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In this issue

ASEAN Economies: A Review of Recent Developments

The Association of South East Asian Nations (ASEAN) was established in August 1967, in Bangkok, by the five original member countries, viz. Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined in January 1984, Vietnam in July 1995, Laos and Myanmar in July 1997, and Cambodia in April 1999.

The ASEAN region has a population of about 500 mn, a combined land area of 4.5 mn square km, a combined GDP of around US$ 555 bn, and total trade of around US$ 707 bn as in 2001.

The Objectives of the ASEAN are two-fold: (i) to accelerate the economic growth, social progress and cultural development in the region through joint endeavours, and (ii) to promote regional peace and stability. According to the ASEAN Declaration, Bangkok, August 1967, the Association represents the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint effort and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom, and prosperity.

The Framework Agreement on Enhancing Economic Cooperation was adopted at the Fourth ASEAN Summit in Singapore in 1992, which included the launching of a scheme toward an ASEAN Free Trade Area or AFTA. The strategic objective of AFTA is to increase the ASEAN region's competitive advantage as a single production unit. The elimination of tariff and non-tariff barriers among the member countries is expected to promote greater economic efficiency, productivity, and competitiveness. The Fifth ASEAN Summit held in Bangkok in 1995 adopted the Agenda for Greater Economic Integration, which included the acceleration of the timetable for the realization of AFTA, from the original 15-year timeframe to 10 years.

Today, ASEAN economic cooperation covers the following areas: trade, investment, industry, services, finance, agriculture, forestry, energy, transportation and communication, intellectual property, small and medium enterprises, and tourism.

Recent Trends in GDP Growth

The growth of ASEAN countries, was lower at 2.9% in 2001 as compared to 5.8% in the previous year, as most of the ASEAN countries witnessed lower exports because of the global economic downturn. GDP per capita ranged from US$ 20,847 for Singapore to US$ 270 for Cambodia in the same year. Inflation averaged 6.2% for the region as a whole. US and Japan are among the major trading partners of the ASEAN nations, while electronic goods dominate their export basket.

The external debt levels remained high with most countries in the ASEAN having a high total external debt to GDP ratio. Singapore was an exception with a ratio of only 10.7%, whereas for Indonesia and Myanmar, the figures were 92.4% and 117% respectively, in 2001. Inflation was also high for these two nations, as compared to the marginal to mild inflation for the other members of the ASEAN.

There was a drastic reversal in *Singapore*'s economy, which witnessed a growth rate of 10.3% in 2000 and a decline of 2% in 2001. The slump in the electronics industry was the major factor responsible for it. Exports decreased from US$ 138.9 bn in 2000 to US$ 122.4 bn in 2001, while imports declined from US$ 127.5 bn to US$ 109.6 bn over the same period. However, current account balance as a percentage of GDP improved in 2001 mainly because of a services surplus.

The government is reviewing its economic policy, and the improvement of overall business competitiveness in Singapore through lowering taxes will be the main objective. The budget announced a phased reduction in corporate and income tax rates to attract greater FDI flows into the country. The monetary policy focuses on exchange rate management and the value of the Singapore dollar is maintained against a trade-weighted basket of currencies.

Malaysia was also affected by the global economic slowdown and registered a marginal growth of 0.4% in 2001, as compared to 8.3% the year before. But an expansionary monetary policy coupled with fiscal stimulus helped maintain the economic activity. Exports and imports declined by 8.4% and 7.4% respectively in 2001. Electronics and electrical machinery accounted for 58% of total exports of Malaysia. The recovery in global demand will lead to a rise in both exports and imports in 2002.

The real GDP growth of *Indonesia* slowed down to 3.3% in 2001 from 5.2% in 2000, mainly because of a fall in investment and export demand. A moderate decline in exports coupled with a higher decline in imports, led to the widening of the current account surplus, and it stood at 4.4% of the GDP in 2001. Services dominated the economy with a share of 40% in total GDP in 2000. The government has proposed new incentives aimed at attracting foreign investment including tax holidays. Interest rates are declining gradually and the government could successfully control the fiscal deficit in 2001. With exports at an average of 43% of the GDP over the last four years, acceleration in Indonesia's growth would depend on the external demand situation, particularly from Japan and USA.

In *Philippines* too, real GDP growth slowed from 4% in 2000 to 3.4% in 2001, as industrial production dropped. The external sector has been affected by the lower demand of IT-related products and the slump in the US market, which is its main destination of exports. During 2001, despite a continuing current account surplus, the level was half of that in the previous year because of a 19% decline in tourism earnings. The payments deficit was kept in check, and reserves increased as a result of international bond issues by the government as well as the central bank.

Ensuring fiscal discipline has been the government's primary objective and the budget deficit exceeded the target only marginally in 2001. There has been an easing of the monetary policy including a lowering of overnight lending and borrowing rates, and a gradual reduction in the reserve requirement for commercial banks. The aim is to offset the depressing effects on the economy of a weak external demand situation. Growth is expected to pick up to 3.7% in 2002.

The situation in *Thailand* was similar to its ASEAN neighbours as GDP growth slowed to 1.7% in 2001. Exports and imports declined, the current account surplus narrowed, but there was an improvement in the foreign exchange reserves position in 2001. There has been a recovery in export volumes in 2002. Private investment has also increased because of greater construction activity related to government-financed infrastructure projects. Thus the GDP growth is expected to increase in 2002. There has also been a steady growth in tourism receipts and portfolio inflows.

The relatively new entrants to ASEAN, namely, Lao PDR, Cambodia, Myanmar, Brunei Darussalam and Vietnam, are characterized by much lower GDP levels, per capita incomes (the notable exception to this being Brunei Darussalam), lower export and import volumes. *Brunei* is primarily an oil and gas dependent economy, and the government is aiming to slowly diversify it. Textiles and construction are two other important growing sectors. Contrary to most of its ASEAN counterparts, exports increased in 2001 for *Myanmar*, because of a significant increase in earnings from its gas exports, which became its largest source of export revenue in the year. The services balance has been in surplus for the last decade but is estimated to have run into a deficit in 2001, because of a sharp fall in tourism receipts. Exports also improved in 2001 for *Vietnam*, as crude oil exports accounted for 21% of total export revenue in the year. Japan, China and Australia are among its top export destinations. GDP growth and exports are expected to accelerate in the medium term as exporters avail of the benefits of the trade agreement with USA. Garments accounted for 72% of exports for *Cambodia* in 2000. Reforms have progressed slowly and a worsening of the situation could lead to a suspension of lending by IMF and other international donors, resulting in reduced infrastructure spending and slower economic growth. For *Lao PDR*, electricity, garments, and timber and wood products are among the principal exports and Vietnam is a major export destination. Exports and GDP growth are estimated to increase in 2002 as global economy recovers.

Recent Initiatives

Among its recent initiatives, ASEAN concluded a two day forum in mid-August 2002. The forum involved ASEAN's dialogue partners, international agencies, representatives of the private sector, and other countries aimed at forming partnerships to close the development gap between its older and newer members and facilitate greater regional integration to enhance the region's economic competitiveness. Expressions of strong support for the Initiative for ASEAN Integration (IAI)

Table: ASEAN Countries - Selected Macroeconomic Indicators, 2001

	Real GDP Growth (%)	GDP Per Capita (US$)	GDP per Capita (US$ PPP)	Inflation Rate (%)	Interest Rates (3 month time Deposits) (% p.a.)	Current Account Balance (as % of GDP)	Fiscal Balance (as % of GDP)
Brunei Darussalam	1.5	12,245	18,357	0.60	1.25	86.00	4.6
Cambodia	6.3	270	1,414	-0.6	5.63	1.60	-3.6
Indonesia	3.3	711	3,521	11.50	16.99	4.40	-2.4
Lao PDR	6.4	329	1,573	7.80	10.74	-5.10	-4.9
Malaysia	0.4	3,696	8,614	1.40	3.21	8.20	-5.5
Myanmar	10.5	142	1,269	21.10	9.25	-0.05	-5.0
Philippines	3.4	914	3,994	6.10	9.10	6.30	-4.0
Singapore	-2.0	20,847	25,990	1.00	1.10	20.90	2.0
Thailand	1.7	1,822	6,898	1.70	2.25	5.40	-2.6
Vietnam	6.8	420	2,282	-0.4	5.70	3.60	-2.9
ASEAN	2.9	1,164	4,230	6.20	na	na	na

Source: ASEAN Secretariat

came from Australia, China, Germany, India, Japan, Republic of Korea, the United Nations Development Fund and the Asian Development Bank. The IAI Work Plan focuses on the four areas of infrastructure development, human resource development, information and communication technology, and regional economic integration.

Trade Relations Between India and ASEAN

There are strong trade ties between India and ASEAN and exports increased by 20% while imports increased by 8% in 2001-02. India had a trade deficit of US$ 0.9 bn in the same year, with exports amounting to US$ 3.5 bn and imports worth US$ 4.4 bn.

Gems and jewellery account for the bulk of India's exports to ASEAN, with a share of 10.7% in 2001-02, accounting for US$ 371 mn. Other major exports were electronic goods (9.2%), oil meals (8%), drugs and pharmaceuticals (5.1%) and machinery and instruments (4.6%). Electronic goods dominate the import basket from ASEAN, with a share of 25.1% or US$ 1.1 bn. Other principal import items include vegetable oils (18.5%), wood and wood products (7.7%), organic chemicals (5.7%), and non-electrical machinery (4.4%).

Among the ASEAN countries, Singapore is India's largest trade partner, with a share of almost 30% in both exports and imports in 2001-02. Malaysia is the next largest partner, with a share of 22.3% in exports and 25.9% in imports in the same year. Thailand, Indonesia, Philippines and Myanmar are also major trading partners in ASEAN.

India became a sectoral dialogue partner of ASEAN in 1992, full dialogue partner in 1995, and joined the ASEAN Regional Forum in 1996. The Dialogue Partnership has been active. India has always sought to integrate her strengths in various social, scientific and economic sectors into the relevant ASEAN processes. India is also in the process of jointly developing an India-ASEAN Vision 2020, as a roadmap to achieve mutually desired objectives.

India pursues specific socio-economic goals in the region through sub-regional groupings. There is the Mekong-Ganga Cooperation, bringing together Cambodia, Laos, Myanmar, Thailand, Vietnam and India. India is also committed to the Initiative for ASEAN Integration, specifically aimed at the four new entrants into ASEAN. India has offered assistance to the Initiative in the development of a communications network involving highways, railways, river navigation and port facilities.
A sub-regional initiative has been launched for a road link between India, Myanmar and Thailand, which would eventually become part of an elaborate regional communications network.

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. Karishma Borgohain/ Ms. Geeta Pruthi on Tel: 2185272 Extn: 2305/2301.

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Vietnam/ Electricity Of Vietnam (Evn), Power Company 1 (PCI), Power Company 2 (PC2); Power Company 3 (PC3); Power Company, Dong Nai (PC Dong Nai), 18 Tran Nguyen Han, Hanoi, Vietnam Contact: Dao Van Hung, President Tel: 844-8257232 Fax: 844-8249462 E-mail: vuonghq@evn.com.vn	**System Efficiency Improvement, Equitization and Renewables Project/** The objective of the project is to improve the overall efficiency of power system services, particularly to the poor in rural areas, by optimizing the transmission systems, and upgrading sub-transmissions, and medium voltage distribution lines for rural electrification.	World Bank US$ 225 mn
Tajikistan/ Dushanbe Vcidokanal – DVK, 14A Ayni St., Dushanbe, Tajikistan Contact: Hidirov Saidrahmon Sharipovich, Director Tel: (992-372) 210 992 Fax: (992-372) 210 997	**Dushanbe Water Supply Project/** The development objective of the project is to improve the safety, reliability, efficiency, and financial viability of the water supply services in Dushanbe.	World Bank US$ 17 mn
Marshall Islands/ Ministry of Transportation and Communication Majuro, Marshall Islands, MH 96960 Contact: Jorelik Tibon Tel: (692) 625-8869, 625-3445, 625-3213 Fax: (692) 625-3486	**Outer Island Transport Infrastructure Project/** The project aims to alleviate poverty in the outer islands by directly increasing incomes as a result of more frequent and more reliable shipping services.	Asian Development Bank US$ 7 mn
Indonesia/ Directorate General of Water Resources Development, Jl. Patimura No. 20, Kebayoran Baru, Jakarta Selatan 12110 Indonesia Contact: Ir. Hari Sidharta, Director General Tel.: 722-2804 Fax: 726-1956 E-mail: sidharta@kimpraswi.go.id	**Participatory Irrigation Development and Management Sector /** The goals of the project are promoting economic growth, improving livelihood of rural people including the poor, and supporting good governance in water resources management. The immediate objective is sustainable management of water resources and irrigation infrastructure and facilities in a decentralized framework of government.	Asian Development Bank US$ 100 mn
Republic of Serbia/ Republican Roads Directorate, Bul Kralja Aleksandra 282, 11000 Belgrade, Republic of Serbia Contact: Mr Tihomir Timotijevic, Director Tel: (381-11) 416 144 Fax: (381-11) 407 700	**Road Recovery Project/** The proposed project involves the rehabilitation of priority road links throughout Serbia, including Corridor X, together with various measures aimed at restructuring the sector.	European Bank for Reconstruction and Development US$ 190 mn

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Ghana/ Ministry of Health, Accra Contact: Mr. G. Taylors-Lewis, Director, Country Operations, Central and West Tel: (225) 2020-4041 Fax: (233-21) 666-630 Email: piu-moh@africaonline.com.gh	Health Services Rehabilitation Project/ The project will comprise the following components: (i) strengthening district health services (ii) support to the national blood bank; (iii) support to the national HIV/AIDS control program and (v) support to the Project Management Unit.	African Development Bank US$ 16.3 mn
Egypt/ Ministry of Education, Cairo Contact: Mr. G.Girogis, Director, Country Operations (North, East and South) Tel: (225) 2020-4047)	Upgrade of Secondary Technical Education II/ The objectives of the project are (a) strengthening of technical secondary school management, (b) improvement of the curriculum, (c) improvement of the teaching and learning quality, (d) upgrade of technical secondary school infrastructures and facilities, and (e) strengthening of the Project Implementation Unit	African Development Bank US$ 37.9 million
China/ Shanxi Provincial People's Government, Shanxi Provincial Finance Bureau, No. 345 Yingze Street, Taiyuan City, Shanxi Province P.O. Code 030001 Tel: 86-351-404-3381 Fax: 86-351-404-3381	Taiyuan Environmental Improvement Project/ The project is designed to help improve the environment of Taiyuan, which is confronted with air and water pollution and other environmental problems, through the introduction of CP technologies and pollutant treatment facilities and through efficient energy use at Taiyuan Steel.	Japan Bank for International Cooperation US$ 118.8 mn
Ghana/ Ministry of Lands and Forestry Box M212, Accra Tel: (233-21) 665-421 Fax: (233-21) 666-801 E-mail: guysymes@mlf.africaonline.com.gh Contact: Mr. G. Taylors-Lewis, Director, Country Operations, Central and West.	Agricultural Diversification Project/ The project comprises: (a) plantation development (b) alternative livelihood support scheme, (c) institutional capacity building and strengthening, (d) project management.	African Development Bank UA 7 million

CONTRACT AWARDS

Select contracts secured by Indian companies during the quarter:

Mahindra & Mahindra Ltd., Mumbai	Contract for supply of farm tractors, secured in **Sri Lanka**, funded by **World Bank**.
Varian India (Pvt.) Ltd., Mumbai	Contract for supply of items of atomic absorption for Arsenic Mitigation-Water Supply Project, secured in **Bangladesh**, funded by **World Bank**.
Osaw Industrial Products (Pvt.) Ltd., Ambala	Contract for supply of educational materials for Basic Education Project, secured in **Turkey**, funded by **World Bank**.
Voltas Ltd., Mumbai	Turnkey contract for construction of HVAC, plumbing & other works for Conference Palace Hotel Project, secured in **UAE**.
Larsen & Toubro Ltd., Mumbai	Turnkey contract for Sulphur Recovery Unit for Shuiba Refinery Project, secured in **Kuwait**.
Jyoti Structures Ltd., Mumbai	Turnkey contract for Transmission Line Project, secured in **Ethiopia**.
Engineers India Ltd., New Delhi	Consultancy contract for development of engineering capabilities for LPG and LNG Projects, secured in **Algeria**.
Krishna Traders, Kolkata	Contract for supply of Woodfree White printing paper for Second Primary Education Sector Project, secured in **Bangladesh**, funded by **Asian Development Bank**.

The New Partnership for Africa's Development (NEPAD)

Background

The New Partnership for Africa's Development (NEPAD) emerged as a fusion of two earlier initiatives – the Millennium Partnership for the Africa Recovery Program (MAP) and the Omega Plan, both of which sought to give new impetus and encourage stronger partnerships for African development. A third initiative, the Compact for African Recovery, was proposed by the UN Economic Commission for Africa (ECA) as a technical input to the elaboration and implementation of the MAP. At the 37th Organisation of African Unity (OAU) and the African Union (AU) Heads of State and Government Summit in Lusaka, Zambia, in July 2001, a 15-member Heads of State Implementation Committee was set up to oversee the coordination and implementation of the consolidated Initiative.

NEPAD - Objectives and Strategy

African countries have chosen to work as a group and join efforts to ensure a better economic development for the continent. NEPAD initiative is the outcome of this new, integrated and holistic strategy, which aims at spurring growth and reducing poverty in Africa. The objective of NEPAD is to promote African renewal in the widest context possible. The program expresses a pledge by African leaders to take individual and collective responsibility for certain policies while calling for a new global partnership with the international community based on shared responsibility and mutual interest. NEPAD thus, is a long-term vision of an African-owned and African-led initiative.

The NEPAD strategy for achieving sustainable development is premised on the following outcomes:

- Economic growth and development and increased employment
- Reduction in poverty and inequality
- Diversification of productive activities, enhanced international competitiveness and increased exports; and
- Increased African integration

The strategy takes as its key themes: (i) restoring peace, stability, and security and promoting democracy and political governance; (ii) promoting economic and corporate governance; and (iii) applying sub-regional and regional approaches to development.

Priority Sectors under NEPAD

The priority areas covered under NEPAD are:

- Promoting peace, security and good governance;
- Investing in Africa's people (especially education and health);
- Harnessing Africa's strategic advantages in the productive sectors and mobilising resources for development;
- Investing in information and communications technologies (ICT) and other basic infrastructure (transportation, energy, water and sanitation); and
- Promoting economic cooperation and regional integration.

Seminar cum Conference on NEPAD in New Delhi

Ministry of External Affairs, Government of India (MEA), had taken the initiative to functionally associate with NEPAD for boosting two-way trade and investment between India and Africa. Following this, Exim Bank, in close coordination with MEA and Confederation of Indian Industry (CII), set in place a high-level one-day programme in July 2002, in New Delhi. A session on "Enhancing financial linkages with African Institutions" in the programme, mobilised participation of senior dignitaries from select financial institutions/ development banks from Africa at the national, regional and multilateral levels including Afrexim Bank, PTA Bank, East African Development Bank, Offshore Development Company, Namibia, Industrial Development Corporation South Africa and West African Development Bank as well as senior Exim Bank officials, major Indian banks/ financial institutions, and Export Credit Guarantee Corporation of India Limited. Mr. Gurjit Singh, Joint Secretary, Ministry of External Affairs; Mr. G.S. Dutt, Joint Secretary, Ministry of Finance; and Dr. M.S. Rao, Director (Africa Division), Ministry of Commerce & Industry addressed the participants in this session.

This was followed by another session, which enabled interactions between the participating African Institutions and Indian industry including presentations by select companies on Indian capabilities in identified sectors/ industries, and presentations by visiting officials from Africa. This session inaugurated by Mr. Digvijay Singh, Minister of State for External Affairs, Government of India, attracted more than 160 participants.

Exim Bank Study highlights Potential for Enhancing Bilateral Trade and Investment with COMESA Countries

Exim Bank's Occasional Paper titled **"Select COMESA Countries: A Study of India's Trade and Investment Potential"** indicates high potential for increasing bilateral trade and investment between India and the COMESA member countries. India's exports to the COMESA Countries have increased by 50% from US$ 708.8 mn in 1996-97 to US$ 1064.5 mn in 2000-01. India's imports from the Region also increased significantly from US$ 230.6 mn in 1996-97 to US$ 525.4 mn in 1999-2000, before declining to US$ 109.1 mn in 2000-01. As a result, India's total trade turnover (exports plus imports) with the region has increased from US$ 939.5 mn in 1996-97 to US$ 1.2 bn in 2000-01.

The Common Market for Eastern and Southern Africa (COMESA) with its 20 member states and population of 385 million forms a major integrated trading bloc in Sub-Saharan Africa. The study focuses on five countries among the largest economies in the COMESA region, namely, Egypt, Kenya, Mauritius, Uganda and Zimbabwe. India's potential exports to these countries include machinery and transport equipment, petroleum products, paper and wood products, textiles, iron and steel, plastic and linoleum products, rubber manufactured products, agro products, chemicals and pharmaceutical products. Further, these countries offer potential for investment in sectors such as tourism, pharmaceuticals, electronics, computer software and accessories, information technology related products, financial services and textiles.

For details contact David Sinate, Assistant General Manager, Planning & Research Group, Tel: 2185272 Extn. 2307, Fax: 2180743
e-mail: sinate@eximbankindia.com

Exim Bank's LOC to PTA Bank

With a view to enhancing trade and investment relations with countries in Eastern and Southern Africa, Export-Import Bank of India (EximBank) has extended a Line of Credit of US$ 10 Million to PTA Bank (Eastern and Southern African Trade and Development Bank).

Under the LOC, importers based in PTA Bank's member countries will make advance payment of 10% of contract value and credit will be provided by Exim Bank for 90% of contract value to PTA Bank. Exim Bank will reimburse Indian exporters on shipment of goods. Thus, it is a safe mode of non-recourse financing option to Indian exporter, particularly Small and Medium Enterprises (SMEs). Credit period will be up to 5 years.

Headquartered in Nairobi, PTA Bank has 16 regional members, viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

India's exports to African member countries of PTA Bank amounted to US$ 1.23 billion, in 2001-02, representing an increase of 12.8% over the previous year. Principal items exported from India to the PTA Bank member countries include cotton yarn, fabrics and made ups, meat and preparations, machinery and instruments, plastic & linoleum products, and drugs & pharmaceuticals.

Exim Bank's LOC is aimed at promoting India's exports to Eastern and Southern African region, and supplements Government of India's initiative called "Focus Africa" initiative, recently launched to enhance economic cooperation between India and Africa.

Snap Market Survey for Pharmaceutical Products in South Africa

Exim Bank's Technical Paper on **"Snap Market Survey for Pharmaceutical Products in South Africa"** was released on the occasion of NEPAD-India conference in New Delhi in July 2002. The paper highlights South Africa's healthcare market for pharmaceutical products, which is approximately Rand 12 billion. It is the second largest pharmaceutical market in the African continent next to Egypt. The industry comprises 200 firms and 75% market share is held by multinationals. Out of the top 10 brands, 8 are held by MNCs. The distribution of pharma products in South Africa is controlled by multinationals and several of the MNCs have joined hands and formed two companies, namely International Healthcare Distributors (IHD) and Synergistic Alliance Investments (SIA), which handles the distribution business for its members. Some Indian Pharma companies like Ranbaxy, Cipla Hetero Drugs have already established a ground presence in South Africa.

South African population's major causes of mortality relate to neoplasm, diseases of the respiratory and circulatory systems, HIV/AIDS, as well as infectious and parasitic diseases. Circulatory systems failure, neoplasms and respiratory systems caused more than 65 % of deaths in 1985. The trend has changed with an increasing number of deaths coming from accidents, violence, poisoning and through infectious diseases accounting for almost over 30% of deaths in 1995. The recent trend indicates larger number of deaths reported due to infectious diseases especially caused by HIV/AIDS.

The paper also reviews some entry strategies for Indian firms wishing to enter the South African market and gives a framework of the rules and other statutory regulations, which a company needs to know for entering the South African market.

Success Story : Nishith Desai Associates

Nishith Desai Associates, founded in 1984 by Mr. Nishith M. Desai, an international tax lawyer and business strategist is a research-based law firm, with offices in Mumbai & Palo Alto (Silicon Valley). The firm has been focussing on advanced legal practice in niche areas with an objective to add value to the existing legal professional clime.

The firm adopts a multi-skilled approach where lawyers work with professionals from different backgrounds including chartered accountants, engineers, management graduates, doctors, to name a few. The firm also works closely with several international law firms.

The firm has represented clients in several business transactions related to outbound and inbound investments and globalization structures for Indian corporate entities. The firm has developed a forte in the arena of taxation of e-commerce, entertainment and infotech. It is known for its expertise in structuring of offshore venture capital and private equity funds for investments into India and other Asian countries. The firm advises its clients on foreign investment into and out of India and cross-border mergers and acquisitions. The firm's focus has developed to include biotechnology, setting up of BPO's, litigation & alternate dispute resolution and banking and structured finance.

The firm acted as legal counsel to the underwriters in the first ADR issue by an Indian company, Infosys, which was listed on the Nasdaq in 1998 and also represented the underwriters in the ADR listing of Satyam Infoway. Since then, the firm has represented Indian companies such as Silverline Industries, Rediff.com and Wipro Technologies in their US offerings. The firm has worked on several acquisitions by international companies such as BFL Software's acquisition of Mphasis (a US company), and was also involved in Silverline's (NYSE listed company) acquisition of Seranova (NASDAQ listed company).

The firm has a research oriented focus and it has undertaken studies in different areas of law and tax. In the year 2001, the firm assisted the State Government of Andhra Pradesh in drafting the Andhra Pradesh Infrastructure Development Enabling Act (APIDEA). The firm did an extensive research study for Global Information Infrastructure Commission (GIIC) on legal and tax issues relating to e-commerce. The firm was also involved in advising the ISPAI (Internet Service Provider's Association of India) and the Indian Government on negotiation of e-Commerce issues at the recent Doha round of WTO. The firm also represented NASSCOM at a Joint World Bank-WTO Symposium on "Movement of Natural Persons under the GATS" which was held in Geneva in April 2002. The firm also prepared a comprehensive report on the comparative business and legal practices in Hollywood and Bollywood. The firm recently completed its research report on the economic opportunities in rebuilding Afghanistan. The firm is currently involved in conducting in-depth research on the legal and ethical issues involved in Biotechnology.

Recently, the firm has received a mandate from the Ministry of Commerce & Industry, , Government of India, to conduct a technical review of the General Agreement on Trade in Services (GATS).

Nishith Desai Associates approached EXIM Bank for funding under its Export Marketing Finance Programme in 1998. EXIM Bank sensed the potential that the firm possessed while sanctioning a term loan of Rs. 55 lacs. The funds were primarily used by the firm, in training programmes and research activities, and providing continuous connectivity to its clients. Besides Indian clients, the firm has worked with clients from the US, Europe, Japan & South-East Asian regions. The firm's foreign exchange earnings increased by over 100 per cent to Rs. 47 mn in 2000-01 from Rs. 22.3 mn in 1997-98.

Nishith Desai Associates has made tremendous progress over the last few years and has won the prestigious International Financial Law Review (a Euromoney publication) award for the 'Indian Law Firm of the Year 2000'. This award has recognised the role of the firm in the development of legal services in its home market, its forward-thinking approach and its international outlook. Thereafter, the firm also received the IFLR 'Asian Law Firm of the Year 2001' award for its Pro Bono efforts in recognition of its commitments to social initiatives, particularly in the Gujarat earthquake rehabilitation efforts.

The firm also became the first Indian law firm to open an office in the Silicon Valley (Palo Alto) in November 2000. In 2001, Mr. Nishith Desai became the first Indian lawyer to get a license from the State Bar of California to practice Indian law in California.

EXIM Bank is currently in the process of assisting the firm to finance the activities of its branch office in USA.

National Seminar on "Export of Agricultural Products: Prospects & Challenges", Guwahati

Export-Import Bank of India (EXIM Bank), in association with Allahabad Bank, organised a two-day (June 14-15, 2002) National Seminar on "Export of Agricultural Products: Prospects & Challenges" at Guwahati. The seminar, third in the series that EXIM Bank has organised in different regions of the country, was aimed at creating awareness of the potential and challenges for Indian agri exports and gearing up the agri sector to cope with the emerging post WTO scenario. EXIM Bank had earlier organised similar seminars at Pune in January and Chennai in May 2002.

The seminar had a focus on North East region and it was felt that if adequate support is provided by way of finance, advisory services, information on overseas markets and business opportunities, this region can emerge as a strong exporter of agricultural products. North East region is ideally suited for organic farming as consumption of chemical fertilisers and pesticides is amongst the lowest in India. This region can enhance the trade with Myanmar and Bangladesh due to its locational advantage.

The seminar was inaugurated by Shri Bhubaneswar Kalita, Hon'ble Minister for Industry, Commerce and Public Enterprises, Govt. of Assam. Highlighting that the seminar has brought together a cross section of experts to seriously discuss and deliberate on how to boost agri exports, particularly from North East region, the Minister stressed that any strategy to boost exports from the region would need to focus on improving infrastructure. The Minister also delineated the need for promotion of organic farming as organic products fetch prices overseas, and can be cultivated by small and marginal farmers with their small land holdings. Some of the items that could be exported in a big way from this region include aromatic and medicinal rice (*Joha* rice), large cardamom, bamboo shoots, ginger, agar wood, and passion fruit.

The other distinguished guests who addressed the seminar were Shri A. K. Dey, Hon'ble Minister for Agriculture, Govt. of Assam; Shri Sompal, Member, Planning Commission; Prof. S. R. Hashim, Member, Union Public Service Commission, Govt. of India.

The seminar comprised five technical sessions covering value addition for exports of horticultural products, organic farming, financing of agri exports and an interactive session with participants. Experts in different subjects drawn from the departments of Central and State governments, Tea Board, NABARD, APEDA, Confederation of Indian Industry, Sikkim Industrial Development Corporation, Assam Financial Corporation, Small Farmers' Agri Business Consortium, State Agricultural Universities, etc. addressed the technical sessions.

Smt. Bijoya Chakraborty, Minister of State for Water Resources, Govt. of India, who was the Chief Guest for the Valedictory Session, in her address emphasised the need to develop suitable strategies to tap the immense potential for agri exports in the North East. The Minister stated that the need of the hour is a mission oriented approach involving the Government, Banks, EXIM Bank, APEDA and research institutions aimed at facilitating the farmer in realising better value for his produce. The Minister complimented the initiative taken by EXIM Bank to focus on agri exports from the North Eastern region and hoped the seminar would be followed up with specific action.

Exim Bank Study highlights Potential for Export of IT Enabled Services from the North Eastern Region of India

Exim Bank's Occasional Paper "Potential for Export of IT Enabled Services from the North Eastern Region of India" was released at the hands of Lt. Gen. S.K. Sinha (Retd.), Governor of Assam and Chairman of North Eastern Council in the presence of Shri Arun Shourie, Union Minister for Development of the North Eastern Region, and Chief Ministers of eight North Eastern States, at the 'North-East Business Summit' in Mumbai on July 19-20, 2002.

The Study highlights that, although a late starter in the field of information technology (IT) development, the States in the North Eastern Region of India have in recent years taken concrete steps to provide thrust to the IT sector. The Study points out that the North Eastern Region offers good scope for development of IT and IT-enabled services due to a number of factors. The Community Information Centres (CIC) programme by the Government constitutes an important measure aimed at IT development in the region. The high level of literacy, large population of English-speaking workforce coupled with the low attrition rates are added advantages.

With the strength and potential of the North Eastern Region being in the agro-sector, the Study points out that technological development in the area of IT could enhance the development of the agro-sector. The North Eastern Region also presents opportunities for investment due to its proximity to Myanmar, which is the gateway to the ASEAN countries.

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Agricultural Exports of Developing Countries and Domestic Support

The long-term objective of the Agreement on Agriculture (AoA) to 'establish a fair and market oriented agricultural trading system', was sought to be achieved 'through the establishment of strengthened and more operationally effective GATT rules and disciplines'. One such set of disciplines comprised the domestic support reduction commitments, which were undertaken under the AoA by Member countries, with an aim to correct price distortions and allow market forces to determine the level and composition of agricultural production.

The AoA classifies domestic support into two categories: support with no or minimal distortive effect on trade (often referred as *Green Box* measures) and trade-distorting support (also referred as *Amber Box* measures).

Green Box measures include general agriculture support policies such as basic Research & Development, pest & disease control, infrastructure and food security, which are exempt from any reduction commitment.

Amber Box measures refer to price support measures aimed at farmers. These are calculated on a product-by-product basis, and were to be reduced by 20% in developed countries by 2000, and by 13.3% in developing countries by 2004. Support levels in the *Amber Box* are quantified in monetary value through what it is known as the 'Aggregate Measure of Support' (AMS). The AoA sets a level that applies to specific products or to the sector as whole – known as the *de minimis* level (total support as % of value of total agricultural production) – below which countries need not count their expenditures in the AMS. The *de minimis* level is 5% for developing countries and 10% for least developed countries.

At the last stage of the Uruguay Round negotiation process, a new category of support measures, the *Blue Box* was introduced within the draft agreement. It included direct payments, which are linked to the factors of production but not to price and volume of output, which are implemented under 'production-limiting programmes'.

Some of the countries complied with the reduction commitments regarding AMS by restructuring their domestic support policies/programmes. Some of them have also shifted their potentially 'trade distorting' measures from the *Blue Box* into the *Green Box*. An analysis based on a Secretariat Paper, reveals that there is an appreciable increase in expenditure under the *Green Box* in 1997-98 over the base period in major developed countries. In most cases it has also resulted in an overall increase in the quantum of support to their agricultural sector. Certain countries have also taken undue advantage by including the quantum of *Blue Box* support in their initial base period calculations of AMS, as in the subsequent years there were no reduction commitments for this category of *Blue Box* support.

Among the *Green Box* measures, the expenditure on direct income payments has increased substantially during the implementation period. The share of total direct payments under the *Green Box* measures is estimated to have increased from 23% in 1995 to 43% in 1998. The Producer Support Estimate (PSE) figures for all OECD countries have increased from US$ 246 bn in 1986-88 to US$ 283 bn in 1999. For a few developed countries, the PSE is not only high as compared to the base period but has also risen sharply since 1997. Total Support Estimate (TSE) in OECD countries in 1999 amounted to US$ 361 bn higher than US$ 308 mn in 1986-88. The TSE figure of the OECD countries is approximately six times of the total value of the current annual agricultural production in India.

Given these characteristics of agriculture in developing countries like India with very meagre domestic support and the virtual absence of export subsidies, these domestic agricultural policies cannot be trade distorting. The developing countries suffer from an inherent disadvantage of limited financial resources as compared to resource rich countries and thus are not in a position to have a high subsidy regime.

Given the diverse conditions and varying stages of agricultural development in developing countries, the need for making some additional provisions to enable them to pursue policies aimed at increasing agricultural production and productivity is necessary.

Selective extension of high domestic support to a few select commodities in developed countries has effectively neutralised the competitiveness and the potential market access that would have been available to developing countries. For example, commodities of interest to developing countries like dairy, meat, sugar, poultry, cereals and fruits and vegetables have been extended maximum support/subsidies in developed countries, which has negated the comparative advantage of developing countries in these commodities.

In view of the uneven playing field due to continued high level of distortions in agricultural trade, it is extremely important that developing countries has the flexibility to use appropriate policies to address the problems facing their agricultural sector. The developing countries do not intend to use these measures for achieving an unjustified share in the world market. Necessary corrective actions will have to be taken to allow the emergence of developing countries as equal trading partners.

WTO and India's Export of Services

A notable feature of the dynamics of structural transformation of the Indian economy in recent years has been the rising contribution of the services sector, which includes substantial value-added and skill-intensive services, such as software, to the overall output in the economy. It is important to note that the growth of the services sector has imparted much of the resilience to the overall growth of the economy, particularly in times of adverse agricultural shocks and industrial slowdown. But more importantly, the sector has emerged as the fastest expanding sector, with implications for productivity, employment, trade and fiscal prospects of the economy. Between 1990-91 and 2001-02, the share of services (inclusive of construction) in real GDP increased from 43.7 percent to 49 per cent.

The growth of services exports was 14.6% for the period 1990-2002, compared with a growth of 8.4% for merchandise exports in the same period. India exported services worth US$ 20.3 bn in 2001-02, which is 54% higher compared with 1998-99 figure. India, being in the top 20 countries in the world export of services, had a share of 1.4% in world export of services in 2001.

Highlights of the GATS

A major outcome of the GATT Agreement embodying the Uruguay Round of Multilateral Trade Negotiations is the new General Agreement on Trade in Services (GATS). The GATS establishes for the first time a multilateral framework for conduct of services trade.

The GATS defines four modes of delivery services:

(i) Services supplied from one member country to another (e.g. international telephone calls); (ii) Movement of consumers to the country of importation (e.g. tourism); (iii) Commercial presence (e.g. banking); (iv) Movement of natural persons (e.g. consultants)

The GATS covers the following individual sectors which include: business, communication, construction and engineering, distribution, IT related, education, environment, financial services, health, tourism, transport and other services not included elsewhere.

However, a country can impose the measures against the GATS rules if, it is:

(a) necessary to protect morals or to maintain public order; (b) necessary to protect human or animal or plant life or health; (c) necessary to secure compliance with laws or regulations which are inconsistent with the provisions of this agreement including those relating to: prevention of deceptive practices or protection of privacy or for safety purpose.

Broadly, the GATS contain general rules, which apply to all member countries. The most important obligation of GATS is the Most Favored Nation Treatment. No member may discriminate among services exporters from other countries. Each country must have transparent policy regulations governing access to service markets.

GATS: India's Commitments

India has scheduled only nine services in the past round of negotiations. These include: engineering, computer and related services, research and development, telecommunication, audiovisual services; construction and related engineering services; financial services; health related and social services; and tourism and other related services.

One of the features of India's commitments under the GATS is that they are highly uniform across modes and sectors. India has made mostly unbound commitments on mode 1. Its commitments are also unbound on mode 2 across all of the scheduled sectors. India's offers on commercial presence, specify a requirement for incorporation with a foreign equity ceiling of 51 per cent. In a few cases, particularly in banking services, additional or other limitations, such as restrictions on the number of licenses or on the maximum permitted share of total assets to be held by foreign banks are also inscribed, while in some sectors, no binding commitment is made on commercial presence. Finally, India's commitments on movement of natural persons are unbound in the sectoral schedules and refer to the horizontal commitments on mode 4. The latter are in turn subject to the usual conditions on entry and stay and are bound only for business visitors, intra-corporate transferees, and professional, and are subject to the aforementioned shortcomings.

The GATS commitments made by other countries have little significance for expanding India's services exports. This is mainly due to shortcomings like, poor coverage of the protected sectors and modes by most countries, the standstill nature of these commitments, the extensive use of sector-specific and horizontal limitations by most countries, and above all, the restrictive nature of horizontal and sectoral commitments on movement of natural persons.

Exim Bank's Lines of Credit to Russia

Export-Import Bank of India (Exim Bank) has extended two Lines of Credit (LOCs) to boost India's exports to Russia. First LOC of US$ 10 mn has been extended to Bank of Foreign Economic Affairs (Vnesheconombank) of Russia and second LOC of US$ 25 mn has been extended to Bank for Foreign Trade (Vneshtorgbank) of Russia.

Under the LOCs, importers based in Russia will make advance payment of 10% of contract value and credit will be provided by Exim Bank for 90% of contract value to Vneshtorgbank and Vnesheconombank. Exim Bank will reimburse Indian exporters on shipment of goods. Credit in respect of capital and engineering goods is up to 5 years and in respect of industrial manufactures and consumer durables is up to 2 years.

Exim Bank's Line of Credit to Romania

Export-Import Bank of India (Exim Bank) and Bank Comerciala Romana (BCR), Romania, signed an Agreement in Bucharest during the 15th Session of India-Romania Joint Commission meeting in June 2002, for a Line of Credit (LOC) of US$ 10 mn from Exim Bank to BCR, to support India's exports to Romania.

BCR, incorporated in 1990, is today the largest bank in Romania, with a market share of over 20%. BCR focuses primarily on industrial sector, but in line with other Romanian banks, it is increasingly focussing on retail banking.

Under the LOC, importers based in Romania will make advance payment of 10 % of contract value and credit will be provided by Exim Bank for 90% of contract value to BCR. Exim Bank will reimburse Indian exporters on shipment of goods. Credit period will be 1 year.

Exim Bank's Operative Lines of Credit (As on September 30, 2002)

Sl. No.	Borrower	Amount of Credit	Terminal Dates for utilisation: Opening of L/C	Terminal Dates for utilisation: Disbur-sement
1.	East African Development Bank (Covering Kenya, Tanzania and Uganda)	US$ 5 mn.	3-10-2002	3-04-2003
2.	Offshore Development Company (Pty.), Namibia	Rs.20 crs.	24-10-2002	24-04-2003
3.	Banque Internationale Arabe de Tunisie, Tunisia	US$ 5 mn.	28-02-2003	30-08-2003
4.	Korea Development Bank, South Korea	US$ 20 mn.	Open ended	Open ended
5.	Corporacion Andina de Fomento (Andean Development Corporation) (covering Bolivia, Colombia, Ecuador, Peru and Venezuela)	US$ 10 mn.	26-08- 2003	26-02-2004
6.	Eastern and Southern African Trade and Development Bank (PTA Bank)	(a) US$ 5 mn.	11-12- 2002	11-06-2003
	(covering 16 countries in the eastern and southern African region)	(b) US$ 10 mn.	17-03-2004	17-09-2004
7.	Banco Nacional De Comercio Exterior S.N.C. Bancomext), Mexico	US$ 10 mn.	8-01-2003	8-07-2003
8.	Central American Bank for Economic Integration (covering Honduras, Nicaragua, Guatemala, El Salvador and Costa Rica)	US$ 10 mn.	20-01-2003	20-07-2003
9.	Vnesheconombank, Russia	US$ 10 mn.	29-01- 2003	29-07- 2003
10.	Bank Markazi Jomhouri Islami Iran, Iran	US$ 20 mn.	—	19-08-2003
11.	Banco de Comercio Exterior de Colombia, (Bancoldex), Colombia	US$ 10 mn.	20.03.2003	20.09.2003
12.	Banco Industrial de Venezuela, C.A. (BIV), Venezuela	US$ 10 mn.	9.05.2003	9.11.2003
13.	Banco Bradesco S.A., Brazil	US$ 10 mn.	12.05.2003	12.11.2003
14.	Banca Comerciala Romana (BCR), Romania	US$ 10 mn.	28.08.2003	28.02.2004
15.	Vneshtorgbank (Bank for Foreign Trade), Russian Federation (expected to be effective shortly)	US$ 25 mn.	12 months from the effective date of Credit Agreement	18 months from the effective date of Credit Agreement

Note

1 A pro-rata service fee at the specified rate is to be paid by the exporter before claiming disbursement from Exim Bank.

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

EXIMIUS CENTRE COLUMN

In the third quarter of 2002, The Centre organised the following programmes:

A workshop on *'Corporate Treasury and Risk Management'* was organised at Bangalore in August 2002. The objective of this seminar was to educate the participants on various risks involved in foreign currency transactions/operations and methodology of hedging to avert such risks. The workshop also educated the participants on the accounting and taxation principles of international activities. The workshop covered a few case studies on best practices in foreign exchange risk management. The workshop was addressed by two eminent professionals in the fields of foreign exchange and accountancy, Dr. Prakash Apte, Professor, Economics & Social Sciences and Professor S. Sundararajan, Professor, Finance & Control Area from the Indian Institute of Management, Bangalore.

A half-a-day programme, for the National Institute of Small Industry Training (NISIET) delegation, was also held in August 2002. There were 19 international participants from banks, trade/investment promotion organisations and government institutions of developing countries of Africa, Asia and Latin America. A corporate presentation was made by Exim Bank with a special focus on Exim Bank's Lines of Credit especially the Line of Credit to PTA Bank, since many of the participants were from the PTA member countries. This was followed by an interactive question and answer session.

A half-a-day programme on *'Export of Services'* was organised by the Centre in association with Federation of Karnataka Chamber of Commerce and Industry (FKCCI) in August 2002, at Bangalore. The inaugural address for the seminar was delivered by Mr. R.V. Deshpande, Hon'ble Minister for large and Medium Industries, Government of Karnataka. Dr. H.A.C. Prasad, Economic Advisor to the Ministry of Commerce and Industry, Government of India delivered the keynote address. Other notable speakers include Mr. R. V. Shastri, CMD, Canara Bank, Mr. Sanjoy Das Gupta, President Association of IT Enabled Services, Mr. Anand Sudarshan, Co-CEO, Planetasia.com Limited and Dr. Glenn Christo, Vice President (Education), Manipal Education and Medical Group. A presentation on 'Role of Exim Bank in Promoting India's Services Sector was also made. Around 100 participants attended the seminar.

The Calendar of programmes for the next quarter include:

1) A Seminar on Doing Business with Bahrain
2) Flanders Belgium: A gateway for Doing Business in Europe
3) A Programme on Strategic Market Entry Plan for IT industry
4) Workshop on Commercial & Legal aspects of International contracting.
5) Workshop on Commercial & Legal aspects for Industrial Sector.
6) Understanding Reality: WTO Related Issues.

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, Fax: 5550893
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BOOK REVIEW

China and the WTO

Changing China, Changing World Trade

Supachai Panitchpakdi & Mark L Clifford

This book was written when China was at the threshold of another economic revolution as it was entering the World Trade Organisation. For the first time in the history of this country, China was about to trade freely with the rest of the world. The book reveals the key issues affecting China's entry to the WTO; the impact of accession on China, as it tries to meet the requirements of the WTO; implications for the US, Europe and Asia; the future role of the WTO; the shift of global economic power as China overtakes Japan to match the prowess of the US.

China's farsighted open door policies of the last twenty years have resulted in some 200 million people being lifted out of absolute poverty. The book indicates that yet there are major challenges ahead, ranging from rising unemployment and industrial disruption to political reforms and human rights. How China would cope with these issues was of concern not just to China but also for the other emerging economies.

This timely book from two of the East Asia's leading commentators, lays out the opportunities and challenges that lie ahead for China and the rest of the world. The authors combine a deep knowledge of China and Asia with a unique understanding of the dynamics of international trade, to propose a lucid vision of how China's integration should serve as a catalyst to make globalisation create a more inclusive prosperity.

Russia

After an impressive real GDP growth of 9% in 2000, the Russian economy grew by 5% in 2001. Net exports, the main driving force of growth in previous years, now have a negative impact on growth, while growth now is driven by domestic demand, mainly household spending. After the export boom in 1999-2000, falling international commodity prices and slowdown in the world economy has hit the export earnings, and by the first quarter of 2002 exports had fallen at a year-on-year rate of 15%. Meanwhile, the gradual real appreciation of the rouble and recovery in real earnings boosted demand for imports, which rose by almost 20% in 2001, and by 8% in the first quarter of 2002. Net foreign direct investment (FDI) was negative in 2001, with inflows amounting to only US$ 2.5 bn, the equivalent of 0.8% of GDP.

Russia

Kazakhstan

Fuelled by high levels of investment into the oil and gas sector and rising export volumes, real GDP grew at 13.2% in 2001. There was marked deterioration in Kazakhstan's current account balance from a surplus of US$ 413 mn in 2000 to a deficit of US$ 1.75 bn in 2001, equivalent to almost 8% of GDP. This was caused by the combination of a fall in oil prices and a sharp acceleration in import expenditure growth. These trends are set to continue as oil prices are likely to remain below the 2001 levels, and accelerated expansion of hydrocarbon exploration will have substantial capital import requirements. However, this large current account deficit was entirely covered by a record inflow of foreign direct investment (FDI) into Kazakhstan. Net FDI reached nearly US$ 2.8 bn (12.2% of GDP) in 2001 up by 113% because of the Caspian Pipeline Consortium (CPC) export pipeline, increased work at Karachaganak and Kashagan, and other oil investment projects.

Kazakhstan

Romania

Real GDP grew by 5.3% in 2001, boosted by record agricultural output under favourable weather conditions and relatively strong growth in exports and investment. The growth is estimated to be around 4% in 2002 due to government's tighter stance on fiscal and monetary policy as well as implementation of structural reforms this year, which will have a dampening effect on domestic demand growth. The merchandise trade deficit, which surged in 2001, will remain high, as import demand would be boosted by the removal of remaining tariffs on manufactured goods from the EU. Romania's relatively high inflation will necessitate the continued nominal depreciation of the Lei in 2002-03. The Lei is expected to depreciate from an average of about Lei 29,061: US$ 1 to about Lei 33,300: US$1 in 2002.

Romania

Ghana

Ghana registered a GDP growth of 4.2% in 2001, compared with 3.7% in 2000. The services sector outpaced the rest of the economy, growing by 5%, with high growth being registered by transport and communications, wholesale and retail trade, and restaurants and hotels. Higher production and international prices for gold and cocoa, against a background of improved macroeconomic stability due to greater fiscal and monetary discipline, will stimulate real GDP growth of 4.3% in 2002 and 4.8% in 2003. Although production and prices of the country's two main exports, gold and cocoa, were depressed in 2001, the current account deficit was estimated to be US$ 313 mn or 5.9% of GDP in 2001, owing to strong current transfers and substantially lower debt-service payments. The current account deficit is estimated to decrease to US$ 288 mn (5% of GDP) in 2002, before increasing to US$ 408 mn (6.8% of GDP) in 2003.

Ghana

Senegal

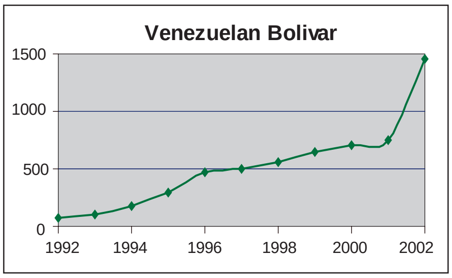
Real GDP growth in Senegal is estimated to have grown by 5.8% in 2001 compared to the rate of 5.5% in 2000. Because of the poor performance in the agricultural sector, the economy is expected to grow at 5% in 2002. Exports are expected to jump to US$ 1.2 bn in 2003, as more phosphate and phosphate-derived products are exported, mainly to India. But due to increasing demand for capital and intermediate goods as more construction and mining projects begin, import growth is expected to outpace exports. Senegal's trade deficit is thus expected to increase to US$ 356 mn in 2002. IMF has approved another disbursement of US$ 11 mn in April 2002, under Senegal's poverty reduction and growth facility (PRGF) because of the country's macroeconomic performance in 2001 characterised by rapid growth and low inflation.

Senegal

Select Currencies

VENEZUELA

Venezuela had adopted multiple exchange rate system before 1984 which was replaced by a system of unified managed float in 1994, wherein the exchange rate was fixed at 170 VEB (Venezuelan Bolivar) per USD. Bolivar has been appreciating in real terms every year since 1996 and was substantially overvalued. In 1996, a crawling peg exchange rate system with bands was introduced. Under this arrangement, the value of the currency was maintained within margins of fluctuation around a peg that is wider than at least +/- 1% around the central rate. This was adapted in order to keep the real value of Bolivar constant against the US dollar by moving the exchange rate in line with the inflation differentials between Venezuela and US. The Bolivar was permitted to move 7.5% on either side of the central parity. In 2001, the central parity of the band system was reset to US$ 1 = VEB 700 from US $1 = VEB 786, by the central bank. The Venezuelan Bolivar follows a floating exchange rate against the dollar from February 20, 2002. This led to a 28% nominal depreciation of exchange rates in February, 2002 and contributed to inflation. Venezuela's foreign exchange reserves remain at a fairly high level (US$ 12.29 bn as on Dec 31,2001), despite chronic capital flight due to strong oil prices. The Venezuelan central bank uses a cushion of reserves to defend the exchange rate band when it comes under



speculative pressure. The strong reserves has helped the central bank to ward off attacks on the currency. Currently, it is believed to be overvalued by about 50%. The central bank has been dependent on a strong exchange rate to contain inflation. Thus, the goal for keeping inflation down contradicts with the goal of allowing a more flexible exchange rate. On 23 Sept, 2002, the Bolivar stood at 1450 per US $.

MAURITIUS

The currency of Mauritius is Mauritius Rupee (MUR). The average exchange rate of MUR against USD fluctuated in the range of 25.19- 29.13 during 1999-2001, indicating depreciation of about 16%. Economic growth slowed down in 2001, falling to 5.6% from 8.6% in 2000, due to damage caused by a cyclone to sugar crops, textile production and the tourist infrastructure. As of August 2002, the exchange rate was MUR 29.35 : US$ 1.Significant changes in the central bank's exchange-rate policy are not expected in 2002-2003. The MUR will be allowed to depreciate against the US Dollar and the currencies of other major trading partners by a forecast annual average rate of 2-4%. Cyclone damage and reconstruction efforts will increase the downward pressure on the rupee, owing to lower export receipts and higher import costs. It is expected that, owing to positive effects of the pick-up in the global economy on tourism, foreign direct investment and financial services, and because of post-cyclone agricultural recovery, the GDP growth will increase to 5.5% in 2003 from 5.2%, as estimated for 2002. In the FY 2001-02 budget, the first one presented by the new government, the deficit will remain at 6.5% of GDP, despite the increase in the Value Added Tax from 10% to 12%, effective July 1, 2001.A budget deficit of 7.2% of GDP is estimated in 2002-03. In view of the above, MUR is expected to depreciate further.

BRAZIL

Brazilian Real (BRL) has been floating independently against US Dollar (USD) since Jan 18, 1999. During October 1994-January 1999, BRL was determined through a managed float while prior to that, the official rate has been independently floating. Thus, the government of Brazil has adopted either managed or independent float depending on the market conditions from time to time in the last 12 years. The BRL and USD parity at 1 was removed in 1995 after the Mexican crisis and BRL was allowed to depreciate within the crawling peg. After the South East Asian crisis, BRL was allowed to float freely. With the financial turbulence in Argentina in 2002, the woes of Brazil began with the speculative attacks on BRL, thus forcing a bailout package of USD 30 bn by IMF in first week of August 2002. The problems of Brazil arose mainly due to higher current account deficit in 2001 and 2002. BRL was quoted at average of 0.92 per USD in 1995 which depreciated to an average of 2.36 in 2001, indicating a decline of 156.52% in the last 6 years. The exchange rate depreciated from 2.31 as on December 31, 2001 to 3.01 as on August 30, 2002, a 30% decline in the first 8 months in the current year. The foreign exchange reserves level has been declining from USD 39.91 bn in September 2001 to USD 32.87 bn in April 2002, a record fall in the last 6 years. The net public debt of Brazil as on August 8, 2002, the day after the IMF announced its rescue, was USD 288 bn which is equivalent to two-thirds of Brazilian GDP, up from 30% in 1994. Clearly the policy priority in Brazil over the long term is to reduce its debt burden, and the authorities need to focus on fiscal adjustment and structural reforms to broaden sources of growth as suggested by IMF. As of September 25, 2002 it is quoted at BRL 3.7257 per USD and may continue to be under pressure in the current year.

Export Potential of Ayurveda and Siddha Products and Services

Exim Bank's forthcoming publication titled *Exporting Indian Healthcare* seeks to highlight the export potential of Ayurveda and Siddha products and services from southern India. India has been using its rich biodiversity in the healthcare segment for many years. Its rich traditional experience and wisdom is ensconced in the Ayurveda and Siddha systems of medicine. The two systems are twins in essence, both based on the *Panchabootha* theory and the principle of *Tridosha* or *Mukkuthram*.

The study classifies the Indian Ayurveda and Siddha manufacturers into three broad types: truly traditional manufacturers, in terms of practices and products; companies adapted to meet modern life styles, manufacturing and marketing methods; and lastly, companies that use traditional systems as leads to new drugs.

The study explores the infrastructure facilities in the Indian systems of medicine, which have been far below optimal. However, the setting up of the Department of Indian Systems of Medicine and Homeopathy (ISM&H) in 1995, and the Medicinal Plants Board in 2000, has improved the situation considerably. Nonetheless, there remains a lot to be desired in the areas of educational infrastructure, research and development, standardisation and quality control.

Exports of Ayurveda and Siddha products and services offer huge potential, considering that over 80% of the world population relies on the traditional systems of medicines to meet their primary healthcare needs. World demand for herbal products has been growing at a rate of 10% -15% per annum. There is also a growing demand for natural products including items of medicinal value in the international market. The medicinal plants related trade in India alone is approximately Rs 5.5 bn. Global markets for herbal products, are estimated at around US$ 62 bn. Out of this, the market for herbal medicine alone is estimated at around US$ 5 bn and is expected to reach US$ 16 bn by 2005.

The global distribution of herbal remedies markets, (estimated at US$ 16.7 bn in 1997) is dominated by the developed regions with Europe and North America together accounting for 63% of the world market. The European market for herbal remedies accounts for 45% of the global market, and stood at US$ 7.5 bn in 1997. Germany and France are the most established markets with a share of 22% and 11% respectively, in Europe.

The study identifies supply-side constraints that inhibit India's exports of Ayurveda and Siddha products and services. These include lack of standardisation, non-acceptance by the medical profession in developed countries due mainly to lack of technical documentation, lack of modernised dosage form, and lack of knowledge on international regulations governing the imports of such products. The demand side issues include lack of a focused approach without any detailed market research identifying the demand dynamics in the overseas market. In addition, the issue of intellectual property also needs to be considered. The challenges facing the traditional medicine system today is how to optimise the use of intellectual property rights by the rights holders and to prevent its abuse and misuse by non-rights holders.

The study concludes by highlighting the need to consolidate, mobilise and organise the sector. With the global market growing at a much faster rate than the domestic market, the Ayurveda and Siddha manufacturers need to orient themselves to cater to the export needs. Organising the structure of the Ayurveda and Siddha sector and developing it as a parallel pharmaceutical industry and medical practice through modernisation and upgradation is vital for the sector to flourish.

Promoting Ayurveda and Siddha product and services as export items calls for an integrated effort from Government, industry, and educational and research institutions. Developing export markets would require innovative measures such as creating a few clusters – Ayurveda and Siddha cooperatives and parks. Possibilities of setting up Ayurveda and Siddha hospitals and centres abroad can be explored. Simultaneously, the industry needs to focus on the development of services that can be exported, and project Ayurveda and Siddha as complete health packages. The opportunities offered by exports of Ayurveda and Siddha products and services are immense and can be realised, provided persistent and focused efforts are made by all stakeholders.

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

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