8	16.9	7.5	8.8	5.6	5.0	6.5	4.6	5.4

P - Projections
Source: World Economic Outlook, September 2004, IMF.

In *Azerbaijan*, output growth remained robust at 11.2% in 2003 as compared to a growth of 10.6% in 2002, boosted by high levels of FDI in the oil sector. The construction sector has also benefited from increased investment, owing to the need to build pipelines and hydrocarbons facilities. Inflation rate remained moderate at 2.2% during 2003, although rise in prices of foodstuffs is expected to fuel inflation to 5.3% in 2004. FDI linked to continued oil and gasfield development would remain the major factor driving economic growth over the next year. During 2004, reflecting slowdown in oil production, GDP growth is expected to slowdown to around 9.1%, before accelerating to 11.4% in 2005 following the completion of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline.

Strong industrial sector growth coupled with buoyancy in the retail trade sector boosted overall growth in *Tajikistan*. Real GDP growth increased from 9.1% in 2002 to 10.2% in 2003. Tajikistan is diversifying its economy away from dependence on aluminium and cotton. Within the industrial sector, production of consumer goods rose by 13.5% indicating a pickup in domestic demand, while sharp growth in retail trade boosted services sector growth to 14.7% during 2003. Inflation, however, increased to touch 16.4% in 2003, well above the target of 9%, due mainly to relaxation of monetary policy and sharp rises in food prices.

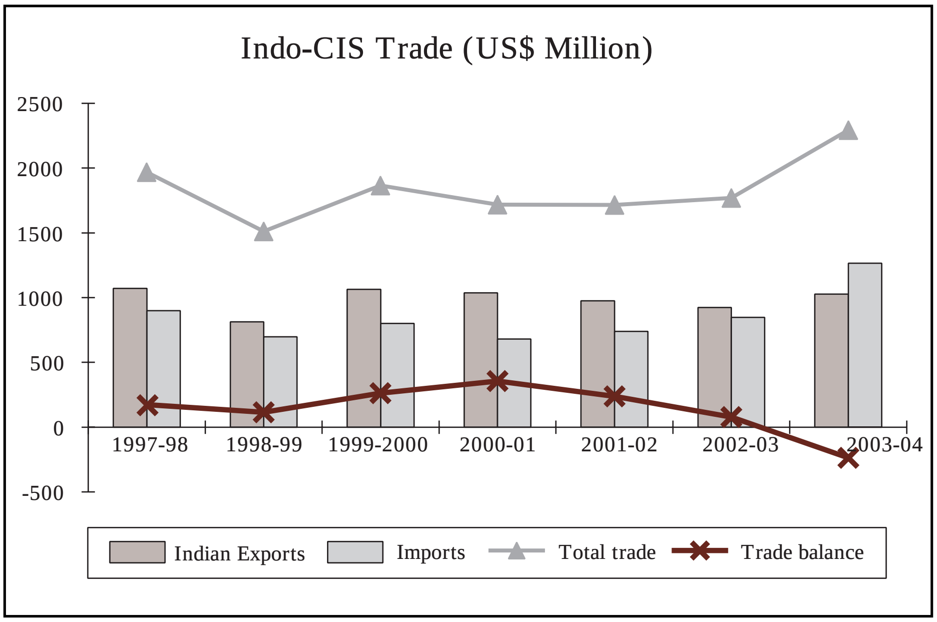
In *Georgia*, GDP growth accelerated to 11.1%, the fastest growth rate since 1997, fuelled by sharp increase in construction related to the Baku-Supsa oil pipeline. Agricultural sector growth rebounded in 2003, due to improved weather conditions and continued land reform, resulting in a doubling of grape production and boosting wine production which is one of Georgia's main exports and one of its most vibrant sectors. Inflation rate slowed down to 4.8% in 2003 from 5.6% during the previous year.

Boosted by a recovery at the Kumtor gold mine, which offset the effects of poor agricultural harvest, *Kyrgyzstan*'s real GDP grew by 6.7% in 2003, although growth in 2004 is expected to slowdown to 5.5% in line with declining gold output.

In other countries of the region, buoyant domestic demand driven by remittances and strong export growth boosted GDP growth to 6.3% during 2003 in *Moldova*, while robust growth in exports and developments in oil and gas industry boosted real GDP growth in *Turkmenistan*.

INDIATECH Exposition in Almaty

Engineering Export Promotion Council (EEPC), a nodal agency for promotion of exports in engineering goods, services and projects, organised an INDIATECH Exposition at Almaty, Kazakhstan from September 3-6, 2004. Over 40 Indian companies participated in the exposition covering tools, electrical machinery, construction equipment, bicycle manufacturing and healthcare. Exim Bank also participated in the exposition. A US$ 10 million Line of Credit has been extended to Bank TuranAlem, Kazakhstan by Exim Bank to promote exports from India. The LOC covers all 12 countries in the CIS region.



Trends in Indo-CIS Trade Relations

India's trade with the CIS countries rose sharply during 2003-04, due to an 11.2% rise in exports coupled with a sharper 49.3% rise in imports. India's exports to CIS amounted to US$ 1.03 billion, while imports stood at US$ 1.26 billion, with a resultant trade deficit of US$ 237 million, in contrast to trade surplus registered during the previous years. Total trade (exports plus imports), as a result, rose sharply from US$ 1.77 billion in 2002-03 to cross the US$ 2-billion mark at US$ 2.29 billion during 2003-04. The 'Focus - CIS' programme, launched with effect from 1.4.2003 focussing initially on seven countries namely, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Azerbaijan and Ukraine, has been extended with effect from 1st April, 2004, to cover the remaining five countries namely the Russian Federation, Armenia, Belarus, Georgia and Moldova. The programme now covers all the twelve CIS countries.

Business Opportunities Update: Upcoming Projects

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. Geeta Pruthi on Tel: 22185272 Extn: 2301.

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Armenia / Ministry of Health, Toumanyan St., 8 Yerevan 37500, Armenia. Contact: Sergey Khachatryan, Health PIU Director Tel: (374-1) 564-156 Fax: (374-1) 564-156 E-mail: hpiu@armhealth.am	Health Systems Modernization Project / The project aims to improve the organization of the health care system to provide more accessible, better quality and sustainable health care services to the population, in particular to the most vulnerable groups; and to better manage public health threats.	World Bank US$ 19 mn
Azerbaijan / Azerenerji Joint Stock Company, 10, Academician Abdul Kerim Ali Zadeh Street, Baku, Azerbaijan. Contact: Mr. Teyyar Ibrahimov. Tel: (994-12) 984-184. Fax: (994-12) 985-523. E-mail: teyyar@azerenerji.com	Power Transmission Project/ The project aims at establishing an efficient and financially viable power transmission system by creating a central dispatch facility with energy management capability and rehabilitating the existing power transmission grid.	World Bank US$ 40 mn
Lao People's Democratic Republic / Department of Irrigation, Ministry of Agriculture and Forestry, Patuxay Road, P.O. Box 811 Vientiane, Lao PDR. AsDB Contact: Mr. Paul L. Chang, Principal Education Specialist, MKRD Tel : (632) 632-4196 E-mail: pchang@adb.org	Northern Community Managed Irrigation / The Project aims to reduce rural poverty in 11 districts of the northern region through sustained growth of agricultural production by developing community-managed irrigation schemes with strong community ownership.	Asian Development Bank US$ 10 mn
Afghanistan / Contact: Hideaki Iwasaki Project Specialist (Roads) South Asia Transport and Communications Division Tel. No.: (632) 632-6442 E-mail: hiwasaki@adb.org	Herat-Andkhoy Road Project / The Project has three-pronged objectives: (i) to improve connectivity and access to social services and economic opportunities for the poor in the project area, (ii) increase efficiency, reduce cost and time for movement of people and goods between the project area, the north and south of the country, and (iii) contribute to the development of sub-regional transport corridors.	Asian Development Bank US$ 80 mn

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Serbia and Montenegro/ Subotica Municipal Water Utility, Trg Lazara Nesica 9/A, 24000 Subotica, Serbia and Montenegro. Contact: Mr. Rudolf Cinkler, Advisor for Water Works. Tel: +381 24 556 133 Fax: +381 24 556 133 E-mail: rcinkler@ptt.yu	City of Subotica Municipal Infrastructure Reconstruction Programme / The proposed project comprises the rehabilitation and modernisation of the Waste Water Treatment Plant (WWTP) in the City of Subotica. This will increase the treatment capacity of the WWTP, introduce removal of phosphorus and nitrogen and improve sludge treatment.	EBRD US$ 11.2 million
Ukraine / Ukrzaliznytsia ("UZ"), 2 Protasiv Yar Street, 03038, Kiev - 38, Ukraine. Contact: Mr. Yuri Simchuck, Head of Project Implementation Unit, Ukrzaliznytsia Tel: +380 44 223 37 71 Fax: +380 44 223 37 70 E-mail: kzants@uz.gov.ua	Fast Passenger Trains Project / The project aims at providing further assistance in operational modernisation of Ukraine Railways and continue to enhance institutional strengthening to promote railway commercialisation.	EBRD US$ 120 million
Kenya/ Contact: Robinson Kariuki Gaita. Rift Valley Water Services Board. PO Box 30521. Nairobi, Kenya. Tel: (254-20) 271-6103. Fax: (254-20) 272-7622	Rift Valley Water Supply and Sanitation Project/ The principal objectives of the project are to improve water supply and sanitation services in urban, semi-urban and rural communities within the service area of the Rift Valley Water Services Board, to help ensure equitable provision of adequate quantity and quality of water and sanitation services to all the user groups at affordable cost on a sustainable basis.	African Development Bank US$ 26.5 mn
Ghana/ Community Water and Sanitation Agency (CWSA), P. Bag; Tel: (233-21) 77-91-02/ 77-94-79 Fax: (233-21) 77-94-75 E-mail: cwsa@ghana.com AfDB Contact: Mr. J.M. Gharbi, Director, Country Operations: Central and West. Tel: (216) 7133-3511	Rural Water Supply and Sanitation Program in Central and West Region / The project involves the following activities: (i) Infrastructure Provision; (ii) Community development; (iii) Capacity building and training and (iv) Project management and technical assistance.	African Development Bank US$ 18.7 mn

CONTRACT AWARDS

Select contracts secured by Indian companies :

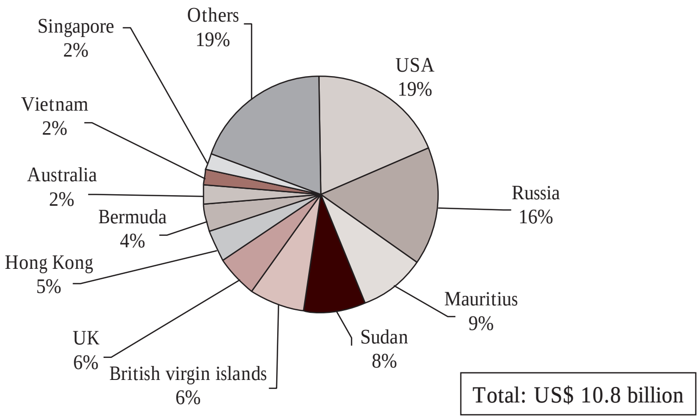
Telecommunications Consultants India Limited, New Delhi	Contract for supply and installation of microwave network for Afghanistan Reconstruction Trust Fund, secured in Afghanistan, funded by World Bank.
IRCON International Limited, New Delhi	Contract for upgrading of Dera-Magna Road for Road Sector Development II Project, secured in Ethiopia, funded by World Bank.
RITES Ltd., New Delhi	Consultancy contract for construction supervision of Nazareth-Assela Road, secured in Ethiopia, funded by World Bank.
The Tata Power Company Ltd., Kolkata	Turnkey Contract for Khulna-Bheramara-Ishurdi Transmission Line for West Zone Power System Development Project, secured in Bangladesh, funded by Asian Development Bank.
Jaguar International Limited, New Delhi	Contract for supply of line and casing pipes for Dhaka Clean Fuel Project, secured in Bangladesh, funded by Asian Development Bank.
The Energy and Resources Institute, New Delhi	Consultancy contract for rehabilitation of renewable energy for Rural Electrification Project, secured in Philippines, funded by Asian Development Bank.
KEC International Ltd., Mumbai	Turnkey contract for Transmission Lines for Coalition Provisional Authority, secured in Iraq.

Trends in Indian Investment Abroad

Overseas Investment : Approvals and Actual Outflows		
Period	No. Of Approvals	Actual Outflows (US$ Mn)
1996-97	290	204.99
1997-98	228	120.77
1998-99	275	142.83
1999-00	395	271.14
2000-01	714	1211.85
2001-02	906	974.89
2002-03	1029	1710.08
2003-04	1229	1253.57
2004-05 (April 04-June04)	259	364.66

Source: Ministry of Finance, Government of India

Countrywise Indian Investment (Jan 1996 to June 2004)



Source: Ministry of Finance, Government of India

The overseas investment policy of India was streamlined in 1995 with the notification on Guidelines on Indian Investment Abroad. The policy since then has been liberalized progressively. The objective of liberalizing Indian investment abroad was mainly to provide Indian industry access to new markets and technologies with a view to increasing their competitiveness globally and help the country's export efforts.

The performance of Indian overseas investment policy could be seen from the surging investment approvals and outflows since 1996. Cumulatively, 5066 proposals for overseas investments, worth over US $ 10 billion has been approved during the period April 1996-March 2004. The actual outflows during this period amounted to nearly US $ 6 billion.

The countrywise pattern of Indian investment has undergone changes in the recent past. Top 10 destinations accounted for over three fourth of cumulative total investment approvals since 1996. Between the periods 1996-2000, major destinations include British Virgin Islands, Hong Kong, USA, UK and Mauritius. The investment approvals changed its pattern and were in favour of countries like Russia, USA, Sudan and Mauritius during the periods 2000-01 to 2003-04. As a result, USA topped the list followed by Russia, Mauritius and Sudan, with regard to total investment approvals, cumulatively during the period April 1996- March 2004.

In terms of sectors, manufacturing accounted for around 55% of total Indian overseas investments, followed by non-financial services (36%) and trading (5%).

Indian investment as joint ventures and wholly owned subsidiaries have also helped generating foreign exchange through repatriation of dividend, royalty payments, engineering fees and consultancy revenue. The cumulative inflows of such revenue (including dividends) between the periods April 1999 - March 2004, amounted to nearly US $ 600 million as per Ministry of Finance, Government of India. In simple terms, the revenue inflow under these accounts work out to 10 percent of investment. In addition, the ventures facilitated non-equity exports to a value of over US $ 1 billion, during the same period.

Changing Pattern of Indian Overseas Investment Approvals

1996-2000		2000-01 to 2003-04		1996 to 2003-04	
Country	Rank	Country	Rank	Country	Rank
British Virgin Islands	1	Russia	1	USA	1
Hong Kong	2	USA	2	Russia	2
USA	3	Sudan	3	Mauritius	3
UK	4	Mauritius	4	Sudan	4
Mauritius	5	UK	5	British Virgin Islands	5

Source: Ministry of Finance, Government of India

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 credit 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. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, especially to SMEs, and serves as an effective market entry tool.

The Bank has extended five LOCs during the quarter - July to September 2004.

Under these LOCs to Vietnam and PTA Bank, the importers from the respective countries are required to make advance payment of 10% of the contract value to the Indian exporters and the balance 90% of contract value would be reimbursed by Exim Bank to Indian exporters, upfront upon the shipment of goods. In **Angola**, the Line would be used partly for financing a project for rehabilitation of Mocamedes Railway in Angola, to be executed by RITES Ltd., a Government of India Enterprise, under the aegis of Indian Railways. Under this LOC, Exim Bank will reimburse the Indian exporter upfront, upon shipment of equipment and goods and provision of services, under the contract, which envisages technical assistance, staff training, rehabilitation of Namibe-Matala route, supply of trains and coaches, as well as the equipment for maintenance. Under the US$ 16 million LOC to **Suriname**, US$ 13 million has been earmarked to finance construction of a 161 KV transmission line and sub-station project from Paranam to Paramaribo in Suriname. The balance US$ 3 million will be utilized for export of other goods and services. Under this LOC, Exim Bank will reimburse the Indian exporter 100% upfront, upon shipment of goods and provision of services. Under the US$ 20 million LOC to **Mozambique**, 100% of contract value would be reimbursed by Exim Bank to the Indian exporters, upfront upon the shipment of goods. Government of Mozambique has nominated Banco de Mocambique (central bank of the country) as the executing agency from Mozambique.

Exim Bank signed the fifth LOC of US$ 10 million with **PTA Bank**. With this, Exim Bank has extended so far US$ 35 million to PTA Bank, which covers 16 countries in the eastern and southern African region (Burundi, Comoros, Djibouti, Egypt, Eritrea, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia & Zimbabwe). Exim Bank's LOC to **Vietnam** will support India's export of equipment, goods and services to that country.

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 or clarifications are invited

(a) 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

(b) to contact any of Exim Bank's offices in India/overseas.

	Borrower	Amount of Credit	Terminal Dates for Utilisation	
			Opening of L/C	Disbursement
1	Government of Vietnam	US$ 27 mn	24 months	30 months
2	Government of Angola	US$ 40 mn	24 months	36 months
3	Government of Suriname	US$ 16 mn	24 months	30 months
4	Eastern & Southern African Trade & Development Bank (PTA Bank)	US$ 10 mn	18 months	24 months
5	Government of Mozambique	US$ 20 mn	24 months	30 months

Note

1 In respect of LOC to PTA Bank (item 4 above), a pro-rata service fee is payable by the exporter to Exim Bank.

2. Exporter may contact Exim Bank for the current amount available for utilization under LOC.

3. Terminal Dates for Utilization are subject to modifications as and when necessary.

For further information on all LOCs, please contact

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

Success Story – UCAL Fuel Systems Ltd.

Ucal Fuel Systems Ltd (UCAL), incorporated in September 1989, was promoted as a joint venture between the Chennai based Carburettors Ltd and Mikuni Corporation, Japan, to manufacture carburettors and fuel pumps for Maruti cars at Maraimalainagar near Chennai. The company's production of carburettors, in the initial years, was confined to Maruti 800 cc cars. Today, UCAL is the exclusive supplier of carburettors to Maruti. UCAL expanded its product range with the manufacture of fuel pump targeting both Original Equipment (OE) and replacement market.

As part of its diversification programme, UCAL has been manufacturing carburetors for two-wheelers since 1993 and their major customers are TVS Motor, Bajaj Auto, Yamaha Motor and LML. Besides, UCAL developed carburetors as OE fitment in the portable generators manufactured by Shriram Honda and Birla Yamaha. With the active support of its JV partner, Mikuni Corporation, UCAL expanded its product range to manufacture entire component for the fuel injection systems for passenger cars manufactured by Hyundai Motor India Ltd. UCAL established its second manufacturing plant at Pondicherry during 1996. The company, as part of its strategy to enlarge its product portfolio, entered into a technical collaboration with Mitsubishi Electric Corporation, Japan during 1997 for manufacture of in-tank electric fuel pump for Maruti Zen cars. Anticipating the phasing out of carburetors, which mix air and fuel and let the mixture into the engine, UCAL decided to manufacture air suction valves and fuel injection components. In order to provide Just In Time supplies to Maruti, UCAL set up its third manufacturing plant at Gurgaon, Haryana in 2000. The company's plants have been certified for QS 9000 systems by BVQI consecutively for the last three years and all the plants hold ISO 9002 certification.

UCAL has an extensive and well equipped Research & Development centre recognised by the Department of Scientific & Industrial Research, Ministry of Science and Technology, Government of India. During the last two years, UCAL has invested over Rs. 8 crore in upgrading the facilities at the research centre. The centre would look into new product development and also be involved in the research and development activities of their Japanese collaborator, Mikuni. UCAL is likely to emerge as a multi-product company, though all its products would come under the rubric of 'fuel management systems'.

Meanwhile, UCAL's technical tie-up with Orbital Engine Corporation of Australia has enabled the company to manufacture products, using 'direct injection' technology. This has already resulted in UCAL receiving trial order for direct engine components from Bajaj for its three wheelers. The direct engine technology from Orbital can enable a two-stroke engine to deliver the same fuel economy as a four-stroke engine, without sacrificing power.

UCAL started exporting carburetors for four wheelers from 1996 to Mikuni on a buy back arrangement. The company currently exports carburetors for two wheelers and fuel injection parts to Mikuni and air suction valves to China and Europe. Since 1998 there has been significant increase in exports, reaching Rs. 33 crore during FY 2003-04, which accounted for over 12% of the company's turnover. Exim Bank has been with UCAL, right from its initial forays into the export market, and has been funding UCAL's various investment projects as well as export contracts. UCAL has set an export target of Rs. 50 crore during FY 2006-07 and the company is planning entry into discerning markets in Latin America. With the current buoyancy in auto sector, UCAL is poised to scale greater heights with Exim Bank's support.

Trends in Global Export of Services

Services constitute a major segment of world economies, including select developing countries like India. Reflecting the importance of service sector in their overall economic activities, industrial countries dominate global exports of services, albeit with a declining share in the case of UK, France, Italy, Japan and Netherlands. In the case of the US and Spain, however, their share in global services exports have registered an increase.

An analysis of the trends in global services exports since 1980 attests to the emergence of countries such as China, Ireland, Korea and India as important service exporting nations. In the case of China, services exports have increased significantly from US$ 5.7 bn in 1990, to touch US$ 44.5 bn in 2003. Sharp rise in services exports can also be discerned in the case of Ireland and Korea. India's export of services stood at US$ 24.9 bn in 2003, accounting for 1.4% of global share. Although India has also emerged as an important global services exporter, India has not been able to match the growth momentum achieved by Ireland and Korea. While the share of Ireland (0.3%) & Korea (0.6%) were lower than that of India (0.7%) in 1980, the countries have since overtaken India's share in the subsequent years.

In China, sharp rise in earnings from tourism has been the major factor contributing to the increase in services earnings, with tourist receipts accounting for more than 50% of total services earnings. According to the World Tourism Organisation, China was the fifth most popular tourist destination in the world in 2002, with tourist arrivals numbering 36.8 mn and tourist receipts amounting to US$ 20.4 billion. In the case of Ireland and India, substantial earnings from computer and information relates services, including software exports, account for bulk of services earnings.

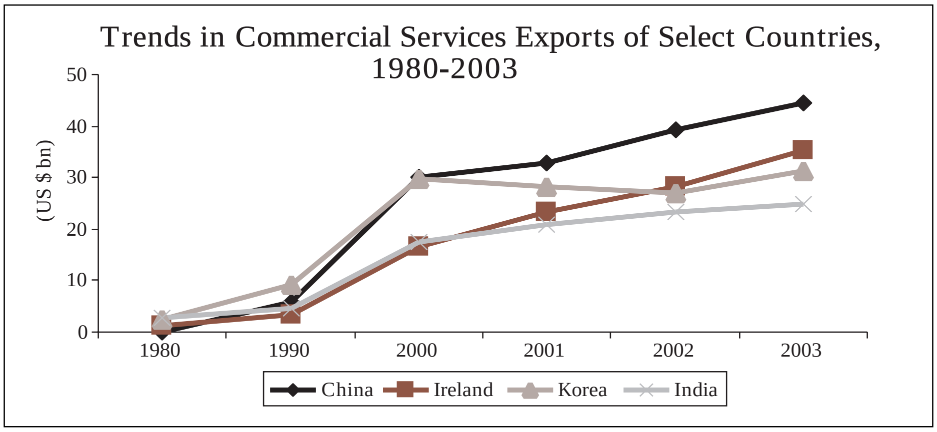
Developing countries have registered a considerable export of services trade in recent years, although in many cases from a low base. Besides having an advantage in labour-intensive services, technological advances in telecommunication and computer industries have allowed developing countries endowed with well-educated and cost-competitive workforce to produce and export computer and related services worldwide.

Leading Exporters in World Trade in Commercial Services

(% share in global exports)

Rank in 2003	1980	1990	2000	2001	2002	2003
Global Exports (US$ bn)	397.9	819.6	1472.2	1487.2	1561.1	1763.0
1 United States	9.6	16.2	18.8	18.1	17.5	16.0
2 United Kingdom	8.6	6.6	7.8	7.4	7.9	7.3
3 Germany	6.5	6.3	5.6	5.8	6.4	6.3
4 France	10.6	8.1	5.5	5.4	5.5	5.6
5 Spain	2.9	3.4	3.6	3.9	4.0	4.3
6 Italy	4.7	5.9	3.8	3.8	3.8	4.1
7 Japan	4.7	5.1	4.6	4.3	4.2	4.0
8 Netherlands	4.2	3.5	3.3	3.4	3.5	3.6
9 China	–	0.7	2.0	2.2	2.5	2.5
10 Hong Kong, China	1.5	2.2	2.6	2.6	2.8	2.5
11 Belgium *	2.9	3.0	3.3	3.3	2.3	2.4
12 Austria	2.2	2.8	2.1	2.2	2.2	2.3
13 Canada	1.8	2.2	2.6	2.5	2.3	2.2
14 Ireland	0.3	0.4	1.1	1.6	1.8	2.0
15 Switzerland	1.7	2.2	1.9	1.7	1.8	1.9
16 Denmark	1.2	1.5	1.6	1.7	1.7	1.8
17 Korea	0.6	1.1	2.0	1.9	1.7	1.8
18 Sweden	1.9	1.6	1.4	1.5	1.5	1.8
19 Singapore	1.2	1.5	2.0	1.9	1.9	1.7
20 India	0.7	0.6	1.2	1.4	1.5	1.4

** 1980 to 2001 figures are for Belgium – Luxembourg, Source: WTO*



Note: Commercial Services comprise transportation services, travel, and other commercial services (such as communication, construction, insurance, financial, computer & information, royalty & licence fees, and other business services)

Exim Bank of India ties up with Exim Bank of Korea to Boost Bilateral Trade

Export-Import Bank of India (Exim India) and the Export-Import Bank of Korea (Exim Korea) signed a Bilateral L/C Confirmation Facility Agreement for US $ 10 million in New Delhi in August, 2004, to provide a fillip to intra-regional trade in Asia, particularly through supporting Indo-Korean trade.

The Bilateral L/C Confirmation Facility Agreement is a credit enhancement facility through confirmation of L/Cs opened by specified commercial banks of the two countries. Exim India had earlier signed similar Agreements with Exim Banks of Malaysia and Thailand. Exim Banks of 8 Asian countries viz., India, Korea, China, Japan, Thailand, Indonesia, Malaysia, Philippines have concluded a Multilateral L/C Confirmation Facility Agreement seeking to promote intra-regional trade and economic cooperation.

The Bilateral L/C Confirmation Facility Agreement and the earlier Multilateral L/C Confirmation Facility have evolved under the auspices of the Forum of Asian Export Credit Agencies (ECAs) of which India and Korea are founder members. Exim India took the initiative to conceive and forge such a forum in 1996, which has since emerged as a useful platform for cooperation amongst the Asian ECAs.

Bilateral trade between India and Korea has grown at a CAGR of 35% over the last 3 years touching US$ 3.3 billion in 2003-04. Korea is the fifth largest foreign investor in India with cumulative FDI approval of about Rs.100 billion between 1991-2004. The bilateral L/C Confirmation Facility between Exim India and Korea is expected to facilitate bilateral trade flows.

Korea To Invest Out Of Its Forex Reserves

Korea has developed a vision to emerge as a “niche financial hub” for Northeast Asia by 2012 and to become a major financial centre serving Asia and contributing to its development and prosperity by 2020, according to Korean Ministry of Finance and Economy (MOFE) sources. With a view to achieve this, the Government has put forward a seven-point strategy, central to which is the establishment of a “*Korea Investment Corporation (KIC)*”, modelled on the Government of Singapore Investment Corporation (GIC). KIC is expected to go into operation in the first quarter of 2005 and would boost investment and enhance running of the state asset pool to contribute better to growth and financial sector development. KIC is envisaged to be the main body to effectively manage public funds (such as excess foreign exchange reserves and pension funds). KIC would start its operation drawing on US$ 20 billion from the country’s foreign exchange reserves, which stood at US$ 170 billion as on August 31, 2004. It would invest in foreign currency denominated assets and mostly outsource to prominent foreign asset management companies in its initial stage, according to MOFE sources. According to a press release by The Korea Development Bank, KIC fund managers will be prohibited from investing in real estate, non-listed companies and private equity funds, making it easier to access the funds in a timely manner. Bank of Korea, the central bank, which had initially opposed the usage of forex reserves, has approved the plan and will continue to retain the ownership of the assets, according to Government sources.

India’s Recent Initiatives Of Trade Agreements

Regional Trade Agreements (RTAs) have emerged as a major instrument for enhancing international trade in recent times. As per WTO, by the end of October 2003, 285 RTAs have been notified to the GATT/WTO. In recent period, the Government of India has taken significant initiatives, with a view to realise gains from international trade through regional or bilateral trading arrangements. The initiatives taken during the current year primarily reflect a greater thrust for trade agreements between India and neighbouring Asian countries. On August 30, India signed the Protocol to implement the Early Harvest Scheme (EHS) under the Framework Agreement on Free Trade Area (FTA) between India and Thailand, signed last year. Earlier in August, India signed a Framework Agreement on Economic Cooperation, with the Gulf Cooperation Council (GCC) comprising the six Gulf countries viz. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With this both sides would consider ways and means for expanding and liberalising their trade relations including initiating discussions on the feasibility of a Free Trade Area (FTA) between them. As part of the “*Look East Policy*” India has signed the Framework Agreement of the BIMST-EC FTA on February 8, 2004 along with Thailand, Bhutan, Myanmar, Nepal, Sri Lanka. Bangladesh is expected to join BIMST-EC later. The signing of the Framework Agreement on Comprehensive Economic Co-operation with the ASEAN countries in October 2003 also represents India’s initiative in this direction.

Export Potential of Indian Fitness Services (YOGA)

Introduction

YOGA represents a process through which one can learn how to live in an integrated manner. The science of YOGA and its techniques have been reoriented to suit modern sociological needs and lifestyles. Today, there are hundreds of YOGA styles being practiced, some with variations to suit the local practitioners.

Global Market

According to the International Yoga Federation, there are over 300 million people, who practice YOGA all over the world.

In USA alone, there are over 15 million practitioners, accounting for 5% of the world YOGA practitioners. YOGA market value is estimated to be around US $ 27 billion in USA, that includes professional fees, cost of accessories and support services.

As per the estimates of YOGA Research and Education Centre, USA, the country has 50,000 YOGA teachers and as many as 30,000 places to practice YOGA. In Europe too, YOGA is quite popular, with several thousands of registered YOGA centres. The European Union of YOGA, which has 13 main members and few correspondent members, also covers some of the central European countries.

In Australia and African continents too, there are large number of YOGA schools and teachers. Besides, YOGA is also enjoying increasing popularity in these continents.

An online survey conducted by a YOGA organisation in USA concluded that more than 90% of their respondents practiced *Asanas*, while a much smaller percentage of them practised meditation and *Pranayama*. According to this survey, *Iyengar YOGA* is the most popular style in the USA followed by *Ashtanga YOG*A.

YOGA in India

Rishikesh is called the YOGA capital of the world. There are large number of institutions and YOGA professionals in India. While there is no recognized apex organisation, where the institutions have to register, the exact number is estimated to run into several thousands. In India, the awareness regarding YOGA and its applications is on the increase and today a lot of people are coming ahead and taking up YOGA courses.

Advantage India

India is in an advantageous position to tap the global opportunities in this sector. The tradition of YOGA was born in India several thousand years ago. Its founders were great saints and yogis. YOGA has its origins in Vedas, the oldest record of Indian culture. There is a well established history of expertise in imparting the YOGA training since ancient time. The great Indian sage, Patanjali, systematized the YOGA practice in his YOGA SUTRA. Although this work was followed by many other important texts on YOGA, his book is the most significant one as it has touched almost all aspects of human life. Most of the popular YOGA institutions in the world have their parent institutes or governing bodies in India, thus placing India in an advantageous position to tap the global opportunities.

Problems

The market structure in this *sector is unorganized*. There is no apex organisation recognizing the institutes, courses offered and regulating the activities of such institutions. There is also *lack of standardization* in this sector; the classical forms are modified today and taught under novel names. The sector and institutions involved in this practice are faced with *lack of funds*, and mainly work on voluntary donations given by people, who have benefited from this fitness system. *Research studies are not undertaken* in this sector.

YOGA is traditional knowledge thriving in public domain. Since *Patent Laws for traditional knowledge are not strong*, there are patent related threats in this sector. Recently there was a claim for patenting several *asanas* in USA (that were modified from the classical YOGA). Most of the western countries associate YOGA with physical exercises, thus neglecting the effect of YOGA on mental and emotional equilibrium. Thus the *changing faces of YOGA* include physical fitness activities like aerobics, jogging and cycling in YOGA practice.

Strategies

- Governmental intervention may be desirable, in terms of funding, organizing and regulating this sector.
- YOGA education should be promoted in primary schools, in order to create awareness about this fitness system.
- IPR related issues may need to be tackled at the Government level.
- The knowledge or wisdom of YOGA should be communicated correctly world over, so that it is recognised as an Indian fitness system and its integrated benefit is realized by the practitioners. With the expanding reach of electronic and satellite medium of communication, India should be able to realise its full potential.

Seminar on Development of Domestic Consulting Services

Exim Bank in association with the Consultancy Development Centre (CDC) and Asian Development Bank (AsDB) organised seminars on *'Development of Domestic Consulting Services'* at New Delhi and Mumbai in July 2004. The seminars were aimed at disseminating information to Indian consultants on various projects funded by ADB and how Indian consultants could participate effectively in such projects. Ms. Yang Dan, Senior Consultancy Services Specialist, served as faculty from AsDB.

Delivering the inaugural address at the well-attended seminars, Mr. T C Venkat Subramanian, Chairman and Managing Director, Exim Bank highlighted the importance of consultancy services, which serves as an effective agent for exports of technology, capital goods and raw materials. India has large pool of trained and skilled manpower, including scientists, designers and engineers, with a talent and cost based advantage. However, there are issues and challenges that are faced by the consultancy services sector, in terms of competitive pricing, technology development and image building. The challenges associated with time lag and cost over run could be mitigated by participating in projects funded by multilateral agencies.

The seminar covered various issues including expression of interest and selection process; approach, methodology and submission of technical proposal; evaluation of technical proposal; process of evaluation of financial proposal; procedures for ranking of proposals; and contract negotiations for Quality and Cost Based Selection (QCBS) method.

Exim Bank has long-standing working relationship with AsDB, Manila in organizing such programmes and facilitating participation of Indian consultants in projects funded by AsDB.

India – Africa Partnership

Exim Bank's latest Occasional Paper titled *"Select Southern African Countries: A Study of India's Trade and Investment Potential"* was released by Dr. V. S. Gopalakrishnan, Director General, World Trade Centre, at a seminar on *"India-Africa Partnership"* organized by Exim Bank, in August 2004. Among others, the seminar was attended by dignitaries from Africa, delegates from Indian industry, representatives of chambers of commerce and research institutions. Dr. Michael Gondwe, President, Eastern and Southern African Trade & Development Bank (PTA Bank) also graced the occasion. Earlier, Exim Bank also signed the fifth Line of Credit with PTA Bank of US$ 10 million.

The Study explores bilateral commercial relations and identifies potential areas where India's trade and investment with these select Southern African countries could be enhanced further. On this occasion, at Exim Bank's initiative, a bilingual (English & French) magazine titled *"Indo-African Business"* was also launched. This magazine will focus on bilateral trade between India and the African region.

Speaking at the occasion, Mr. T.C. Venkat Subramanian, Chairman & Managing Director, Exim Bank, highlighted the potential for enhancing India's trade and investment with the African Region. Apprising the participants about the comprehensive range of activities of Exim Bank in financing, facilitating and promoting India's trade with Africa, he also emphasised the impetus that the bilateral trade between India and the African region has received, with several initiatives taken by Government of India, Exim Bank and New Partnership for Africa's Development (NEPAD).

Exim Bank International Economic Development Research Annual (IEDRA) Award 2003

Exim Bank IEDRA Award, instituted in 1989, is given for Doctoral dissertations in the area of international economics, trade & development and related financing. The Award carries a prize of Rupees One Lakh and a Citation. The Exim Bank IEDRA Award 2003 was announced by Mr. T.C. Venkat Subramanian, Chairman & Managing Director, Exim Bank, at the Award function held in August 2004 at Mumbai. Dr. Deb Kusum Das and Dr. C. Veeramani are the co-winners of the Exim Bank IEDRA Award 2003 for their Doctoral dissertations titled *"Some Aspects of Productivity Growth and Trade in Indian Industry"* and *"Intra-Industry Trade under Economic Liberalisation: An Analysis of India's Manufacturing Sector"* respectively. The Award and Citations were handed over by the Chief Guest, Dr. Kirit Parikh, Member, Planning Commission, Government of India. The Chief Guest also released Exim Bank's Occasional Papers based on the Award winning theses.

Dr. Deb Kusum Das obtained his Doctorate from the Delhi School of Economics, University of Delhi in 2003. Dr. Das's study attempts to examine whether trade liberalisation has had a beneficial impact on total factor productivity of the industrial sector in India between 1980 and 1995. Dr. Veeramani obtained his Doctoral degree from Jawaharlal Nehru University, New Delhi in 2003. The thesis by Dr. Veeramani provides an analysis of the trends and patterns of Intra-Industry Trade in India's manufacturing sector during 1987-88 to 1999-2000, a period that witnessed significant trade liberalization initiatives in the country.

EXIMIUS CENTRE COLUMN

In the Third quarter of 2004, The Centre organised the following programmes

A Workshop on *'IT-Marketing Strategies and Emerging Opportunities'* was held in Hyderabad in July 2004. The faculty for the workshop were Prof. Ashok Korwar, former Professor of Management at Indian Institute of Management, Ahmedabad and currently Strategic Advisor to CEO, Polaris Software Lab Ltd; Mr. K. Vijayaraghavan, Chartered Accountant and Certified Management Consultant(CMC), and Director, Sathguru Management Consultants Pvt. Ltd., Hyderabad. The workshop gave an overview of Market Reach issues and Marketing Plan for the IT Industry. The topics included customer's buying process and how to align sales effort, creating packaged solutions including pricing strategies, brands, telemarketing, partners and direct sales and choice of markets. The programme was attended by 35 participants from the IT sector, many from SME units.

A seminar on *'Food Safety and Quality-Role of Food Control Systems'* was conducted in Bangalore in August 2004. The faculty comprised Mr. V. D. Sattigiri and Mr. H. S. Satish, both scientists from Central Food Technological Research Institute (CFTRI), Mysore. The topics covered were HACCP and Quality Standards, harmonisation of Food Regulations, Package forms, systems operations and quality Management systems in food industries. The programme was attended by 50 participants from the food processing industry.

A seminar on *'Certification & Marking requirements for Export of electronics, electrical and engineering products to developed country markets'* was organised in September 2004 in Bangalore. The faculty included senior representatives from UL India Pvt Ltd, Bangalore. The seminar covered UL listing and European certifications. The participants were from electrical, electronics and engineering industry.

A Workshop on *'Market Entry and Market Access Strategies for Indian Firms in Europe'* was organised at the Centre in Bangalore in September 2004 in association with The Centre for the Promotion of Imports from developing countries (CBI), the Netherlands. The workshop was addressed by Mr. Hans Verhulst, Senior Consultant, CBI. The topics covered include Introduction to EU industrial Markets, Market access barriers, Market entry channels – a case study and group discussions. The programme was attended by 34 participants from various industry sectors who are targetting EU market for exports.

The Centre's workshops are aimed at enhancing the capabilities of the industrial and financial communities in India and other developing countries. These programmes heighten awareness of 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
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E-mail: eximius@vsnl.com

BOOK REVIEW

East Asia Integrates – A Trade Policy Agenda for Shared Growth

World Bank

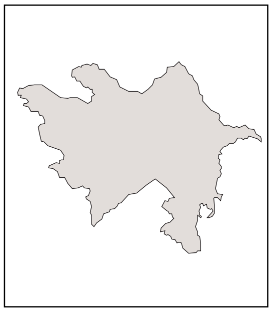
In this World Bank publication, the authors urge policymakers to broaden their approach beyond the technical perspective of trade policy to emphasize development outcomes and links to social stability, in their national development strategies, in their regional and bilateral agreements and in their global negotiating positions. The Book highlights these aspects, with special reference to two economic events of historic proportions – the east Asian financial crisis of 1997-98 and the accession of China to the World Trade Organisation.

The book suggests that countries must operate on three levels: *internationally*, they can influence multilateral negotiations, and should pay particular attention to standards and to liberalization in agro-industries and services. *Regionally*, they can achieve deeper integration to promote regional production networks, and broader integration with scope for gains in agriculture and other sensitive sectors. *Nationally*, they need to take a more comprehensive approach to policy by adopting a consistent development strategy addressing logistics, environment and labor standards and poverty reduction as well as trade liberalization.

The report considers the widening opportunities in trade arrangements for the region. The second part looks at the "behind-the-border-agenda" and covers trade and logistics, intellectual property rights, and environmental and labour standards affecting trade and competitiveness in East Asia. In the final section of the book, the authors consider the potential impact of integration on poorer countries and on vulnerable groups and discuss ways of reinforcing social stability through a broad sharing of benefits.

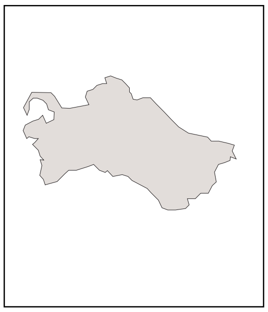
Azerbaijan

The economy of Azerbaijan is dominated by the oil and gas sector, which is centred on two main ventures, viz. the Azeri-Chirag-Guneshli (ACG) oilfields and the offshore Shah Deniz gasfield project. Strong inflows of FDI, particularly in the oil and gas sector, have led to rapid GDP growth in recent years. Oil production amounted to 15.4 million tones in 2003, dominated by the State Oil Company of the Azerbaijan Republic (SOCAR) and the partially privatized Azerbaijan International Operating Company (AIOC). Two pipelines are also being built to export the oil and gas produced; the Baku-Tbilisi-Ceyhan (BTC) oil pipeline which extends from the capital, Baku, to the Turkish Mediterranean oil terminal of Ceyhan, via Georgia; and the South Caucasus Gas Pipeline Project (SCP), which extends from the Shah Deniz field to the eastern Turkish city of Erzerum, also via Georgia.



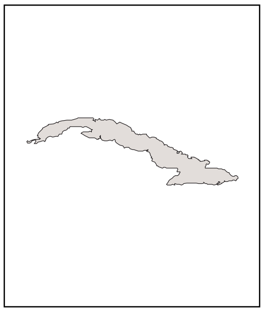
Turkmenistan

Development of oil & gas industry and the concomitant rise in exports from the sector has been one of the main drivers of the economy in recent years. With a view to reduce excessive dependence on gas exports, the focus of government is shifting from extractive sector towards the development of downstream industries such as refined products. Cotton fibre and cotton processing are also the focus of expansion, with the government attracting investment into the sector in order to increase the value added of cotton exports. Most plants in the textile industry are joint ventures with Turkish companies. Two large projects which are underway, viz. construction of a 3,460 sq. km lake in the Karakum desert for collecting drainage water from surrounding areas due for completion in 2010, and construction of a dam and reservoir on the border with Iran due for completion by end-2004, both for irrigation purposes, are intended to increase the country's output of cotton and wheat, which are the major crops.



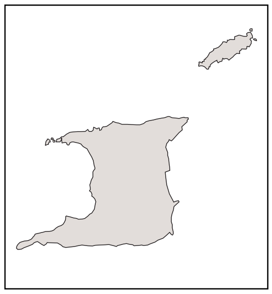
Cuba

Cuba's economy grew by a modest 2.6% in 2003 improving from that of 1.1% in 2002. Lifting of tight external financing constraints resulted in higher foreign exchange earnings in 2003, reflected by strong growth in tourism and nickel exports. Particularly, the outlook for nickel exports is strong given recent initiatives of expansion through increased investment. The external sector is likely to perform well in 2004 with better prospects from citrus, tobacco and biotech exports. Higher exports together with improved performances in agriculture and industrial production are likely to enhance Cuba's economic prospects for 2004. Though Cuba maintains a dual exchange rate system, a unified exchange rate regime is under consideration. In recent years, Cuba's relations has improved with select Latin American and European countries, and with China. India's exports to Cuba in 2003-04 stood at a modest US$ 4.96 million.



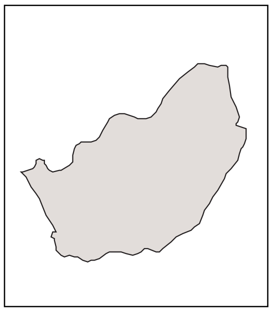
Trinidad & Tobago

Trinidad & Tobago averaged a growth rate of 5.1% in the period 1999-2003, making it one of the fastest growing countries in the Latin American and Caribbean region. A positive fiscal balance, modest inflation rate, current account surplus, stable exchange rate, growing reserves and stable external debt situation appropriately represent the strength of the economy. The energy sector, which grew by 11.2% in 2003, is one of the major drivers of economic growth. Fuels also form the major export item of the country with a share of around 60% in total exports. Recent discoveries of oil reserves have raised projections on fuel production while a recent agreement with Venezuela is likely to improve prospects for new gas based industries. India's exports to Trinidad & Tobago amounted to US$ 19.71 million in 2003-04.



South Africa

Economic forecasts for South Africa remains strong, with the GDP growth projected at 2.6% in 2004 and further to 3.3% in 2005. A firmer recovery in external demand, further growth in tourism and continued expansion in total domestic demand will boost the real GDP. The Rand has strengthened by almost 40% against the US dollar in 2003, making it one of the world's stronger currencies. The recovery was caused by the weakness of the dollar in international markets; the differential between South African interest rates and those in other emerging markets; and country's sound economic fundamentals. The Rand is expected to strengthen further by 5% in 2004. On the external front, rising gold and platinum exports, boosted the total exports by more than 23% and this is further expected to grow by 4% to cross the US$ 40 billion mark in 2004.



Select Currencies

Thai Baht

The Thai Baht (THB) is managed under floating exchange rate system since July 2, 1997(after Asian Currency crisis) with occasional intervention by the central bank to moderate the volatility. Thailand's economy has grown strongly over the past couple of years on the back of resilient exports and robust domestic consumption and had returned to levels seen before the 1997/98 Asian currency crisis.

Recently, THB has been, like any other currency in the world, moving in tandem with the changing value of USD. However, after the recent fed rate hike by 25 bps on 21-09-2004, the THB didn't make any adjustment to the move, probably because it has already anticipated and factored in the fed hike. On Sep 23, 2004 the USD was at THB 41.3050. This trend was triggered by the offshore USD selling, possibly on expectations of more capital inflows to the Thai bourse during the Thailand Focus 2004 conference. Thai officials and company executives presented the country's economic outlook, financial position and prospects for five key sectors to around 350 global fund managers at the conference (26- 30th Sep 04). However, THB was at 41.4300 level on Sep 30, 2004 – a depreciation of about 0.22% against USD since Sep 21, 2004 – clearly indicating the foreign inflows were not up to the expectation of market.

Another significant event to effect the THB movements was the quantum of USD purchased by the Japanese companies situated in the Thailand ahead of the book closing at the end of September. These firms will exchange USD for yen for sending back to Japan. The USD buying for yen is expected to put pressure on the THB in Oct 04, despite the expected steady capital inflows.

Singapore Dollars

The Monetary Authority of Singapore (MAS) may allow a permanent widening of the Singapore Dollar (SGD) exchange rate band, as that will enable greater flexibility in managing the economy and coping with short-term volatility. While MAS doesn't disclose its policy band, analyst estimate the authority restricts movements in SGD's value to within plus and minus 2% of the midpoint. Unlike many countries, which target interest rates, Singapore manages monetary policy by steering the value of the local currency against an undisclosed trade-weighted basket of currencies. Some economists argued that a 'softer' or 'basket-band-crawl policy' (BBC) involving a widening of the SGD trading band would help solve many of the issues the city-state currently faces. If the US economy slows more sharply than expected, the SGD then could automatically weaken to absorb some of the cyclical pressure ahead of any new monetary policy or fiscal package.

Recently, speculators dumped the USD-SGD pair to probe bids in the 1.6950 levels, which were rumored to have been placed by the MAS. Heavy selling by these speculators triggered decent-sized stop loss orders around initial support at SGD 1.6950, dragging the USD down to SGD 1.6934. The USD's mild weakness against most of its major counterparts in the post 21-09-2004 (fed hike) period was another negative factor for the USD-SGD pair, pulling the USD down further to as low as SGD 1.6905 as on Sep 30, 2004, its lowest since May 7,2004.

Japanese Yen

The Japanese Yen (JPY) hovered near a five week low of 110.53 JPY against the USD on Sep 24, 2004 after the U. S. Central bank meeting reinforced expectations that measured rate would continue and as oil prices closed in on the record highs. It is worthwhile to note that Japan is one of largest importers of oil in the world. Japanese stock prices, dragged down by rising oil prices, were seen helping to hold back the Japanese currency. In the backdrop of these events the risk for the JPY certainly looks on the down side.

USD/JPY is expected to hold in 108.80-111.00 range in the coming days. Broadly, the outlook for next couple of months looks uncertain. Market is focusing on high oil prices and not on macro economic data, which doesn't look too bad. On technical front USD/JPY faces fairly strong underlying resistance at 109.80-110.00 with immediate support around 109.40. But this support is minor and the weight of the technical evidence suggests it is unlikely to hold for long. The Head and Shoulders pattern is proving a lower level of 108.80 to be tested soon. If 108.40-60 breaks, the market will set new lows for the year and a drop into the mid 100s by the end of the year wouldn't be surprising. USD/JPY is long term bearish, with a major Head and Shoulders triggered earlier this year targeting 1USD = JPY 95.50. Either way, the USD/JPY's recovery is not expected to resume in coming days. As on Sep 30, 2004 the JPY was trading at 110.80 levels against USD.

India's Foreign Trade Policy 2004-2009: Highlights

The new Foreign Trade Policy (FTP) 2004-2009, was announced by the Government of India on August 31, 2004. The FTP, effective from September 1, 2004 upto March 31, 2009, takes an integrated approach to the developmental requirements of India's foreign trade, and has two major objectives: (i) to double India's percentage share of global merchandise trade within the next five years, and (ii) to act as an effective instrument of economic growth by giving a thrust to employment generation.

Key features of the new FTP are highlighted below:

A. Special Focus Initiatives

With a view to doubling India's share of global exports within five years and expanding employment opportunities, especially in semi-urban and rural areas, special focus initiatives have been identified for the agriculture, handlooms, handicrafts, gems and jewellery, and leather sectors:

i) Agriculture

A new scheme called the Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) has been introduced for promoting exports of fruits, vegetables, flowers, minor forest produce, and their value added products. New towns of export excellence with a threshold limit of Rs 250 crore are being notified.

ii) Handlooms and Handicrafts

Duty free import entitlement of trimmings and embellishments for handlooms & handicrafts sectors would be 5% of FOB value of exports. A new Handicraft Special Economic Zone is to be established. New towns of export excellence are to be notified.

iii) Gems and Jewellery

Duty free import entitlement of consumables for metals other than gold and platinum have been allowed up to 2% of FOB value of exports. Duty free re-import entitlement for rejected jewellery have also been allowed up to 2% of FOB value of exports.

iv) Leather and Footwear

Duty free entitlements for import trimmings, embellishments and footwear components for leather industry would be 3% of FOB value of exports. Duty free import of specified items for leather sector would be 5% of FOB value of exports.

B. Export Promotion Schemes

i) Target Plus

A new scheme called 'target Plus' has been introduced, under which exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the export target fixed.

ii) 'Served from India' Scheme

The objective is to accelerate the growth of services exports so as to create a powerful and unique 'Served From India' brand, instantly recognized and respected the world over.

Under the scheme, individual service providers who earn foreign exchange of at least Rs.5 lakhs, and other service providers who earn foreign exchange of at least Rs.10 lakhs will be eligible for a duty credit entitlement of 10% of total foreign exchange earned by them.

iii) EPCG Scheme

Additional flexibility is being given for fulfillment of export obligation under EPCG scheme in order to reduce difficulties of exporters of goods and services. Technological upgradation under EPCG scheme has been facilitated and incentivised.

iv) New Status Holders Categorisation

A new rationalized scheme of categorization of status holders as Star Export Houses has been introduced as follows: One Star/Two Star/Three Star/ Four Star/Five Star Export Houses.

v) Services Export Promotion Council

An exclusive Services Export Promotion Council is to be set in order to map opportunities for key services in key markets, and develop strategic market access programmes, including brand building.

vi) Free Trade and Warehousing Zone

A new scheme to establish Free Trade and Warehousing Zone has been introduced to create trade-related infrastructure to facilitate import and export of goods and services. FDI would be permitted up to 100% in the development and establishment of the zones and their infrastructural facilities.

vii) Export Oriented Units (EOUs)

EOUs have been exempted from Service Tax in proportion to their exported goods and services, and have also been permitted to retain 100% of export earnings in Exchange Earner's Foreign Currency (EEFC) accounts.

viii) Other Measures

Biotechnology Parks are to be set up which would be granted all facilities of 100% EOUs, while the Board of Trade would be revamped and given a clear and dynamic role.

Note: Indian Rupees are referred in crore and lakhs:
1 crore : 10 mn
1 lakh : 100 thousand

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