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In this issue

Recovery in Global Output and Trade

With increasing signs of pickup in economic activity, particularly in the United States, Japan and emerging markets, it is believed that the global economy has come out of recession. According to IMF's *World Economic Outlook (WEO) September 2003* issue, global GDP growth in 2003 is estimated to improve to 3.2% from that of 3% in 2002. Further, the growth rate is projected to touch 4.1% in 2004, implying a greater consolidation in global economic activity. With recovery in global demand, resurgence in global trade is also imminent. Global exports of goods have been estimated to rise by 13.7% in 2003 to reach US$ 7,119 billion, from a 4.2% rise in the previous year. The significant rise in the global exports of goods has been primarily the outcome of a revival in world trade prices. Also, particularly in emerging economies, net private capital flows are estimated to have risen over US$ 110 billion in 2003, the highest ever since 1997 and accumulation of foreign exchange reserves have continued to remain robust throughout the year. Moreover, the weakness of the US dollar in 2003 has considerably impacted the trade pattern across the globe. A snapshot of the recent trends in global output and trade is given in the Table.

Global Output Performance

While the developing countries and the countries in transition are estimated to record improved real GDP growth rates of 5% and 4.9%, respectively, in 2003 over the previous year, the same for the advanced economies is stationary at 1.8%. Among the developing countries, growth has been strongest in developing Asia (6.4%), followed by the Middle East (5.1%), Africa (3.7%) and Latin America (1.1%). Among the countries in transition, the CIS countries are estimated to record the maximum growth rate of 5.8%, supported by the notable performance of Russia, the largest of the CIS members. Within the advanced economies, barring the US and Japan, growth rate is however, estimated to remain subdued as compared to the previous year.

Based on the statistics provided by the US Commerce Department, the *US economy* has recorded a growth rate of 7.2% in the third quarter of 2003 after posting a 3.3% growth in the second quarter. The surge in growth is believed to be primarily the outcome of tax cuts early this year. Simultaneously, there has been a strengthening of consumer and business confidence in the US economy coupled with relaxations in the monetary and financial conditions. Continuing with the recovery, the US economy is thus projected to grow by 3.9% in 2004. Though stronger growth in the US economy would positively influence other economies, the expanding current account deficit of the US economy continues to remain a matter of concern. In *Japan*, the stock markets have picked up and improving external environment have contributed to its modest economic performance in 2003. Quarterly growth rates have surpassed expectations and the economy is likely to grow by 2% for the year as a whole, improving over the subdued growth performance of 2002. However, growth would be contained by the ongoing deflation and weakness in the corporate and the banking sectors of the Japanese economy.

Growth in the *Euro area* is estimated to slow down from 0.9% in 2002 to 0.5% in 2003, but to improve to 1.9% in 2004. Economic depression has been acute mainly in Germany, France, Italy, Netherlands, Portugal, Ireland and Belgium. Low investment spending, difficulties in the financial sectors and substantial appreciation of the euro have restricted growth in the Euro area, which would only improve with the gradual recovery in domestic as well as external demand. Elsewhere in Europe, viz. in Sweden, Denmark and Norway, growth projections for 2003 have been scaled down, in the face of weak domestic confidence, rising unemployment and poor performance in the neighbouring Euro area. However, with corrective policy measures being implemented and improving global economic environment, growth in these economies is expected to pick up in 2004.

In *EU accession countries*, growth performance continues to be the most impressive for the Baltic States, like Lithuania and Latvia. An estimated 5.5% growth for the Baltic States in 2003 show a marginal slowdown from that of 6.3% recorded in 2002. In Southern and South-eastern Europe, Bulgaria and Romania have registered decent growth rates of around 5% in 2003. Nonetheless, growth has been relatively depressed for Central European countries like Hungary, Czech Republic and Slovenia. In general, in 2003, higher consumption and higher exports have been the key contributors to economic growth in these countries, and the trend is likely to continue in the near future.

In *Asia*, economic growth in 2003 has been the strongest in case of South Asian economies and former centrally planned economies of China and Vietnam. South Asian economies are estimated to grow by 5.5% in 2003 with improved performances in all the member economies except Bhutan. While the growth impetus in *India* has primarily come from the revival of the agricultural sector, that in Bangladesh has been underpinned by the strengthening of macroeconomic policies like fiscal reforms. In *China*, though the impact of the SARS epidemic was felt in the first half of 2003, strong investments and rapid credit expansions resulted in a rebound in economic activity, which is estimated to result in a growth of 7.5% in 2003. The *ASEAN-4* economies of Indonesia, Malaysia, Philippines and Thailand are estimated to grow by 4.1% in 2003, implying a marginal decline from the previous year's 4.3%. While growth was contained due to the impact of SARS, which varied across countries, supportive macroeconomic policies resulted in sustaining the previous year's growth rates for Malaysia and Thailand. The impact of SARS was, however, particularly harsh for newly industrialised economies of Singapore and Hong Kong, reflected in their depressed growth performances in 2003. In Korea, growth was contained due to depressed domestic demand coupled with a fall in household credit growth.

Growth in *CIS countries* has remained strong in recent years with Russia's rebound from financial crisis in 1998, rising oil prices and energy exports. In 2003 it continued to remain robust primarily gaining from net energy exporters like Russia. Apart from Russia, economic output increased sharply for Kyrgyz Republic. Armenia, Azerbaijan and Kazakhstan though slowing down slightly in 2003 still continued to grow between 7-9%. Economic activity also revived in the oil exporting countries of the Middle East. Gaining from the higher OPEC oil quotas and higher oil prices, the economies in Middle East are estimated to register a growth rate of 5.1% in 2003 as compared to that of 3.9% in 2002.

Africa has remained fairly resilient to global economic slowdown in recent years though not growing robustly. Favourable developments in non-fuel commodity prices, debt relief under the HIPC initiative and improved macroeconomic policies can be broadly identified to be the growth inducing factors in the African economies. In 2003, African countries are estimated to grow by 3.7% compared to 3.1% in 2002. Growth has been strong in the Maghreb countries of Morocco, Algeria and Tunisia and modest in the Sub-Saharan African region. Within Sub-Saharan Africa, Ghana, Nigeria, Dem. Rep. of Congo, Sudan registered improved economic growth in 2003, while Kenya, Tanzania, Uganda, Cameroon witnessed a moderate slowdown in economic activity. The South African economy slowed down in 2003 in the face of high inflation and depressed external demand for its exports. Looking forward, the outlook for Africa is 2004 is positive as most of the major regions are expected to register better growth performances.

In *Latin America*, a recovery is seen to be emerging with an upturn in economic activity in Argentina, particularly in the external sector. For Brazil, output growth is estimated to be stable at 1.5%. However, there has been strengthening on the policy front, which would contribute to higher growth in 2004. Uruguay, though not completely out of economic recession, has shown a marked recovery owing to improvements in debt profile. In the Andean Community, barring Venezuela, the rest of the economies have registered modest growth performance, which are likely to improve in 2004. However, overall growth for the Community was pulled down by Venezuela's estimated contraction of 16.7% in 2003. Fiscal and financial vulnerabilities are yet to be resolved in Venezuela and a relaxation of foreign exchange controls and structural measures for the non-oil sector are essential for its return to positive growth path by 2004. Chile and Mexico, the two most resilient economies in Latin America, performed decently in 2003, and are expected to perform better in 2004 with recovery in the US economy.

Global Trade Performance

Global trade benefited from higher commodity prices in 2003 and merchandise exports grew by 13.7% to stand at an estimated US$ 7,119 billion. It is further expected to grow to US$ 7,557 billion in 2004. However, trade volume is estimated to grow by 2.9% in 2003 compared to 3.3% in the previous year. For advanced economies, export volume growth declined in 2003 while import volume growth improved marginally. The same is true for developing countries as well, however, with more pronounced growth rates. Among the advanced countries, volume of US exports revived after contractions in two successive years and the same for

Japan continued to increase robustly in 2003. The Euro area, however, experienced a contraction in export volume primarily due to the appreciation of the euro. The volume of imports experienced a modest rise in case of US, Japan and the Euro area, particularly in Japan. As far as developing countries are concerned, although export and import volumes are estimated to rise by 5% and 5.3% respectively in 2003, the value of exports and imports are estimated to rise by 12.3% and 13.5% respectively. Growth rates have been particularly strong in developing Asia, Africa and the Middle East ranging between 11-18%. In Latin America & Caribbean region, the same is estimated to be between 4-5%.

The revival in world trade prices in 2003 has been across all commodity groups. Following contraction in 2001 and a modest rise in 2002, the prices of manufactures, oil and nonfuel primary commodities have been estimated to rise by 12.8%, 14.2% and 5%, respectively, in 2003. Particularly for manufactures, this is the most impressive growth in prices since 1995. Among nonfuel primary commodities, sharp rises in prices were moderated in case of metals and food. For beverages, the increase in prices were moderate but less as compared to the previous year, while for agricultural raw materials, prices remained fairly depressed. In general, non-energy commodity prices, which were dampened in the beginning of 2003 due to war-related uncertainties and SARS related concerns, revived with a recovery in global demand as reflected by higher metal prices following a recovery in industrial activity. The movement of oil prices has substantially influenced global economic activity. In 2003, oil prices increased with uncertain consequences of the Iraq war only to fall sharply with the end of the war. The disruption in oil supply from Iraq was made up by increase in output by the other OPEC members and a post-strike recovery in oil production in Venezuela. Oil prices are expected to remain at around US$ 25 a barrel in 2004.

Table: Snapshot Trends in Global Output and Trade

(% change)

	2001	2002	2003(P)	2004 (P)
I. World output (real GDP)	2.4	3.0	3.2	4.1
Advanced economies	1.0	1.8	1.8	2.9
United States	0.3	2.4	2.6	3.9
Japan	0.4	0.2	2.0	1.4
Euro Area	1.5	0.9	0.5	1.9
Newly Industrialised Asian economies	0.8	4.8	2.3	4.2
Hong Kong SAR	0.5	2.3	1.5	2.8
Korea	3.1	6.3	2.5	4.7
Singapore	-2.4	2.2	0.5	4.2
Taiwan Province of China	-2.2	3.5	2.7	3.8
Developing countries	4.1	4.6	5.0	5.6
Africa	3.7	3.1	3.7	4.8
Developing Asia	5.8	6.4	6.4	6.5
China	7.5	8.0	7.5	7.5
India	4.2	4.7	5.6	5.9
Indonesia	3.4	3.7	3.5	4.0
Malaysia	0.3	4.1	4.2	5.3
Philippines	4.5	4.4	4.0	4.0
Thailand	1.9	5.3	5.0	5.1
Western Hemisphere	0.7	-0.1	1.1	3.6
Countries in Transition	5.1	4.2	4.9	4.7
CIS countries and Mongolia	6.4	4.9	5.8	5.0
Russia	5.0	4.3	6.0	5.0
II. Global trade (volume growth)	-0.6	3.3	2.9	5.4
Advanced economies				
Exports	-1.6	2.0	1.1	4.8
Imports	-1.7	2.4	2.9	4.8
Developing Countries				
Exports	2.2	6.3	5.0	6.8
Imports	1.2	6.2	5.3	8.0
III. World Trade Prices in US$				
Manufactures	-2.4	2.6	12.8	1.7
Oil	-14.0	2.8	14.2	-10.5
Nonfuel primary commodities	-4.0	0.6	5.0	2.4

Note: P = Projections

Source: World Economic Outlook, September 2003, IMF

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
Ghana/ Ministry of Lands and Forestry, P0 Box M.212, Accra, Ghana Tel: (233-21)-687-349 Fax: (233-21) 666-801 E-mail: SmahamaaMlf-Gh.com, Contact: Mr. Sulemana Mahama, Project Coordinator	Land Administration Project/ The objectives of the project are to stimulate economic development, reduce poverty and promote social stability by improving security of land tenure, simplifying the process for accessing land and making it fair, transparent and efficient, developing the land market and fostering prudent land management.	World Bank US$ 20.51 mn
Mexico/ E-Mexico of the Ministry of Communications and Transport, Av. Universidad y Xola, Edificio C, ler Piso, Col. Navarte C.P. 03028, Mexico, D.F. Tel: (52-55) 5723-9300 Ext. 40105 Fax: (52-55) 5530-7642 E-mail: jgomezg@sct.gob.mx Contact: Jose I. Gomez Gallardo y Latapi	E-Business for Small Business Development Project/ The project seeks to build development services markets through an e-business benefits awareness program, and improve micro and small businesses access to the information communications technology (ICT) infrastructure.	World Bank US$ 58.40 mn
FYR Macedonia and Bulgaria/ Elektrostopanstvo na Makedonija, 1000 Skopje, FYR Macedonia Contact: Mr Trajce Cerepnalkovski, Assistant General Manager and Head of Development and Investments Department Fax : (389 2) 111-160	FYR Macedonia/Bulgaria Transmission Interconnection Project/ The project consists of: (a) construction of an electricity high voltage transmission line from Stip, FYR Macedonia to Chervena Mogila, Bulgaria (80 km of the line is to be built in Bulgaria), (b) upgrades to substations in Dubrovo, and (c) a new substation in Stip (both in the FYR Macedonia).	European Bank for Reconstruction and Development US$ 50.3 mn
Russia/ Municipal Water Utility “Archangelsk Vodocanal”, Ul. Kasatkinoi, 9, 163002 Archangelsk, Russian Federation Contact: Mr Vladimir A Roudakov, Director General Tel: (7-8182) 280-214 Fax: (7-8182) 620-164 E-mail: vodcanal@arh.ru	Archangelsk Municipal Water Services Development Project/ The key objectives of the project are to reduce operation and maintenance costs, water losses and discharge of untreated sewerage into local river and the Barents Sea Basin and to improve the operational and financial performance of the municipal water and waste-water services in Archangelsk	European Bank for Reconstruction and Development US$ 12.42 mn

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Fiji Islands/ Ministry of Communication, Works and Energy, Fiji Contact: Mr. R.S. Shandil Tel: (679) 384 111 Fax: (679) 383 013 E-mail : rsshandil@fijiwater.gov.fj	Suva Nausori Water Supply and Sewerage Project/ The objective of the project is to assist human and economic development in Fiji through the development of water supply and sewerage services in the Suva and Nausori urban areas.	Asian Development Bank US$ 47 mn
Tajikistan/ Office of the President, 80 Rudaki Avenue, Dushanbe, Tajikistan Contact: Ms. Nigina Sharopova, Deputy Prime Minister Tel: (992-372) 213774	Education Sector Reform Project/ The project seeks to help the Government develop a National Education Development Framework in close collaboration with other development partners to improve education system efficiency, quality, and access, particularly for girls and vulnerable groups.	Asian Development Bank US$ 7.5 mn
Eritrea/ Ministry of Agriculture, Asmara. AfDB Contact: Mr. A.D. Mtegha, Director, Country Operations: Projects financed by the African Development Fund Tel: (216) 7133-3511	Forestry and Wildlife Development Project/ The project comprises: (a) Natural Forest Conservation and Management, (b) Afforestation and Farm Tree Planting, (c) Implementation of Management Plans for Wildlife, and (d) Capacity Building for Forestry and Wildlife Management.	African Development Bank US$ 13.8 mn
Ghana/ Ministry of Education, Accra. AfDB Contact: Mr. G. Taylors-Lewis, Director, Country Operations: West Tel: (216) 7133-3511	Senior Secondary School Support Project III/ The project seeks to: (a) expand access, (b) improve quality of teaching and learning, and (c) management efficiency.	African Development Bank US$ 34.4 mn
Egypt/ Power Authority, Cairo AfDB Contact: Mr. G. Girogis, Director, Country Operations: North, East And South Tel: (216) 7133-3511	Two Stations Project / The project consists of supply and installation of two gas turbines, two heat recovery steam generators and one steam turbine together with their accessories.	African Development Bank US$ 68.8 mn

CONTRACT AWARDS

Select contracts secured by Indian companies during the quarter:

The Louis Berger Group, Inc., New Delhi	Consultancy contract for construction supervision of the rehabilitation of Kabul-Doshi Road for Emergency Transport Rehabilitation Project, secured in Afghanistan, funded by World Bank.
Famy Care Ltd., Mumbai	Contract for supply of pharmaceuticals for Health and Population Program Project, secured in Bangladesh, funded by World Bank.
Consulting Engineering Services (I) Pvt. Ltd., New Delhi	Consultancy contract for Sanaa Water Supply & Sanitation Project, secured in Yemen, funded by World Bank.
Shapoorji Pallonji & Co. Ltd., Mumbai	Contract for variation order of Kabul Serena Hotel, secured in Afghanistan, funded by Aga Khan Fund for Economic Development.
Vijai Electricals Ltd., Hyderabad	Contract for supply of distribution transformers for West Zone Power System Development Project, secured in Bangladesh, funded by Asian Development Bank.
Welspun Gujarat Stahl Rohren Limited, Mumbai	Contract for supply of saw pipes, secured in Iran.
Nagarjuna Construction Company Ltd., Hyderabad	Contract for construction of school buildings, secured in Kuwait.
KEC International Ltd., Mumbai	Turnkey contract for Transmission Line Project, secured in Libya.
Progressive Constructions Ltd., Hyderabad	Contract for construction of cultural village for 2006 Asiad Games, secured in Qatar.

Business Opportunities Seminar with World Bank

As part of its information dissemination and export facilitation efforts, Exim Bank, in association with the World Bank (WB), organised a series of one-day seminars on "Business Opportunities in World Bank Funded Projects" at Mumbai and Hyderabad in November 2003. Mr. Armando Araujo, Director-Procurement Policy and Services Group, Head Procurement Board, WB, Washington D.C. served as faculty from World Bank.

Delivering the inaugural address at the well-attended seminar in Mumbai, Mr. T. C. Venkat Subramanian, Chairman and Managing Director of Exim Bank, dwelt upon the role of Exim Bank in supporting Indian project exports, as also on the long standing working relationship of Exim Bank with World Bank group.

The objective of these seminars was to increase awareness among Indian companies of the opportunities in WB funded projects, and to provide them with a deeper understanding of all aspects that would lead to increased prospects for securing business in projects funded by WB. The program enabled sharing of information on the nature of business opportunities for suppliers, contractors and consultants under WB funded projects and lessons for Indian companies for effective participation in WB supported projects.

Exim Bank of India, through its links with multilateral agencies, financial institutions, trade promotion agencies and services providers, offers a wide range of services to supplement its financing programmes. Such seminars are in line with Exim Bank's objective of proactively supporting the globalisation efforts of Indian companies. Exim Bank operates an active programme to promote effective participation by Indian companies in opportunities offered by multilateral funded projects by providing a range of project related information, advisory and support services.

Asian Development Bank Business Opportunities Seminar

Recognising the potential for increasing effective participation by Indian firms in Asian Development Bank (AsDB) funded projects, Exim Bank, in association with AsDB, Manila, organised a series of two-day seminars on "Business Opportunities in AsDB Funded Projects" at Pune and New Delhi in December 2003. The team from AsDB comprised Mr. Bernhard Zentgraf, Senior Procurement Specialist, Mr. Omar H. Tiwana, Senior Consulting Services Specialist and Ms. Ingrid Holfelt, Consulting Services Specialist.

The seminars disseminated information on the nature of business opportunities for suppliers, contractors and consultants available under AsDB funded projects, and offered valuable guidance to the Indian companies for effective participation in AsDB supported projects. The AsDB team focussed on policies and procedures for procurement of goods & services, pre-qualification, bidding documentation, bid evaluation, disbursement and redressal procedures and also cited case studies/ examples related to procurement issues. The seminars also presented Indian corporates a forum for direct interaction with officials from AsDB.

The procurement business and participation in projects funded by multilateral agencies like AsDB offers good prospects of business for Indian project exporters in areas where they possess significant competitive advantage and domain expertise. In the year 2002, Indian companies have been awarded contracts worth US $ 862.37 million. Such joint efforts of Exim Bank and AsDB in creating more awareness about the multilateral funded projects through such seminars are aimed at increasing Indian participation, and enhancing the success rate of contracts secured by the business community in India under AsDB financed projects.

Seminar-Workshop on 'Strategies for Financing Lasting Development in India'

Exim Bank, in co-operation with the Association of Development Financing Institutions in Asia and Pacific (ADFIAP) and Capacity Building International, Germany (InWEnt), organised a three-day seminar-workshop on "Strategies for Financing Lasting Development in India" in December 2003, at Mumbai. The participants of the seminar were from all India development financial institutions, state financial institutions, academic/training institutes and commercial banks.

Mr. T. C. Venkat Subramanian, Chairman and Managing Director of Exim Bank, in his welcome address, highlighted the importance of development finance for export promotion and infrastructure financing in India. Mr. Orlando P. Pena, Secretary General of ADFIAP, stressed on the strategies of development financing, which bestows development that are lasting and sustainable. Mr. Bernd Breuer, Senior Project Manager, InWEnt, emphasised that development must essentially involve profitable projects with lasting benefits.

The speakers of the seminar included Mr. S. H. Khan, former chairman, IDBI; Mr. Sailendra Narain, former chairman, SIDBI; Mr. P. V. Narasimham, former chairman, IFCI, and Mr. R. Nagaraj, Associate Professor, Indira Gandhi Institute for Development Research, Mumbai.

A workshop on 'Environment and Social Issues in Development Finance' was conducted by Mr. Hans Stryk of InWEnt, as a part of this seminar. In this workshop, the participants debated on the importance of environmental impact assessment, their experiences and problems, and suggestions for factoring in the environment impact assessment, while undertaking development financing.

Exim Bank's LOC to Zambia

Exim Bank of India and Government of Zambia have signed an Agreement for a Line of Credit (LOC) of US$ 10 million to finance exports from India to Zambia. The Agreement was signed at Lusaka in December, 2003, by Mr. R.M.V. Raman, Executive Director of Exim Bank of India and His Excellency Ngandu P. Magande, Honourable Minister of Finance and National Planning, Government of the Republic of Zambia in the presence of Mr. Yogesh Gupta, High Commissioner of India, Zambia. This is the third LOC being extended to Zambia. The first two LOCs of Rs.10 crores and Rs. 5 crores were extended in 1979 and 1982.

The LOC can be utilised for export of capital goods, plant and machinery, industrial manufactures, consumer durables and any other items eligible for being exported under the 'Exim Policy' of Government of India.

Exim Bank's LOC to Ghana

Export-Import Bank of India (Exim Bank) has extended a Line of Credit (LOC) of US$ 15 million to Government of Ghana, to finance India's exports to that country.
An Agreement to this effect was signed in Accra, in October, 2003, by Mr. P. R. Dalal, General Manager of Exim Bank and H. E. Mr. Yaw Osafo-Maafo, Minister of Finance & Economic Planning, Government of the Republic of Ghana, in the presence of India's High Commissioner to Ghana, Mr. K. K. Framji.

Under the LOC to Ghana, Exim Bank would reimburse to the Indian exporters 100% of contract value, upfront upon the shipment of goods. Exim Bank has so far extended three LOCs to Ghana in the past, which have been fully utilised and repaid.

Exim Bank Forays into West African Market

Export-Import Bank of India (Exim Bank) has extended a Line of Credit (LOC) of US$ 10 million to West African Development Bank (Banque Ouest Africaine de Developpement - BOAD), a regional development bank, to support India's exports to member countries of BOAD in West Africa.
An Agreement to this effect was signed in Mumbai, in November 2003, by Mr. R.M.V. Raman, Executive Director, on behalf of Exim Bank and Mr. Issa Coulibaly, Vice President, on behalf of BOAD.

This LOC will enable Indian exporters to export equipment, goods and services to the Francophone West African market on medium term credit. Under the LOC to BOAD, importers are required to make advance payment of 10% of contract value to Indian exporters and the balance 90% of contract value would be reimbursed by Exim Bank to Indian exporters, upfront upon shipment of goods. The credit period available to importers, through BOAD, is upto 7 years.

BOAD is a regional development bank for 8 West African countries under the aegis of West African Monetary Union (UMOA). BOAD's member countries are Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters. Exim Bank has in place a number of Lines of Credit for promoting India's exports to countries in Africa, Asia, Latin America, East Europe and Russia.

Exim India and Exim Hungary signs Reciprocal Credit Agreements to boost bilateral trade

Exim Bank of India and Exim Bank of Hungary have signed reciprocal Lines of Credit (LOCs) Agreements of US$ 10 million each, to finance trade between the two countries. Three agreements between the Exim Banks of the two countries were signed in Mumbai in November 2003, by Mr. T. C. Venkat Subramanian, Chairman & Managing Director of Exim Bank of India and Mr. Istavan Farkas, President of Exim Bank of Hungary, in the presence of the Prime Minister of Hungary Mr. Peter Medgyessy, during the latter's State visit to India.

Under the LOCs, importers of the two countries can avail themselves of credit facility, up to 85 % of contract value, for import of capital goods, industrial manufactures and services, from the other country. Besides the two reciprocal Lines of Credit Agreements, the two Exim Banks have entered into an Agreement of Co-operation, that provides for exchange of information on business opportunities, co-financing of projects, organising seminars, for promoting trade and other forms of economic co-operation between India and Hungary.

India's exports to Hungary during 2002-03 amounted to US$ 48.6 million and imports during the same period stood at US$ 24 million. Hungary is scheduled to join the EU on May 1st, 2004.

For further information on all LOCs, please contact
Mr. P. R. Dalal,
General Manager,
Export-Import Bank of India,
Telephone: (022) 22185272
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Success Story – Lupin Limited

In these days of globalisation, with the multinational corporations ruling the roost in the pharma field, India has produced a number of homegrown pharma companies that have become global leaders in niche products. One such company is Lupin Limited, which had a humble beginning as a small-scale unit in 1972. Promoted by a technocrat entrepreneur, Shri D. B. Gupta, Lupin has grown over the years to become one of the largest producers of Anti-TB drugs in the world. It is also a leading manufacturer of Cephalosporin. Lupin's products are exported to over 75 countries around the world and its manufacturing plants are world class and certified by the US Food and Drug Administration (USFDA).

Lupin Limited (Lupin) came into being in April 2000, as a result of the amalgamation of Lupin Laboratories Limited (LLL) with Lupin Chemicals Limited (LCL). LLL, established in 1972, acquired a manufacturing license for formulations and bulk drugs, and set up a formulations unit in Aurangabad in 1980. Subsequently, the company commenced production of Ethambutol at Ankleshwar (1982), Vitamin B6 at Ankleshwar (1986), Cephalexin at Mandideep (1987), and Injectable Cephalosporins at Mandideep (1991). LCL, Mumbai, commenced operations in 1993, with a fermentation plant for the manufacture of Rifampicin. The merger of LLL and LCL has successfully drawn the entire range of Anti-TB products under one umbrella, and has also combined the synthesising strengths of LLL with LCL's expertise in fermentation. Lupin has integrated world class manufacturing facilities at Aurangabad, Ankleshwar and Mandideep. With a strong focus on innovation, Lupin has built state-of-the-art research facilities at Pune that have been designed to house all its R&D projects under one roof.

Lupin is professionally managed by a broad-based Board of Directors, with Mr. D .B. Gupta as the Chairman and Managing Director. Lupin's promoters currently hold around 51 % in the company.

During FY 2003, Lupin filed 18 patents, of which 7 have already been granted. As on date, Lupin filed 110 patents, of which 50 have been granted while the rest are under examination. In India, Lupin has among the largest number of plants approved by USFDA, and one approved by the UK Medicines Control Agency (UKMCA).

Today, Lupin is recognised as the world's third largest manufacturer of Anti-TB drugs in value terms after Aventis and Novartis. Having acquired 65% world market share in Ethambutol, Lupin has become the largest manufacturer of this Anti-TB drug in volume terms, and has also acquired one-third capacity of Rifampicin, another Anti-TB drug, in the international market. Lupin owns 8 out of the India's top 300 pharmaceutical brands. Over 20 of the Lupin's brands rank in the top three in their respective molecular segments. The company has a strong domestic presence, with a 42% market share in Anti-TB drugs in India. Lupin also figures amongst the top four Cephalosporin manufacturers in India. The company has created several strategic marketing alliances, including Merck Generics, UK and American Pharmaceutical Partners Inc USA for marketing Cephalosporins drugs. In recognition of Lupin's export performance, the company has received the Highest Export award from the President of India.

Over the past decade, Lupin recorded impressive growth in sales, export and profitability. From a level of sales and profit of around Rs. 400 crore and Rs. 35 crore in 1994, the company achieved a level of sales at Rs. 1030 crore and profit of Rs. 76 crore in 2003. Lupin's exports grew from around Rs. 90 crore in 1994 to Rs. 415 crore in 2003, registering a growth of 18% p.a. Almost 40% of Lupin's sales comes from exports, which is a recognition for its outstanding R&D capabilities.

The company is currently setting up a new state-of-the-art plant at Verna, Goa for manufacturing non-cephalosporin oral finished dosages at an investment of about Rs. 25 crore, which is stated to become operational by March 2004.

Exim Bank has been closely associated with Lupin for over 10 years, particularly during its growth phase in sales and exports. Exim Bank has been a major lender to Lupin and has financed its various expansion and modernisation programmes. Bank also financed Lupin's R&D activites at Pune and other centres. Exim Bank is also involved in providing working capital and pre-shipment credit to the company to finance its export operations.

Lupin is an example of successful entrepreneurship backed by a progressive financial institution like Exim Bank. Its impressive performance in the global market place is a recognition for Indian R&D efforts, cost effective manufacturing process and social commitment to supply life saving medicines at affordable cost to the third world nations. Under the emerging WTO environment, Lupin is all set to play a bigger role in the global market.

BIMSTEC Initiative

An economic co-operation arrangement between Bangladesh, India, Sri Lanka and Thailand (BIST-EC) was launched with the adoption of the Bangkok Declaration at a Ministerial Meeting held in Bangkok in June 1997. Myanmar attended the inaugural June meeting as an observer and subsequently joined the organisation as a full member at a special Ministerial Meeting held in Bangkok in December 1997, upon which the name of the grouping was changed to Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Co-operation (BIMST-EC). Nepal was granted observer status by the second Ministerial Meeting in Dhaka in December 1998. The fifth and the recent Ministerial Meeting was held in Colombo in December 2002.

For enhanced co-operation, member countries have agreed to focus on the following six priority sectors:

1. Trade and Investment led by Bangladesh;
2. Technology led by India;
3. Transportation and Communication led by India;
4. Energy led by Myanmar;
5. Tourism led by Sri Lanka; and
6. Fisheries led by Thailand.

Each sector of co-operation, with the exception of Transport and Communication, is assigned a lead country for a period of three years after which the lead is passed on to another lead country. Because of its importance, members take turn to be the lead country for the Transport and Communication sector every year.

The total BIMST-EC exports to world have grown from US$ 97.8 bn in 1998 to US$ 131.4 bn in 2002. The exports increased by 8.7% in 2002 compared to the previous year. As regards imports, total BIMST-EC imports have also increased significantly from US$ 95.82 bn in 1998 to reach US$ 129.9 bn in 2002.

Indo-Thailand Free Trade Agreement

India and Thailand signed a Free Trade Agreement and other pacts on tourism, agriculture and science in October 2003. It is expected that under this agreement, trade can triple to around US$ 3 billion over the next few years. As part of the FTA, the two countries have agreed to slash tariffs for the 84 identified items under the Early Harvest Scheme (EHS), by 50% by February 2005, from the applied rate as on January 2004. The rates have to come down by 75% by February 2006 and to be completely phased out from March 2006.

The FTA could create a competitive environment in corporate India. Thai Acrylic Fibre, an AV Birla Group Company, is investing around Rs. 250 crore to expand its capacity from 57,000 tonnes per annum to 77,000 tonnes per annum. Reliance, on its part, will be in a position to take advantage of the lower duties under the FTA to tap the Thai market for polyester fibre. TVS Motor has started studying the option of setting up a manufacturing unit in Thailand and LML Limited is thinking of sourcing components from Thailand. Though some sections of industry, specially the automobiles, are concerned regarding the impact of the FTA on local producers, the domestic industry is unlikely to suffer from this agreement, if the anti-dumping and Rules of Origin (ROO) regulations are implemented strictly. Moreover, as the FTA agreement talks of facilitating investments between the two countries, Thailand could be the gateway for Indian companies to the whole of the ASEAN countries.

Promoting Intra-regional Trade

The 9th Annual Meeting of the Asian Export Credit Agencies (ECA) was held recently at the Asian Development Bank (AsDB) Headquarters, Manila, Philippines. India, Australia, China, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand were represented. In addition, representatives from co-financing division of AsDB, Banco Nacional De Commercio Exterior, Mexico and Ministry of Finance, Government of Vietnam were present. Vietnam is in the process of setting up its own Exim Bank.

The initiative for holding Annual Meetings of Asian ECAs to exchange information and share ideas in a structured manner was originally taken by Exim Bank of India which also hosted the first two meetings in India at Bangalore in February 1996 and at Mumbai in June 1996. Since then it has become an annual event, hosted by an ECA by rotation. The previous Annual meetings following the first two were held in Tokyo (1997), Beijing (1998), Bali (1999), Bangkok (2000), Seoul (2001) and Kuala Lumpur (2002).

Consequent to signing the Multilateral L/C Confirmation Facility Agreement by participating Institutions (on voluntary basis) in the 8th Annual Meeting, this year marked the initiation of the Bilateral L/C Confirmation Facility Arrangement with the signing of the facility agreements by (i) India & Malaysia, (ii) India & Thailand, (iii) Malaysia & Korea. The Agreement is aimed at augmenting the existing trade flows amongst countries in the region. There is a growing perception that the Agreement would be most useful during times of crisis such as the Asian Financial Crisis of 1997 and a co-ordinated policy amongst member countries would play a role in controlling spread of financial turmoil and promoting regional stability.

Export Potential of Jute in India

According to an estimate by *Food & Agriculture Organisation*, for the year 2002-03, India and Bangladesh together accounted for 88% of the world jute fibre production. India was the largest producer of raw jute accounting for 63% of the world production and is followed by Bangladesh (25%) and China (4.2%). However, Bangladesh was the largest exporter of jute fibre as well as products accounting for 88% of world jute fibre exports. In the year 2002, Bangladesh was the largest exporter of jute products followed by India each having a share of nearly 61% and 25% respectively. This is because India is a major importer of raw jute and jute fibre (mainly sourced from Bangladesh) for processing into jute products, including diversified products.

In the year 2001, Pakistan was at the pinnacle of jute fibre importer list with a share of 29% in world jute imports followed by India (24%) and Thailand (14%). In the year 2001, Europe, was the leading market for jute product imports, followed by Iran (10%) and USA (8%).

According to the *DGCIS* data (value-wise) for the year 2002-03, Indian jute exports stood at US$ 190.25 million, thereby registering a 46% rise as compared to the year 2001-02. In the year 2002-03, although 68% of Indian jute exports still comprised traditional exports, diversified jute exports from India saw an impressive 71% rise. In contrast, traditional items witnessed a 37% increase in 2002-03 over the previous year. Hessian cloth, jute yarn and hessian bags formed the principal traditional exports.

A comparison of jute exports in 2002-03 with 2001-02 shows that the rise in exports was primarily due to increase in exports to USA. Exports to USA rose by 82%, driven by hessian cloth, mat and carpet exports. Indian exports to other major partners, viz., Egypt and Turkey increased by 28% and 56% respectively. On the other hand exports to Belgium and UK fell by 16% and 2% respectively, which could be attributed to fall in hessian cloth exports to both nations.

Geographical location and the fertile Ganga-Brahamaputra delta, is conducive to grow and nurture the golden fibre, jute. The industry is more than 150 years old with the first jute mill established in 1855. The jute industry in India is by and large more sophisticated and productive than elsewhere. The country provides the basic infrastructure for growth of jute cultivation and upgrading fibre quality and also for developing extensive range of jute goods. Thus, India's experience and infrastructure provide it with an edge to become a world leader in jute.

The need of the hour is production and marketing of diversified jute products and developing of financially feasible indigenous technology. While research and development leading to high yielding varieties, can reduce the raw material cost, exploitation of modern production methods will reduce labour and energy costs and supply of cheap fibres will enable competitive prices of jute and jute products. Quality, timely delivery and competitive prices are imperative to meet customer requirements.

Policy experts have also considered the idea of joint marketing by India and Bangladesh and later on inclusion of more producers like Nepal, Thailand and Myanmar. Whereas India is way ahead in diversified jute products, Myanmar is believed to have experience in grading of jute. Joining hands can prove beneficial to both India and the other players.

Jute is an industry that is a national asset and must be invigorated by concerted efforts of both the industrialists and the government. Internally, on the farming side, as the area under cultivation in all likelihood is expected to remain roughly the same, improvement in yield becomes essential. Externally, as bulk of Indian exports continues to comprise traditional exports, the share of diversified jute products must now rise rapidly to cater to the niche demand in the world market.

To cite few examples:

- Eco-compatible *jute geotextile*, which have much potential, needs to be fully exploited and given a preferential treatment, targeting potential landscaping and lawn development markets, especially, the Gulf. Immense potential also exists in USA and Europe.
- Blended *fabrics*, yarn and other fabrics for use in textile application need to be selectively developed.
- Focussed marketing of *diversified products* such as handbags, floor coverings, handicrafts and furnishings can lead to growth of this segment.
- Similarly, other potential markets can be exploited by various applications of *jute-reinforced* plastics in the form of packing crates, multipurpose boards and toys.

Indian Economy: Resurgence and Growth

The Indian economy, after witnessing a slowdown during 2002-03, has moved back on the growth path in 2003-04, with favourable monsoons coupled with strong manufacturing sector growth and continued buoyancy in the services sector. Projections for the year 2003-04 attest to the resurgence in growth . Real GDP growth is estimated at 6.5–7.0% as compared with that of 4.3% during the previous year, underpinned by the sharp recovery in the agriculture sector. After a decline of 3.2% in 2002-03, the agriculture sector is estimated to register a sharp pickup during the current year, with an estimated robust growth rate of 7.3%. On the manufacturing front, a healthy growth of 6.3% during the first half of the year (April-September), supported by the continued buoyancy in the capital goods sector, augurs well for the economy, while increased activity in the services sector could result in the sector registering a growth rate in excess of the 7.1% recorded during the previous year.

On the external front, buoyancy in exports have resulted in a rise in India's share in global exports to 0.8% during 2002, in line with the Government of India's medium term export target of achieving a 1% share in global exports by 2007. Buoyancy in India's exports can also be gauged from the fact that the World Trade Organisation, in its International Trade Statistics 2003, has highlighted that India's export growth during 2002 was the third highest in global trade, after China and the Czech Republic. Further, India's commercial services exports registered a robust growth of 12% during 2002, which was among the highest growth rate among major global service exporters. Underlying the growth in commercial services exports has been the robust growth of India's software exports, which increased from US$ 7.6 billion in 2001-02 to US$ 9.5 billion in 2002-03, and is projected to reach US$ 12 billion during 2003-04.

Strong fundamentals of the economy can also be assessed from the improvement in India's external debt profile. Since 1999, debt indicators have shown favourable trend, with the proportion of total external debt to GDP having declined from 23.6% as at end-March 1999 to 22.4% as at end-March 2001, and further to 20.5% as at end-March 2003. Further, short term debt as a proportion of total external debt has remained below 4% since 1999-2000, reflecting the success of India's debt management strategy, and the World Bank having categorised India as a less indebted country since 1999.

The recent build up in India's foreign exchange reserves, which crossed US$ 100 billion as on December 12, 2003 from US$ 54.11 billion as at end-March 2002, is also an indicator of the resilience of the economy and increasing confidence of the international community on the macro-economic fundamentals of the economy. The significant build up of reserves, in turn, has enabled consolidation of external debt through prepayment of multilateral and commercial debt as well as shifts in the composition and maturity of non-resident deposit liabilities. The Government has prepaid high-cost foreign currency loans amounting to US$ 3.03 billion to the Asian Development Bank and the World Bank. At the same time, recognition of the growing strength of reserves has its reflection in the IMF designating India as a creditor country under its Financial Transaction Plan (FTP). Accordingly, India participated in the IMF's financial support to Burundi in March-May 2003, and to Brazil in June 2003.

Strong fundamentals of the Indian economy and the potential thereof have also been highlighted in the report by Goldman Sachs titled *"Dreaming With BRICs: The Path to 2050"*, released in October 2003. The BRICs economies – Brazil, Russia, India and China – have been identified as having the potential to emerge as leading economies, together accounting for over half the size of the G6 by 2025, and emerging as amongst the six largest economies along with the US and Japan by 2050. With regard to India, the report states that India has the potential to show the fastest growth over the next 30 and 50 years, if development proceeds successfully. Further, by 2032, India's GDP could outstrip that of Japan, and with the only population out of the BRICs that continues to grow throughout the next 50 years, India has the potential to raise its US dollar income per capita in 2050 to 35 times of the current levels.

New Opportunities under "Compulsory Licensing"

An issue that has risen recently under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and Public Health, is how to ensure that, patent protection for pharmaceutical products does not prevent people in poor countries from having access to medicines – while at the same time maintaining the patent system's role in providing incentives for research and development into new medicines. *Flexibilities* such as 'Compulsory Licensing' are written into the TRIPS Agreement under which governments can issue compulsory licences to allow a competitor to make, use, sell or import a product under patent (i.e. a patented product or a product made by a patented process) – without the permission of the patent holder, but only under certain conditions aimed at safeguarding the legitimate interests of the patent holder. 'Parallel Importing' is also possible, where a product sold by the patent owner more cheaply in one country is imported into another without the patent holder's permission.

Flexibilities like these are often used as a means of bargaining. For example, the threat of a compulsory licence can encourage a patent holder to reduce the price. Some governments were unsure of how these flexibilities would be interpreted, and how far their right to use them would be respected. The African Group (all the African members of the WTO) were among the members pushing for clarification.

A large part of this issue was settled when WTO ministers issued a 'Special Declaration on TRIPS and Public Health' at the Doha Ministerial Conference in November 2001. In the main declaration, they stressed that it is important to implement and interpret the TRIPS Agreement in a way that supports public health – by promoting both access to existing medicines and the creation of new medicines. In the separate declaration, they agreed that the TRIPS Agreement *does not* and *should not* prevent members from taking measures to protect public health. They underscored countries' ability to use the flexibilities that are built into the TRIPS Agreement, in particular 'compulsory licensing' and 'parallel importing'. They agreed to extend exemptions on pharmaceutical patent protection for least-developed countries until 2016.

Article 31 (f) of the TRIPS Agreement says that products made under compulsory licensing must be 'predominantly for the supply of the domestic market'. This applies directly to countries that can manufacture drugs – it limits the amount they can export when the drug is made under compulsory licence. And it has an indirect impact on countries unable to make medicines and therefore wanting to import generics. They would find it difficult to find countries that can supply them with drugs made under compulsory licensing.

Thus, on one remaining question, the special declaration assigned further work to the TRIPS Council – to sort out how to provide extra flexibility, so that countries unable to produce pharmaceuticals domestically can import patented drugs made under compulsory licensing. Members were deadlocked over how to resolve this question, and the original deadline of December 31, 2002 was missed.

On August 30, 2003, an Agreement was reached, which allows any member country to export pharmaceutical products made under compulsory licences within the terms set out in the decision. All WTO member countries are eligible to import under this decision, but 23 developed countries are listed in the decision as announcing voluntarily that they will not use the system to import.

A separate statement, by General Council Chairperson Carlos Perez del Castillo, Uruguay's ambassador, is designed to provide comfort to those who feared that the decision might be abused and undermine patent protection. The statement describes members' 'shared understanding' on how the decision is interpreted and implemented. It says that the decision will be used in good faith in order to deal with public health problems and not for industrial or commercial policy objectives, and that issues such as preventing the medicines getting into the wrong hands are important.

Implications for India

The implication of this new decision for India is quite significant. Under this new Agreement India can manufacture patented medicines or medicines prepared under patented processes, under 'compulsory licensing' and export to other countries provided the importing country

- is a least developed country.
- has insufficient or no manufacturing capacities in the pharmaceutical sector for the product(s) in question.

and given that

- only the amount necessary to meet the needs of the eligible importing member(s) may be manufactured under the licence and the entirety of this production shall be exported to the member(s) which has notified its needs to the Council for TRIPS.
- Suppliers should distinguish such products through special packaging and/or special colouring/shaping of the products themselves, provided that such distinction is feasible and does not have a significant impact on price.

EXIMIUS CENTRE PROGRAMMES

In the fourth quarter of 2003, Eximius Centre organised the following programmes:

The Centre organised an Orientation Programme on *'Law Relating to Export and Management'* in October 2003. The faculty included Dr. V. Nagaraj, Additional Professor and Mr. O. V. Nandimath, Asst. Professor, National Law School of India University, (NLSIU), Bangalore. Dr. Nagaraj covered the topics 'Quick and Amicable Ways of Settling Disputes' and 'Dismissals of Workman Law and Practice'. Prof. Nandimath made presentations on 'Law Relating to Contracts with Special Reference to Export Contracts' and 'Product Liability'. Participants who attended the programme were from engineering, pharmaceuticals, textiles, IT, automobile and auto parts and packaging sectors.

The Centre organised a workshop on *'Cutting Costs & Gaining Global Markets through Global Supply Chain Standards'*. The workshop was held in November 2003 and addressed by Mr. Pradeep Sharma, Manager-Business Development, EAN-India, New Delhi. 32 participants attended the programme from pharmaceuticals, engineering, electronics, food processing and textile sectors. The Centre made a presentation on "The Role and Services of Exim Bank."

The Centre conducted a seminar in December 2003 on *'Packaging of Engineering, Electronic Goods and Machine Tools'*. The seminar faculty included Dr. H. B. N. Murthy, a packaging consultant and visiting faculty in various reputed institutions and Mr. Gautam Bhattacharya, a packaging technologist, who has delivered lectures in the Indian Institute of Packaging and Indian Institute of Materials Management. 51 participants attended the seminar.

The calendar programmes for the next quarter include Seminars on:

a) Optimising Sustainable Value for International Competitiveness
b) Export Management
c) Multinational Operations – Transfer Pricing and Taxation c) Investment opportunities in Canada

The Centre welcomes suggestions on its future agenda.

For details on future programmes at Eximius Centre, contact: Ms.R. Roopa in Bangalore on Tel: (080)5589106
E-mail: eximius@giasbg01.vsnl.net.in

CII – Exim Bank Award for Business Excellence

The CII-Exim Bank Award for Business Excellence was instituted in 1994 by CII and Exim Bank jointly. The assessment process is very rigorous and is based on European Foundation for Quality Management (EFQM) Award Model. In the last 10 years, there have been only four winners viz. Hewlett Packard (India) Ltd., Maruti Ltd., TISCO and Infosys Technologies Ltd. For the year 2003, through number of corporates, including Indian joint ventures operating abroad, participated in the award process, there was no winner for the Award. However, three corporates viz. Birla Cellulosic, Alaxandria Carbon Black and BHEL, Tiruchi were commended by the Jury for Significant Achievement in their journey towards Business Excellence and 19 corporates were commended for Strong Commitment for Quality. This was announced during the 11th Quality Summit of CII, held at Bangalore in November 2003. The Theme of the Summit was *"Building sIndian MNCs: The Quality Way"* and was inaugurated by Dr. K. Kasturirangan, well known space scientist and Member of Parliament.

BOOK REVIEW

Economic Reforms and Performance: China and India in Comparative Perspective

Dr. Subramanian Swamy

The China-India comparison is a macroeconomist's paradise, and unlike others, Dr. Swamy has studied it at a holistic level, economy-against-economy unlike the other piecemeal sector-against-sector approach. According to him, by 1950, when both nations were liberated from imperialist domination, the initial economic conditions that prevailed, were varied.

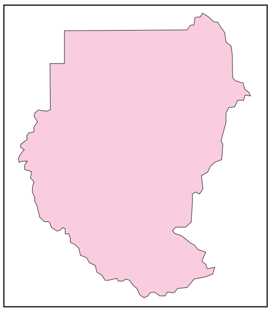
Dr. Swamy lodges a caveat about the danger of accepting official Chinese data at face value as in most cases the central statistical authorities have changed statistical information. His facts, corrected for 'under-deflation' and 'institutional effect', convey that the GDP growth gap between India and China are not as wide as estimated in World Bank and UNDP publications.

According to the author, how China and India modernise their decision-making apparatus with information technology will be a determinant of their economic destiny in the age of globalisation. Uncorrected Chinese FDI is 13 times that of India's, but if 'round tripling capital' is excluded and India adopts the IMF definition of FDI, the gap is much narrower than popularly perceived. According to author the gap is not 1:13 but 1:2.5.

Dr. Swamy, thus states that, the actual disparities in the macroeconomic indicators of both the countries are far less than what is actually portrayed. The Indian economy, according to the author, has lost a precious decade to China due to delays in initiating real market reforms. Yet the 21st century, Dr. Swamy suggests, can belong to both the Chinese and the Indians.

Sudan

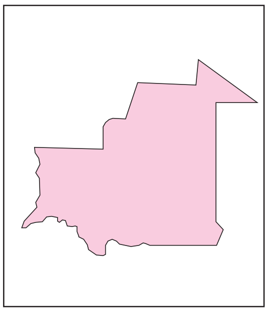
Sudan's reliance on imported inputs for many of its economic development needs hindered growth in 2002. A 54% increase



in import spending has increased import volumes by an estimated 33%, resulting in a drop in real GDP growth from 5.3% in 2001 to 4.2% in 2002. In 2002, Sudan succeeded in attracting substantial sums of foreign funding to support its economic growth programme. Sudan received US$ 686 million in FDI in 2002 – an increase of almost 20% on the previous year. The upward trend also continued over the first quarter of 2003, with total FDI standing at US$ 266 million – more than double the value of inflows over the same period in 2002. Much of the foreign investment is being directed toward the development of the oil sector, although other infrastructure projects are also being funded by foreign capital, with the longest running programme being within the telecommunications sector. With the significant rise in inflows of foreign investment into large capital projects, increased export volumes on the back of expanded capacity in the oil sector and sluggish growth of import volumes will trigger the real GDP growth of Sudan to 5.9% in 2003.

Mauritania

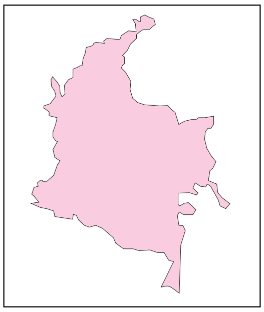
Following the positive evaluation of the previous Poverty Reduction and Growth Facility (PRGF) that expired in December 2002, the IMF approved a new three year PRGF worth US$ 8.8 million in July 2003 and US$ 1.2



million was immediately approved for disbursal. The new agreement reflects the IMF's satisfaction with the country's reform programme and its commitment to macroeconomic stability and poverty reduction, which has been achieved despite several years of drought conditions that have affected economic performance. In addition to this, France has agreed to provide a further US$ 16 million in debt relief to Mauritania in July 2003.This follows the US$ 39 million of Mauritania's debt that France agreed to cancel under the terms of the IMF-World Bank Highly Indebted Poor Countries (HIPC) initiative in May 2003, indicating the warming of relations between the two countries.

Colombia

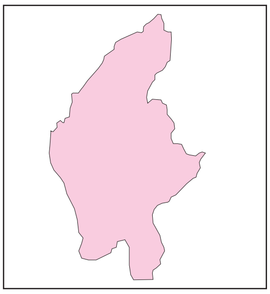
Colombian economy is on a path of revival in 2003 after recording a low growth rate of 1.7% in 2002. The economy is estimated to have grown by 3.1% in the first half of 2003, with major contributions from mining & quarrying, construction and financial services. In 2004-05, growth is likely to be more broad based as other sectors and domestic demand are expected to improve. The prospect of Colombia's exports is considerably dependent on the well being of Venezuela and the recovery of the US economy, as over 50% of total exports are



directed towards them. However, imports are projected to rise gradually from US$ 12 billion in 2002 to US$ 14 billion in 2004. The Colombian peso, which appreciated in the first half of 2003, has weakened thereafter, due to political risk and concern about fiscal position. A modest depreciation of the peso is forecast for 2004.

Myanmar

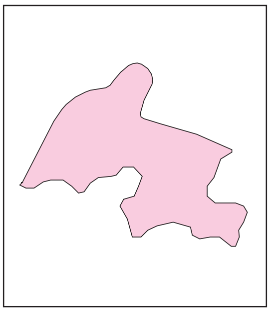
Real GDP growth has been severely affected by the banking crisis, slump in foreign investment and US ban on imports and US dollar remittances. The manufacturing sector, particularly the garments and textiles industry, has suffered heavily because of US sanctions. Real GDP growth is estimated to fall to 0.8% in 2003 and 1.1% in 2004 due to sluggish domestic demand, severe shortage of power and imported production inputs. The US and the EU have intensified their condemnation of the military junta and



have moved to tighten sanctions and other restrictions. In mid-July 2003, the US voted for expansion of sanctions to include a ban on all imports, the freezing of assets in the US, among others. With concessional lending to Myanmar having dried up since 1989-90, the country's debt profile is shifting increasingly towards shorter-term commercial debts. Although Myanmar's poverty makes it eligible for debt relief from the Paris club of official creditors, such relief has been consistently blocked by the US.

Tajikistan

In the absence of sufficient domestic funds for investment and reform, Tajikistan depends heavily on international lenders and donor agencies. Its external debt is around US$ 1 bn and in 2001, donors pledged nearly US$ 430 million in a programme for development projects. Under its three year poverty reduction and growth facility (PRGF) with the IMF, the government will aim to control public spending and minimise the level of international borrowing. With foreign help, Tajik officials are pursuing several initiatives designed to promote trade. Iran has promised Tajikistan a $25 million loan



for construction of the "Anzob Tunnel." This project would facilitate a trade and cargo transportation route from Tajikistan to Iran, Afghanistan, Pakistan and elsewhere in Asia. Russian natural-gas giant Gazprom signed a 25-year strategic agreement with Tajikistan to explore gas fields and promote domestic energy independence.

Select Currencies

RUSSIA

The currency of Russia is Rouble (RUB). The Russian central bank fixes the RUB/ USD rate for the next day based on the weighted average rate of the rouble set at a joint trading session of eight exchanges across Russia. A peculiar feature of the Russian economy is that a significant part of the economy is still strongly dollarised, including the cash market. Many Russians still prefer to keep their savings in dollars after the de facto devaluation of Rouble in 1998.The Rouble was re-denominated on January 1,1998 as 1 New Rouble =1000 Old Rouble. In August 1998, the Russian economy was in a bad shape. The weak financial system was hit by the spillover from the Asian financial crisis. But as more and more Russians and foreign investors sold roubles and bought dollars, the central bank had to spend ever-larger amounts of its precious hard currency reserves to maintain that dollar-link. However the measures of International Monetary Fund and Russia's central bank have resulted in an economic turnaround for Russia. Russia's reserves which fell to around $12 billion at the time of the Russian economic crash in 1998 has rebounded to $71.80 billion as on December 12, 2003. The rouble has firmed up about 7 percent this year in nominal terms this year, forcing the central bank to buy USD on the market to slow down its appreciation. This happens mainly for two reasons: (a) there is weakening of dollar on global markets across the board, (b) the crude prices have remained high throughout this year compared to previous year and Russia which is second biggest oil exporter in the world has gained on this front. The Russian economy is expected to expand by up to 7 percent this year thanks to its booming oil exports, which buoyed domestic demand and 12 percent capital investment growth. The weighted average rate of RUB as on December 31, 2003 was 29.25 per USD. In the medium term perspective the RUB is expected to strengthen against USD.

THAILAND

The Thai baht (THB) has been strengthening against USD from 44 baht in November 2002 to 39.66 baht as on December 31, 2003 indicating an appreciation of 8%. During the period 1997-2002, the THB has varied from 31.36 to 44 per USD indicating depreciation of 4.9% p.a. THB is managed under floating exchange rate system since July 2, 1997 with occasional intervention by the central bank to moderate the volatility. Thailand's economy has grown strongly over the past one year on the back of resilient exports and robust domestic consumption, prompting government to forecast GDP growth of 6.3 to 6.5 percent in 2003. The economy grew 5.3 percent in 2002, the first time it returned to levels seen before the 1997/98 Asian crisis. Thailand's foreign exchange reserves have also increased to USD 41.50 billion as on December 4, 2003. The Bank of Thailand (BOT) has repaid during 2003 the multilateral loans the country borrowed between 1997 and 1999 from IMF some nearly two years ahead of schedule. Fearing a strong baht would stymie strong growth in exports, the BOT has announced various policy measures to slow down the currency's rise with measures like (a) a 300mn baht cap on the amount non residents can hold in Thai banks, (b) no interest for baht deposits by non-residents for less than six months and (c) restrictions on flows not backed by trade or portfolio transactions. The above measures have calmed market speculation on the THB, which has been traded mostly in a narrow range of 39.60-40.00 per dollar since October 2003. THB is expected to appreciate to about 38 per USD in the near future.

SOUTH KOREA

The South Korean 'Won' (KRW) has been steadily appreciating against the USD since June 2002 to December 2003, from 1281 to 1189, indicating a rise of 4.78 % p. a. This was mainly due to higher exports, which has put South Korea's economy back on track after the economic recession of 1997-98. GDP growth for the year 2003 is forecasted to be around 2.9% p.a. Exports account for about quarter of the GDP of Korea. With the recovery of US economy and high growth of Chinese economy which together account for about 2/3rd of the South Korea's exports, its GDP is expected to grow at about 5.20 % p.a. for the year 2004. The KRW is independently floating wherein the exchange is market determined and any intervention by the central bank would be to moderate wide fluctuations. KRW generally tracks the movement of Japanese Yen against the USD and the domestic rates of inflation as the economies of Japan and South Korea are closely linked to each other. During 1995 – 2003 it ranged between 771 to 1200 touching a low of 1401 in 1998 amidst the south-Asian crisis and since then gradually stabilised. As on December 31, 2003 KRW is quoted at 1192 per USD and is expected to strengthen further in the medium term perspective.

Export Potential of Indian Medicinal Plants and Products

India has one of the world's richest medicinal plant heritages with about 8000 medicinal plant species being used by rural communities. Out of this, about 880 species are in active trade with 48 being exported and around 42 species being imported. About 61% of traded species are sourced from the wild, with no known plantation and cultivation indication while only 10% are sourced from cultivation.

Traded medicinal plants in India are estimated to be valued at Rs. 384 crores in 2001. This estimated sale value could be correlated to a quantitative consumption level of 128,000 tons. It is estimated that approximately 111,000 ha is currently under commercial cultivation in India, as compared to about 450,000 ha of cultivation in China. The highly traded medicinal plants include Amla, Satawar, Ashwagandha, Harar, Asoka, Bael and Senna.

User Profile

The break up of 880 medicinal plants in trade reveals that majority (82%) of these plants are used in the Ayurvedic system of medicine. Based on the current domestic commercial consumption levels in the Indian Systems of Medicine (ISM) sector (Rs. 384 crore), and the export level (Rs. 463 crore, comprising only crude drugs), it is estimated that commercialisation of medicinal plant cultivation was to the extent of Rs. 847 crore in 2001-02 in India.

Global trade

Global exports of medicinal plants and parts (primarily used for pharmacy, perfumery and insecticides) in fresh, dried or powdered form was of the order of US$ 759 million in the year 2001. This excludes India's exports estimated to be over US$ 100 million. Major exporters were China, followed by India, USA, Germany and Korea. Global import of medicinal plants and parts was estimated to be over US$ 1 billion in 2001. Leading importers of medicinal plants were Hong Kong, USA, Germany and Japan. China and India were the leading net exporters of medicinal plants.

Export Performance of India

Medicinal plants exports from India in 2002-03 were US$ 124.85 million as compared to the export level of US$ 133.28 million and US$ 112.46 million in 2001-02 and 2000-01 respectively. North America, especially USA is the major market for Indian medicinal plants accounting for over 50% of exports. Major items of medicinal plants that are being exported from India include psyllium husk, saps and extracts of opium, cambodge extract, henna powder and senna leaves.

Strategies and Recommendations

Conservation strategies: Regulations on wild harvest should be designed to ensure :

- Critically endangered species are not harvested
- List of species and habitats is prepared for which collection is permissible
- Harvesting is done during right stage in scientific and non-destructive ways
- Adoption of sustainable harvesting and Good Trade Practices.

Resource management strategies:

- Establishing 300 *insitu* forest gene banks to conserve intra and inter specific medicinal plants diversity of the country
- Designating competent certification agencies in every state, which can certify not only 'organic cultivation' but also sustainable harvest of medicinal plants
- Substituting the use of plant parts, to harvesting parts that may lead to destruction of species
- Establishing price parity between the wild produce and cultivated produce to encourage cultivation

Export promotion strategies:

- Indian manufacturers and policy makers should identify the best Indian plants and their associated medicinal products for exports
- The identified medicinal products should be based on use of single product or at the most a combination of five plant ingredients
- Selection of species should be such that they are mostly herbs, tubers, climbers, shrubs and only in some cases they could be trees
- The final selection of products should be based on a market survey to match the acceptance of the importing markets.

Strategic Visioning:

Articulation of an "inspiring national vision" is an important factor, which can guide the future of the Indian medicinal plants sector. The current vision – trader vision – which is focused on sale of raw materials, needs to be replaced by vision for commercialising traditional knowledge-products. A national mission needs to be drawn up by Government in consultation with industry, financial institutions and research organisations to operationalise this vision. It is crucial to create a "working environment", for supporting effective public-private partnerships involving all these players, in order to infuse innovation, dynamism and vigour into this sector.

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

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