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In this issue

Developing Economies : Globalisation through Overseas Investment

Introduction

In recent years, an important indicator of the internationalisation of developing economies, besides higher exports, has been the rising trend in overseas investments by these countries. Outward direct investments can play an important role in enhancing the global competitiveness of firms from developing economies by providing access to strategic assets, technology, skills, natural resources and markets, and increasing resources. At the same time, increased investment flows between developing economies serve to enhance South-South cooperation.

Global recognition of this important trend can be assessed from the fact that the theme of UNCTAD's World Investment Report 2006 is "***FDI from Developing and Transition Economies: Implications for Development***". The Report has highlighted the changing role of developing and transition economies in global FDI, and stresses that such outward investment offers an additional avenue for developing economies to link up to global markets and production systems. According to the UNCTAD, the emergence of transnational corporations (TNCs) from developing and transition economies imparts greater momentum to South-South cooperation. New investment corridors are opening up between Latin America, Africa and Asia as part of this dynamic activity, with positive prospects for advancing development.

Global Outward Investment Scenario

Global FDI outflows rose from US$ 561 bn in 2003 to US$ 813 bn in 2004, and stood at US$ 778.7 bn in 2005. The contraction in global FDI outflows in 2005 was due mainly to decline in outflows from developed countries. In contrast, FDI outflows from developing countries have risen significantly from US$ 35.6 bn in 2003 to US$ 112.8 bn in 2004, and further to US$ 117.5 bn in 2005 (**Table 1**).

Reflecting this trend, the share of developing economies in global FDI outflows has also risen from 6.3% in 2003 to 13.9% in 2004, and further to 15.1% in 2005. The Asian region accounts for the bulk of the outward FDI from developing countries, with India emerging as an important overseas investor. In 2005, the Asian economies accounted for 71% (US$ 83.6 bn) of the total FDI outflows from developing economies. The stock of outward FDI from developing economies in 2005 reached US$ 1.3 trn, up from US$ 148.7 bn in 1990.

Table 1: FDI Outflows, 2003-2005

Region	*FDI Outflows (US$ bn)* 2003	2004	2005
World	**561.1**	**813.1**	**778.7**
Developing economies	**35.6**	**112.8**	**117.5**
Share (%)	*6.3*	*13.9*	*15.1*
Africa	1.2	1.9	1.1
LAC	15.4	27.5	32.8
Asia	19.0	83.4	83.6

Source: World Investment Report 2006, UNCTAD

The rise in FDI outflows from developing economies has also been characterised by increasing range of countries. While earlier episodes of outward expansion from developing countries involved mainly the newly industrializing economies (NIEs) of Asia, and some Latin American and West Asian economies, a wide range of developing countries, such as Argentina, Chile, India, Malaysia, Nigeria, South Africa, Thailand, Turkey and Venezuela, as well as several lower income economies, are now extending their reach. The Russian Federation has also emerged as a major source of outward FDI.

Another characteristic concerns the industrial scope of the process. Some of the most prominent TNCs from developing and transition economies are active in diverse areas such as oil extraction, cement production, manufacturing of automobiles, personal computers and cell phones, as well as services like banking, telecommunications and port management.

Factors behind the rise of Outward FDI from Developing Economies

The rising trend of outward FDI from some developing and transition economies reflects the increasing competitiveness of many firms in these economies. The FDI surge has also partly been fuelled by soaring export revenues from manufactured products and natural resources in some countries, which have contributed to building up the financial strength needed to engage in overseas investment.

Perhaps most importantly, firms from these economies have been increasingly affected by global competition. They have come to realize the growing importance of accessing international markets and connecting to global production systems and knowledge networks.

The Case of India

Overseas investments by Indian corporates is a facet of their increasing competitiveness and integration with the global economy. Total outflows approved from India during April 1996 and February 2006 stood at US$ 15.3 bn, with actual investments of around US$ 10 bn.

Destinational analysis of India's approved outward FDI reveals that while regional distribution of overseas investment is evenly spread out across various countries, developing and emerging countries are increasingly emerging as important FDI destinations. In fact, emerging markets such as Russia, Mauritius, Sudan, Vietnam are among the largest destinations for Indian approved outward FDI (**Table 2**).

The surge in India's FDI outflows attests to the expanding base of domestic firms, which are able to compete globally, reflecting increasing quality and cost competitiveness to sustain long-term domestic and international growth. Focus on core competencies, increased R & D efforts and enhanced technological know-how have underlined this development. At the same time, access to markets, natural resources, distribution networks, foreign technologies and strategic assets like brand names have motivated Indian companies to increasingly look outward in their endeavours to internationalise their operations. Further, the shift in the pattern of financing overseas investment, from equity outflows from the host country towards re-invested earnings, is an indicator of the increasing confidence of Indian firms in internationalisation.

Overseas Investment Policy in India

While globalisation of the world economy has fostered the outward orientation of Indian companies, significant policy liberalisation and renewed support in recent years have provided the impetus in this direction.

Meeting challenges on the policy front assumes importance in a global economy. The effectiveness and efficiency of firms is facilitated by the nature of policy environment under which firms operate, and whether macro-economic policies allow them to achieve the requisite

Table 2: Approved India's Overseas Investments (US$ mn)

Name of the country	*Total (US$ mn) (Apr. '96 to Feb.06)*	*% share in Total*
Russia	***2828***	***18.5***
USA	2438	15.9
Mauritius	1383	9.0
Sudan	1027	6.7
British Virgin Island	942	6.2
U.K	802	5.2
Singapore	641	4.2
Bermuda	628	4.1
Hong Kong	596	3.9
Netherlands	499	3.3
Australia	429	2.8
UAE	318	2.1
Vietnam	229	1.5
Others	2551	16.7
TOTAL	**15311**	**100.0**

Source: Ministry of Finance, Govt. of India economies of scale and allocative efficiency in production. It is here that the role of the Government assumes a great deal of importance as a confidence builder, a catalytic agent and a facilitating agent. The objective of liberalizing Indian investment abroad has been mainly to provide Indian industry access to new markets and technologies with a view to increasing their competitiveness globally and help the country's export efforts.

The Indian policy framework has been very supportive of direct investment abroad. Following the recommendations of the Kalyan Banerji Committee Report on Indian Joint Ventures Abroad in December 1991, Ministry of Commerce, Government of India, approved a liberalised policy in October 1992. An automatic approval window was created and a framework of case-by-case approval put in place.

The policy was further liberalised in December 1995 with enhancement of the limit for automatic approval, removal of restrictions on equity contribution through cash remittance and designating Reserve Bank of India as the nodal agency for according all approvals. The policy has since then been further liberalized regularly; thus, Indian corporates have been allowed to invest in entities abroad up to 200% of their net worth.

The Report of the Committee on Fuller Capital Account Convertibility has recommended that Limit for a company's investment in overseas JVs/subsidiaries be raised to 250% of net worth in 2006-07 and gradually up to 400% of net worth in overseas subsidiaries /JVs by 2011. Further, in the Mid-Year Review of the RBI's Annual Policy 2006-07, the ceiling of overseas investment by mutual funds of US$ 2 bn was enhanced to US$ 3 bn with a view to providing greater opportunity to mutual funds to invest overseas. Also, the policy statement includes initiatives with a view to facilitating project exporters and exporters of services and providing greater flexibility in conducting their overseas transactions, and large turnkey/project exporters/service exporters with satisfactory track record may operate one foreign currency account with inter-project transferability of funds/ machinery in any country, subject to specified reporting requirements.

These policy measures and recommendations reflect the increased importance accorded to create an enabling environment for Indian companies in their globalisation endeavours.

Observations

While many developing and emerging economies are implementing policy measures to foster and enhance outward FDI flows, according to UNCTAD, there is no one-size-fits-all policy that can be recommended to deal with outward FDI. Every home country needs to adopt and implement policies that are appropriate to its specific situation. Whether a country will benefit by moving from "passive liberalization" to "active promotion" of outward FDI depends on many factors, including the capabilities of its enterprises and the links of the investing companies with the rest of the economy.

For those countries that decide to encourage their firms to invest abroad, it is advisable to incorporate policies dealing specifically with outward FDI within a broader policy framework aimed at promoting competitiveness. For example, given the importance of generating domestic capabilities to benefit from outward investment, it is appropriate to link policies on such investment with those relating to SME development, trade and innovation. Moreover, outward FDI is only one of several ways in which a country and its firms can connect with the global production system. Therefore, close coordination with policies aimed at attracting inward FDI, promoting imports or exports, migration and technology flows would also be advisable.

Exim Bank : Supporting Indian Overseas Investments

Export-Import Bank of India (Exim Bank) actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. The Bank provides a comprehensive range of products and services to Indian companies in their internationalisation efforts, tailored to meet the needs of different customer groups. These include: programmes for enabling Indian companies to acquire assets to improve international competitiveness; assistance through pre-investment advisory services; finance through debt and equity; analytical information and due diligence. Such financing is available for greenfield projects, brownfield expansion, as also overseas acquisitions directly or through special purpose vehicles. The Bank has supported more than 130 companies in over 40 countries around the world. Exim Bank also undertakes direct equity participation in Indian ventures abroad to enhance credibility and acceptance of Indian ventures overseas, on select basis. Further, the Bank facilitates joint investments by Indian and overseas companies in third country markets.

The Bank seeks to develop commercially viable relationships with externally oriented companies by offering them a comprehensive range of products and services aimed at enhancing their internationalisation efforts.

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, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development are given alongside.

Projects funded by these multilateral agencies present attractive business opportunities for consultants, suppliers and contractors. These projects enjoy relatively high priority in the countries where they are taken up for implementation. The procurement guidelines, policies and procedures of the multilateral agencies help ensure equal and fair opportunity for all eligible bidders. Implementation of such projects are monitored by the multilateral agencies.

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 **Mr. O'Neil Rane** on Tel: 22172631

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Ghana / Ministry of Communication P. O. Box M42, Accra, Ghana. Tel: 233-21-66 8312 Contact: Mr. Mavis Ampah, Sr. ICT Policy Specialist Tel: (202) 473 0095 Fax: (202) 522 3001 Email: mampah1@worldbank.org	**eGhana /** The objectives of the Project are to assist the recipient in generating growth and employment by leveraging information and communication technologies and public-private partnerships to ❑ develop the information technology enabled services industry and ❑ contribute to improved efficiency and transparency of selected government functions through electronic government applications	**World Bank** US$ 40 mn
Philippiness / Metropolitan Waterworks and Sewerage System Katipunan Rd., Balara, Quezon City 1105 Philippiness Contact: Mr. Orlando C. Hondrade, Administrator Tel: (63-2) 928-5691 Fax: (63-2) 922-2568	**Manila Water Supply Financial Strengthening and Service Expansion /** The objective of the project is to restructure and rehabilitate the water supply network in the northern and central hydraulic areas of the Maaynilad Water Services concession.	**World Bank** US$ 125 mn
Albania / Directorate of Maritime Transport ("DMT") Ministry of Public Works, Transport and Telecommunications, Bul. Deshmoret e Kombit Tirana, Albania Tel: (355) 256 09 Contact: Mr. Osman Metalla, PIU Director EBRD Contact: Elena Gordeeva, Operation Leader Tel: (44-20) 7338 7168 Fax: (44-20) 7338 7380 Email: gordeeve@ebrd.com	**Port of Durres Project /** The project comprises : ❑ upgrading ferry terminals ❑ on-shore works ❑ new drainage system	**European Bank for Reconstruction and Development** Euro 14-18 mn
Serbia / JKP Vodovod i Kanalizacija Pancevo EBRD Contact: Gaetano Massara, Operation Leader Tel: (44-20) 7338 7168 Fax: (44-20) 7338 7380 Email: massarg@ebrd.com	**Pancevo Waste Water System Project /** The proposed project comprises: ❑ construction of the first line of the City's Waste Water Treatment Plant (WWTP) ❑ construction of the collector from the existing pumping station to the new WWTP ❑ extension of the City's sanitary network	**European Bank for Reconstruction and Development** Euro 10 mn

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Cambodia / Ministry of Public Works and Transport Railway Rehabilitation Management Office, 2nd Floor, Eastern Building, cor. Norodom Blvd. & St. 106 (Wat Phnom), Phnom Penh, Cambodia Contact: Dr. Yit Bunna, Project Director Tel: (855-23) 723 613 Fax: (855-23) 427 132 Email: pwrc@camnet.com.kh	**GMS Rehabilitation of the Railway /** The proposed Project will restore Cambodia's railway infrastructure by rehabilitating its existing track and reestablishing rail connection with Thailand. The project will include ❑ restructuring ❑ award to a private railway operator of a concession to operate the railway commercially for a period of 33 years under a PPP arrangement ❑ improving the transport sector's efficiency by increasing the diversity of transport modes and routes	**Asian Development Bank** US$ 42 mn
Afghanistan / Tajikistan / **Afghanistan:** Mr. Alhaj Mohammad Ismail, Minister, **Ministry of Energy and Water (MEW),** Kabul, Islamic Republic of Afghanistan **Tajikistan :** Mr. Yurov, **Ministry of Energy** & Mr. Sharifhon Samiev, Chairman, Barki Tajik, Tajikistan Fax: (992-372) 358692	**Regional Power Interconnection Project /** The project will comprise: ❑ construction of a 220kV double circuit transmission line/river crossing between Tajikistan and Afghanistan ❑ construction of new substations ❑ construction of a new 220 kV switchyard ❑ supply and installation of high accuracy export / import metering equipment	**Asian Development Bank** US$ 56.5 mn
Tanzania / Ministry of Water PO Box 9153, Dar es Salaam, Tanzania Contact: Director of Rural Water Supply Tel: (255-22) 245 2175 Fax: (255-22) 245 0033 Email: drws@ruralwater.go.tz	**Rural Water Supply and Sanitation Programme /** The main objective of this programme is to provide sustainable safe water supply and sanitation facilities, based on management responsibility and ownership by the users. The programme include: ❑ District Management Support ❑ Construction of Rural Water Supply and Sanitation Facilities ❑ Institutional Strengthening and Development	**African Development Bank** US$ 80.85 mn
Regional / Ministry of Roads and Public Works Transcom House, 6th Floor, Room 618, PO Box 30260-00100, Nairobi, Kenya. Contact: Eng. S. M. Ngare Tel: (254-2) 272 3101 Fax: (254-2) 272 0044 Email: smngare@roadsnet.go.ke	**Arusha-Namanga-Athi River Development Road Project /** The project will include the following ❑ Construction of 6 new bridges ❑ Construction of box culverts ❑ Installation of concrete pipe culverts ❑ Construction and maintenance of road-240 kms ❑ Laying and compacting of cement stabilised gravel ❑ Earthworks	**African Development Bank** US$ 150 mn

CONTRACT AWARDS

Select contracts secured by Indian companies:

Global Procurement Consultants Ltd., Mumbai	Consultancy contract for Procurement Advisory Services for Iran Road Safety Project for Road Maintenance & Transport Organisation, funded by **World Bank**
Ankur Scientific Energy Technologies Ltd. (Ascent), Vadodara	Contract for Energy for Rural Transformation Project: Biomass Gasification in Uganda, funded by **World Bank**
B. Seenaiah & Co. (Projects) Ltd., Hyderabad	Contract for reconstruction of Lashkar Gah to Ring Highway Road, Afghanistan, funded by **United Nations Office for Project Services (UNOPS)**
Power Grid Corporation of India Ltd., Gurgaon	Consultancy contract for Power Transmission & Distribution Project in Afghanistan, funded by **Asian Development Bank**
Intercontinental Consultants Technocrats Pvt. Ltd., New Delhi	Consultancy contract for construction supervision of the Regional Road Development Project in Mongolia, funded by **Asian Development Bank**

12th Annual Meeting of Asian Exim Banks Forum, Tokyo, Japan

Japan Bank for International Cooperation (JBIC) hosted the 12th Annual Meeting of Asian Exim Banks Forum in Tokyo on November 9-10, 2006. The theme for the Meeting was 'Partnership in an Era of Globalisation and Regional Integration'. Japanese Minister of Finance, Mr. Koji Omi, was the Chief Guest on the occasion. The meeting had representations from the nine member institutions at the highest level viz. India, Japan, China, Indonesia, Korea, Malaysia, Philippines, Thailand and Australia with Asian Development Bank (ADB), Manila, the multilateral financing institution, as a permanent invitee. Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Vietnam Development Bank and National Bank of Cambodia, participated as observers. The Forum, conceived and initiated by Exim Bank of India in 1996, has an Annual Meeting hosted by a member country by rotation. After hosting the first two meetings a decade ago, Exim Bank of India hosted the last Annual Meeting in Goa in October 2005.

In his remarks, Mr. Koji Omi briefly outlined the efforts being made by Japan in encouraging economic partnership and regional cooperation in Asia, and underlined his expectations from the Asian Exim Banks Forum. The Finance Minister highlighted that Japan was promoting research and development as a long-term strategic policy, with an eye to the creation of innovation that will contribute to growth in the Asian region. Mr. Omi also pointed out that expansion of production networks on a pan-Asian scale utilizing the results of Japan's innovations would benefit the economic development of Asian countries and will promote and invigorate trade and investment within the region.

As a host to the previous year's meeting, Mr. Venkat Subramanian, Chairman and Managing Director, Exim Bank of India, was the co-Chair at the Forum. In his address, Mr. Subramanian highlighted the achievements of the 11th Annual Meeting hosted by Exim Bank of India and underscored the role of the Forum as providing a mechanism for participating countries to enter into a process of dialogue that has contributed to maintaining peace, goodwill and mutual trust, while providing an opportunity for cooperation in areas that transcend trade and investment, such as social sectors, capacity building and governance.

The Inaugural Session was followed by Information and Working Sessions covering a wide range of topics. ADB made a presentation on the global and regional economic outlook while ADFIAP talked about the status and role of development finance institutions in Asia. Discussion also included the growth of intra-regional investment and trade, and the need to strengthen financial systems in the region. Other topics discussed at the Forum included key issues and challenges for Asian Exim Banks, outreach and collaboration in capacity building, consolidation of regional energy security, including energy conservation and improvement in energy efficiency, promotion of SMEs/supporting industries and partnerships in promoting trade and investment with third countries. The Forum also considered the proposal for the creation of a "Pan-Asian EXIM Bond" that would utilize the regional capital markets to procure capital by bundling Asian bonds. It was accepted that if such an initiative were to be realised, it would represent a truly ground-breaking advance in real partnership among members of the Forum. In addition to the themes outlined above, the issue of partnership in procurement and operational aspects was raised and a working group was set up to study such issues. The outcome of discussions at the Annual Meeting was compiled into the "Tokyo Consensus" and was signed by all the nine members. The Consensus is a significant document and gives member institutions a basis on which to carry the work forward. It was decided that the next Annual meeting would be hosted by Indonesia in 2007 while EFIC of Australia would host the 14th Annual Meeting in 2008.

On the occasion, Exim Bank of India signed a Bilateral Loan Agreement for JPY equivalent to US$ 100 mn with JBIC. In addition, Exim Bank of India also entered into a bilateral L/C Confirmation Facility Agreement of US$ 10 mn with PT Bank Ekspor Indonesia (PERSERO) to promote trade between the two countries.

As a follow up to the Annual Meeting, a symposium was held to deepen discussions on the issues that were deliberated at the Annual Forum. The symposium focused on the 'Role and Challenges of Asian EXIM Banks in an Era of Globalisation and Regional Integration' and considered the issues and challenges that EXIM banks must tackle and the role that they should play in Asia, where economic growth has been dynamic and economic integration has been expanding through trade and investment. The symposium was moderated by Professor Fukunari Kimura, an expert in international trade theory and development economics from the Faculty of Economics, Keio University. The symposium was attended by the members of the Asian Exim Banks Forum at the highest level, special invitees, a cross-section of the industry and the academia.

Exim Bank's Lines of Credit

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

Exim Bank has extended the following LOCs during the quarter October-December 2006:

- LOC of US$ 10 mn to Eastern and Southern African Trade and Development Bank (PTA Bank).
- LOC of US$ 10 mn to Exim Bank of Hungary.
- LOC of US$ 2.1 mn to Government of Guyana.
- LOC of US$ 10 mn to Banco de Commercio de Exterior de Colombia (Bancoldex) S.A., Colombia.
- LOC of US$ 20 mn to Myanmar Foreign Trade Bank.

The LOC of US$ 10 mn from Exim Bank to PTA Bank is meant for promoting India's exports to 18 (eighteen) Eastern and Southern African member countries of PTA Bank, which includes Burundi, China, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. African Development Bank (AfDB) is also a member of PTA Bank. The Agreement was signed at the Inaugural Plenary Session of "Conclave on India-Africa Project Partnership" held at New Delhi from October 8-11, 2006. This is the seventh LOC extended by Exim Bank to PTA Bank. The LOC of US$ 20 mn to Myanmar Foreign Trade Bank has been earmarked for renovation of the Thanlyin Refinery in Myanmar, alongwith financing of exports of goods and services from India.

The LOC of US$ 10 mn to Exim Bank of Hungary is aimed at catalyzing bilateral trade that requires medium term credit support. Under the LOC, 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. India's exports to Hungary during 2005-06 amounted to US$ 83 mn, the main items in India's export basket to Hungary were transport equipment, readymade garments, cotton yarn fabrics and madeups. India's imports from Hungary during 2005-06 amounted to US$ 31 mn, the main items of import being organic chemicals, electronic goods, electrical machinery and medicinal & pharmaceuticals.

The LOC of US$ 2.1 mn to Government of Guyana is meant for installing solar-powered traffic lights in Georgetown. Guyana, with its natural resource endowments, English-speaking population, proximity to North America, temperate climate and areas of natural beauty, has the potential for growth and investment in a range of sectors.

The LOC of US$ 10 mn to Banco de Commercio de Exterior de Colombia (Bancoldex) S.A., is earmarked to finance export from India of equipment, goods and services to Colombia. Colombia is the third largest export market for India in Latin American Region, after Brazil and Mexico. Petroleum products, transport vehicles, cotton, organic chemicals, pharmaceuticals, and rubber & articles are major products exported to Colombia from India.

Exim Bank has in place 69 LOCs covering more than 80 countries, with credit commitments exceeding US$ 2 bn for promoting India's exports to countries in Africa, Asia, Latin America, East Europe and the CIS. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters. The LOC is an initiative towards facilitating demonstration of India's capability and expertise in the emerging market.

Indian exporters seeking additional information are welcome to visit Exim Bank's website www.eximbankindia.in/loc.asp, which contains detailed information on Bank's LOCs, with multilingual option i.e. Spanish, French, Russian, Portugese, besides English, and/ or to contact any of Exim Bank's offices, in India/overseas.

For further information on LOC, please contact:

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Jyoti Structures Limited: A Success Story

Jyoti Structures Limited (JSL), a public limited company, is engaged in providing turnkey solutions in High Voltage Power Transmission Lines and Substations. With around 27 years of proven experience, JSL has earned recognition from a wide spectrum of customers around the world. JSL was promoted jointly by the Valecha Group of Mumbai and Mirchandani Group of Bhopal in 1974. Company went public in February 1989. Having executed sub-station projects involving more than 350 bays of upto 400 KV, JSL is poised to contribute significantly in this important segment of power transmission business.

Operations

JSL has two key lines of business, viz. Transmission Lines and Substations. In each of these lines, JSL undertakes turnkey projects on a global scale, offering a complete range of services from design, engineering, consulting, tower testing, manufacturing, construction and project management. JSL has manufacturing plants at Nashik and Raipur with combined manufacturing capacity of 76,000 MT of transmission line towers. JSL's in-house tower testing station is at Ghoti, Igatpuri. Over the years JSL has developed the expertise and has been successful in designing and testing towers up to 800 kV High Voltage AC and 500 kV High Voltage DC. JSL has been able to execute contracts for various State Electricity Boards in India. JSL is also executing various multilateral agencies funded projects in India. JSL has achieved a market share of 15% in India.

Exports

On the export front, JSL has been active in executing projects, including those funded by multilateral agencies such as World Bank and the Asian Development Bank. JSL's operations have been in the ASEAN countries, Africa, Middle-East and covers over 33 countries in these regions. Over the past 27 years, JSL has designed and executed more than 15,000 circuit kms. of high voltage transmission lines and more than 350 sub-stations. JSL's current order book position stands at more than Rs. 1700 crore.

JSL has proven expertise in the design (electrical, civil & structural), procurement, construction and project management of high voltage transmission substations and switchyards. As on date, JSL has commissioned 367 bays on complete turnkey basis adding upto 2,889 MVA transformation capacities.

JSL was awarded an ISO 9001 certification in 1995 and more recently the ISO 14001 certification for its quality practices. JSL has been bestowed with various National awards.

JSL has been associated with Exim Bank since 1998. In order to support the company in achieving its potential, Exim Bank has supported the company by providing contract specific export finance, and also encouraged it to participate in overseas contracts funded by multilateral agencies as well as in countries in West Asia. Exim Bank's facilitating efforts, supported by timely assistance by way of sanction of funded and non-funded facilities for project export and deemed export contracts, have helped the company secure contracts in different countries like Oman, Ethiopia, Brazil, Tunisia, Turkey. JSL is now present in more than 33 countries.

As a step towards globalization and to capitalize on its proven expertise and qualifications in the market, JSL has recently formed a Joint Venture company in Dubai, viz. Gulf Jyoti International LLC, with Gulf Investment Corporation (GIC), promoted by Governments of GCC countries, together with support of Exim Bank by way of direct equity participation in the Joint Venture. This unit in Dubai Investment Park shall have a manufacturing capacity of 33,000 MT. JSL will now be able to successfully tap the vast emerging opportunities in the Middle East Region and establish a significant market share in power transmission and distribution sector.

JSL made a strong turnaround in the last two years aided by increased operational efficiencies and cost control initiatives. During FY 2005-06, JSL's performance improved significantly both in terms of turnover and profitability. The turnover registered a growth of 64% from Rs. 423 crore in FY 2004-2005 to Rs. 695 crore in FY 2005-2006, while profitability increased from Rs. 41 crore to Rs. 75 crore.

Exim Bank's Presence in DUBAI

The West Asian region forms a critical component of Exim Bank's strategy to promote and support two-way trade and investment. One of the main lines of Bank's business is promoting overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy services contracts, or what is together called 'project exports'. The Gulf region is the major destination for India's project exports with the region accounting for as much as 53% (US$ 4.1 bn) of the total value of ongoing contracts under execution by Indian project exporters, with the support of Exim Bank, and 44% (US$ 845 mn) of the contracts secured in the first half of the current year FY 2006-07 (up from 36% in FY 2000-01). The value of contracts secured by Indian project exporters in the region, with the support of Exim India, has also risen from US$ 146 mn in 2000-01 to US$ 963 mn in 2005-06. During the current year 2006-07 (April-Sep), India's project exports to the Middle East region amounted to US$ 845 mn, contributing significantly to the rise in overall project exports supported by us during the year. To leverage upon the opportunities for enhancing two-way flow of trade and investment, Exim Bank's office at the Dubai International Financial Centre, recently inaugurated, would play a pivotal role in the Bank's endeavours in the region.

Maghreb Countries: India's Trade and Investment Potential

The ***Arab Maghreb Union (AMU)*** was formed in 1989 by leaders of Algeria, Libya, Mauritania, Morocco and Tunisia, with an aim to safeguard the region's economic interests, foster and promote economic and cultural co-operation, and intensify mutual commercial exchanges.

Economic Environment, Foreign Trade and FDI

In the ***Maghreb region***, real GDP growth is projected to strengthen from 4.0% in 2005 to 5.8% in 2006, accompanied by decline in inflation as also sharp rise in current account balance. Total trade of the Maghreb region has risen two-fold during 2001 to 2005, from US$ 78 bn to US$ 158 bn. The Maghreb countries are major recipients of Foreign Direct Investment (FDI) in the African region. FDI inflows to these countries increased from US$ 1.3 bn in 2000 to US$ 2.8 bn in 2004, accounting for 15.5% of total FDI inflows in Africa.

Trade and Investment Relations with India

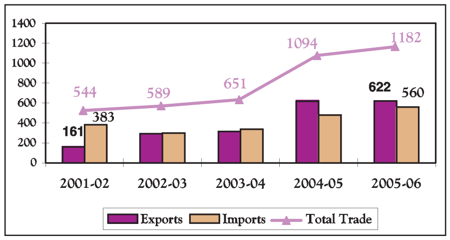
India's total trade with the Maghreb countries has doubled from US$ 544 mn in 2001-02 to US$ 1182 mn during 2005-06 (**Chart**). India's total exports to the Maghreb region have increased nearly four-folds during the period from US$ 161 mn to US$ 621.9 mn, while imports from the region have also risen from US$ 383 mn to US$ 560 mn.

As regards India's investments in the Maghreb, during the period 1996 to 2006 (January), India's approved investments in the Maghreb region amounted to US$ 88.56 mn, accounting for 3.65% of India's total approved investments in Africa.

Trade & Investment Potential

Trade Potential - Based on India's export capabilities and demand existing in the

India's Trade with Maghreb Countries, 2001-02 to 2005-06 (US$ mn)



Maghreb region, potential items of exports to ***Algeria*** would include: articles of iron & steel, petroleum products, pharmaceuticals; plastics & articles; aluminum & articles, while potential export items to ***Libya*** would include: food products, organic chemicals, pharmaceuticals, chemical products, paper & paperboard, In ***Mauritania,*** potential items of export for India would include: food products, petroleum products, iron & steel and articles, and machinery & transport equipment, while potential items of export to ***Morocco*** would include: machinery & transport equipments; articles of iron & steel; food products; petroleum products; pharmaceuticals; In ***Tunisia***, potential items of export would include: articles of iron and steel; machinery and transport equipments; food products; chemical products; pharmaceutical products; plastics and articles.

Investment Potential – Potential sectors for investment in ***Algeria*** would include: agriculture, fisheries and aquaculture, mining, handicrafts, tourism sector, hydrocarbons sector, housing projects. In ***Libya***, potential investment sectors are: oil & gas, non-oil sectors such as telecommunications, IT, banking services, electric power generation, health & medical services, education & training. In ***Mauritania,*** potential areas for investment would include: exploration & exploitation of hydrocarbon & other mineral deposits, fisheries sector, agricultural and agro-based sector & food processing industry; handicraft industry, health & education. ***Morocco*** is specifically trying to attract FDI in five main sectors, viz. banking, industry, holdings, real estate and trade, and there is also potential for investment in cement, iron & steel, oil refining sectors, textile industry. In ***Tunisia***, potential sectors for investment would encompass energy, telecommunications, manufacturing, hotel, entertainment, IT, agriculture, education and training.

Exim India in the Maghreb Region

Export-Import Bank of India (Exim India) operates a comprehensive range of financing and support programs to facilitate and promote India's trade and investment relation with countries in Africa, including the Maghreb region. Towards this end, Exim India has extended a number of Lines of Credit (LOCs) to countries in the African region. In the Maghreb region, Exim India has, in operation, an LOC of US$ 10 mn to the BMCE Bank, Morocco, which is an open line for all products eligible for exports from India to Morocco.

Indian companies have implemented numerous projects in the region with the support of Exim India in sectors/areas such as engineering consultancy services; quality control activities of refinery installations; transmission line and hotline stringing projects in Algeria; transmission line projects, supply of conductors and earthwire in Tunisia; and gas transmission line projects, supply of saw pipes, supply and installation of gas turbine based power project in Libya. The Bank has also supported several Indian joint ventures in Africa, including in Morocco in the chemicals and fertilizer sector.

Exim India is a member of the Association of African Development Finance Institutions (AADFI). Exim India has also has signed Memoranda of Understanding (MOUs) with Afrexim Bank; Eastern and Southern African Trade and Development Bank (PTA Bank); Banque Internationale Arabe de Tunisie, Tunisia; Société Tunisienne de Banque, Tunis; Foreign Investment Promotion Agency, Tunisia; Board of Investment of Mauritius; Industrial Development Corporation of South Africa Limited (IDC).

Strategies for Enhancing Trade & Investment Relations

Some broad strategies and recommendations to enhance two-way transfer of trade and investment between India and the Maghreb countries would include: Focus on Multilateral funded projects; Closer cooperation with Investment Promotion Agencies; Business hub in the Maghreb Region; Wider dissemination of information regarding trade and investment opportunities; Preferential Trade Agreement (PTA) with the Maghreb Countries; Cooperation in the tourism sector; Cooperation in the IT sector; Cooperation in the banking/financial sector; Focus on privatisation programmes; Entrepreneurship development & institution building in the region; Natural resource development; and better communication and dissemination of information.

Conclave on India–Africa Project Partnership 2006

The Third Conclave on India – Africa Project Partnership 2006 was organized by the Confederation of Indian Industry (CII) in collaboration with the Exim Bank of India and with the support of the Government of India during October 9 – 11, 2006 in New Delhi. The theme for this conclave was: India – A Partner of choice. This was the final leg of an integrated year-long programme that had been envisaged for India Africa Project Partnership during 2006.

The Conclave was attended by over 500 participants including the second Vice President of Burundi, ministers from various African nations, senior members of the Governments, officials from the banking and financial institutions and representatives from the private sector in Africa and India.

There is significant demand today in whole of Africa for appropriate technology, products and engineering services. Their demand is essentially arising out of its need for the following:

- Local value addition to the abundant natural resources.
- The need to make available goods & services at affordable prices particularly for semi urban population.
- To augment the local production to meet the demands of the growing middle class consumer market & reduce the dependence on imports.
- Need to generate employment through replication of the Indian model in agriculture & the SME.

Indian technology and project goods are now increasingly being recognized in the African countries as more suitable and sustainable in the context of their current state of development. As a result, Indian technical consultancy and manufacturing industry are being increasingly sought to contribute in a major way to Africa's developmental initiatives.

The Government of India is also making a concerted effort to direct its developmental cooperation programmes in a major way towards Africa.

The main objectives of the Conclave were to:

- Create and provide a platform for decision makers from African countries and relevant multilateral, regional and national funding agencies to meet, in one place, the entire range of Indian companies involved in engineering consultancy, turnkey projects, construction and supply of project goods.
- Project the capabilities, range and depth of Indian industry in the entire spectrum.
- Discuss possibilities for Indian participation in African projects.
- Facilitate focussed and individualized business discussion amongst the visiting decision makers and Indian industry in these sectors.
- Facilitate an interaction of Indian Government and Indian funding agencies with the visiting decision-makers and funding agencies – multilateral, regional and country specific.
- Develop a medium term strategy for facilitating a quantum jump in Indian participation in projects in the African countries through appropriate co-financing schemes, lines of credit etc.

The Conclave consisted of several components:

- A two day conference, consisting of technical sessions on various aspects of promotion of projects in North African and Sub Saharan African Countries.
- A one day Business Conclave, consisting of interactions between the industry and the visiting delegations to make business contact possible.
- A showcase / exposition of Indian project companies and technologies.

The address by Mr Anand Sharma, Minister of State for External Affairs, Govt. of India, during the inaugural session outlined that India-Africa conclaves are reflective of the growing trade and investment ties between the two regions. The Minister said that future trade and investment links between India and the African nations will be governed by public-private partnerships. He added that India has a key role in capacitating the different economic sectors in Africa, particularly in the sphere of human resources development, ICT, agriculture and irrigation, healthcare and sanitation, and transportation. Stressing that access to financing was imperative for promoting joint ventures, the Minister highlighted that Exim Bank of India has made this possible to a considerable extent by extending several Lines of Credit to a number of African nations.

The sectoral sessions had presentations by delegates from Africa, which gave an indication of the opportunities existing for Indian industry. Sessions were also held where Indian suppliers and project exporters highlighted their capabilities and competence in the African region. The session on Developing Regional Ties & Realising Opportunities highlighted Africa's need for capital resources for infrastructure development in the near future. The need for private sector initiative was also stressed. The session also highlighted the importance of Small and Medium Enterprises in the growth process.

The Conclave focussed on Project Partnerships in the following sectors:

- Agriculture
- Agro processing
- Construction
- Railways-infrastructure & rolling stock
- Consultancy
- Minerals
- Transport Infrastructure-Road, waterways, ports & airports
- Power & non conventional energy
- Pharmaceuticals
- Healthcare
- Institutional capacity building
- Information & Communication technology
- Iron & steel
- Education and skill development
- Water & sanitation
- Housing- Low cost housing, community buildings
- Oil & gas
- Turnkey manufacturing projects
- Tourism
- SMEs
- Biotechnology
- Fast moving consumer goods

The Conclave has become a platform for information dialogue and better understanding to propagate and build long-term sustainable economic relations between India and Africa. The conclave provides access to information and interaction, which is instrumental in the increased private sector dialogue between India and Africa.

Indian Drugs and Pharmaceuticals Industry

Backdrop

India is one of the top global manufacturers of bulk drugs and among the top 20 pharmaceutical exporters. Indian pharmaceutical industry holds 4th position in terms of volume and 13th in terms of value of production in the world. The industry is estimated to have a turnover of Rs. 500 bn in 2005. India is recognized as one of the low cost destinations for pharmaceutical R&D and manufacturing in the world. With the new patent regime in place, Indian pharmaceutical companies are in the process of upgrading their manufacturing facilities, besides obtaining international regulatory approvals from institutions of repute, like Food and Drug Administration (FDA) of USA.

Export Performance

India exports over 50% of its production of drugs and pharmaceuticals. India's exports of drugs, pharmaceuticals and fine chemicals amounted to US$ 4.87 bn during 2005-06. The exports have grown 23% over the previous year. Europe is the major destination for India's exports of drugs and pharmaceuticals (US$ 1.56 bn), followed by Americas (US$ 1.22 bn). In terms of individual markets, USA is the largest market accounting for an export value of US$ 691 mn in 2005-06. Other major markets include Germany, Russia, UK, China and Brazil.

A number of domestic companies are going global with a direct presence in several locations in the world. Companies such as Zydus Group, Matrix Laboratories, Ranbaxy, Dr. Reddy's Laboratories, Aurobindo Pharma, have set up generic units or acquired generic majors in developed country markets. Such acquisitions provide Indian pharmaceutical companies proximity to regulated markets and help them with the opportunity to get higher margins. Indian active pharmaceutical ingredient (API) producers are also well positioned to compete internationally, due to lower manufacturing costs, skilled workforce, trained scientific pool, regulatory framework, use of latest technology, investment in R&D and governmental support for developing necessary infrastructure.

India's Export of Drugs, Pharmaceuticals and Fine Chemicals to Major Countries (2005–06)

TOTAL EXPORTS	US$ 4.87 bn
USA	14%
Germany	5%
Russia	5%
UK	4%
China	4%
Brazil	3%
Nigeria	2%
Canada	2%
South Africa	2%
Turkey	2%
Ukraine	2%
Italy	2%
Vietnam	2%

Policy Initiatives

Several policy initiatives have been undertaken to strengthen the drugs and pharmaceutical sector in India. Industrial licensing for manufacture of all kinds of drugs have been abolished; FDI, upto 100%, and approval for foreign technology agreement is permitted through the automatic route. The Government has set up a Pharmaceutical Research and Development Support Fund with a corpus of Rs. 1.5 bn. By amending the Patents Act, 1970, a WTO compatible patent regime has been created. A Draft National Pharmaceuticals Policy, 2006 has been formulated with the objective of, among others, positioning India as a preferred global destination for pharmaceutical R&D and manufacturing.

Future Outlook

Global pharmaceutical sales in 2005 were estimated to have crossed US$ 600 bn, recording a growth of 7% over the previous year, driven by increased longevity of population, rising wealth, innovative new products, and new applications of existing products. North America is the leading region for pharmaceutical sales accounting for about 47% of global sales (US$ 266 bn), followed by European Union (US$ 170 bn).

The worldwide pharmaceutical market is expected to grow by 5-8% in the next five years. This positive outlook presents promising opportunities for Indian pharmaceutical industry. Globally, pharmaceutical outsourcing is on the rise with large multinational companies undergoing internal consolidation and global expansion. Contract manufacturing is estimated to be a US$ 30 bn opportunity, growing at 10-12% per annum. The global generics market is estimated to have crossed US$ 45 bn in 2005. With most blockbuster products being potentially exposed to generic competition by 2010, the growth opportunities for Indian generic sector are significant. Internationally, large number of multinationals are outsourcing part of their research activities outside the home country. The contract research market is estimated to be US$ 10 bn and is growing at over 16% per annum. India enjoys considerable advantages in offering the services of clinical trials. There are also R&D and associated opportunities such as data management services, for India.

Healthcare Tourism : Opportunities For India

Introduction

The age old concept of healthcare tourism is gaining increasing prominence in recent years. Currently, healthcare tourists are travelling in large numbers to countries / regions, where the quality of healthcare is of high standards and the cost is significantly lower. Such healthcare destinations also offer numerous options for touring, sight-seeing, shopping and exploring healthy diets. Some distinguishing features of healthcare tourism are outlined below:

- Healthcare tourism is not an impulsive activity. However, packages are woven to attract the tourists with attractive features.
- Healthcare tourism is also non-seasonal. This attribute can either be used to buffer seasonal business for resorts and location-specific properties, or as the main business itself.
- Another important feature of healthcare tourism is the willingness to spend. While the cost of a package is attractive to wealthier segments, this may not be working in favour of healthcare tourists from poorer countries.
- The average duration of stay is longer as compared to the conventional corporate / holiday travel.
- Successful treatment, associated with satisfactory services, is considered an important feature of getting repeat business, as healthcare tourism is not a one time business.

Growing Demand

People travel for healthcare treatment for various reasons. Tourists from the United States are primarily travelling to other destinations as the cost of getting treatment in home country is costlier by four to ten times depending on the treatment procedures. Many tourists from European countries primarily travel to other destinations due to the complexity of availing the healthcare services in their home countries. Some of the tourists from Middle East and Africa region travel due to affordability of treatment and quality of services rendered. A section of people travel to India purely on the basis of the availability of specialty healthcare services, such as Ayurveda, Yoga. Healthcare centres set up for this purpose attract tourists with specialty healthcare services that are generally not associated with any emergency medical services.

Healthcare Industry in India

Indian healthcare delivery market is estimated at around US$ 20 bn. Private sector players dominate more than two-thirds of the healthcare services market in India. A study by CII-McKinsey has forecast the market size to reach around US$ 45 bn by 2012. Private healthcare services may account for around 75% of total spending by 2012.

According to India Brand Equity Foundation (IBEF) estimates, the medical tourism market in India is worth over US$ 300 million. The number of medical tourists visiting India has increased multi-fold, over the period. From a level of 10,000 patients about five years ago, the number of visiting tourists has crossed 100,000 per annum now. The CII-McKinsey study on medical tourism has estimated that given the growth potential of this sector, the estimated revenue is likely to cross US$ 2 bn, by 2012.

India offers a unique basket of healthcare services that is difficult to match by other countries. Apart from the international tourists visiting India for the urgent or elective medical procedures, the number of tourists visiting India for reasons associated with wellness and healthcare is also increasing. It is expected that this segment of healthcare tourism also has greater potential considering the growing acceptance of Indian systems of therapies, such as Ayurveda, and healing practices such as Yoga.

Policy Framework

India has a National Health Policy (2002) in place, with the objective of achieving an acceptable standard of good health amongst the general population of the country. A National Tourism Policy (2002) has been announced to enhance economic integration through developing linkages with other sectors. However, there is no separate healthcare tourism policy in India.

Incentive Framework

In order to stimulate market development in the healthcare sector through private participation, infrastructure status has been conferred to the healthcare industry (under section 10 (23G) of the Income Tax Act). In addition, there are also other fiscal incentives such as lower import duty, depreciation allowance, and income tax holiday (under section 80 I B of the Income Tax Act) for five years.

State Level Initiatives

Different states in India are also making their efforts to encourage healthcare tourism in India. Major states promoting healthcare tourism include Kerala, Gujarat, Maharashtra, and Tamil Nadu. Other states are also planning to tap the increasing potential of wellness tourism.

Potential for Associated Activities

In addition to the healthcare and wellness associated travel, there are also opportunities for India to tap the preventive healthcare segment. Growing health consciousness among middle and high-income families of developing countries is heralding such opportunity. Besides, developed countries are in the process of outsourcing laboratory and diagnostic tests to low-cost destinations. It is estimated that Indian laboratories are cheaper by 70-80% in undertaking pathological tests as compared to developed country markets.

Other associated services to the growing healthcare sector would be the emergence of healthcare BPO, activities of which include medical billing, disease coding, forms processing and claims settlement. Telemedicine, a method by which patients can be treated even when the doctor is geographically placed in another area, will be another area that presents business potential for India.

EXIMIUS CENTRE COLUMN

In the third quarter of 2006-07, the Centre has organized the following programmes:

- Interactive Session on *"Opportunities for Investment in Australia"* was organised on October 27, 2006 at Eximius Centre, Bangalore. Mr. Jarrod Mander, Investment Manager, (International Operations) and Mr. Mahesh Rathod, Senior Investment Manager (India), Invest Australia, addressed the participants.
- Seminar on *"International Trade & Credit Support"* was organized in association with the CII - North Bengal Chapter at Siliguri on November 3, 2006. Mr. Ashoke Bhattacharyya, Hon'ble Minister in charge of North Bengal, Government of West Bengal, was the chief guest.
- A series of one day seminars on *"Export Procedures & Documentation"* were organized at Kohima (November 8,2006); Mysore (November 18, 2006); Hyderabad (November 28, 2006) and Shimoga (December 2, 2006). Senior officials from DGFT, Customs, RBI, ECGC and Exim Bank discussed in detail the various aspects of foreign trade policy, customs formalities, foreign exchange regulations, documentary credit, export credit and insurance.
- A seminar was organized in association with the Confederation of NGOs of Rural India (CNRI) at Srinagar on November 10, 2006 with the objective of providing knowledge and information to artisans and NGOs on upgradation of design and packaging of handicraft products.
- A series of workshops on *"Development of Export of Pharmaceuticals to Europe"* was organized in association with Centre for Promotion of Imports from Developing Countries (CBI), The Netherlands, at Mumbai (November 24, 2006), Hyderabad (November 27, 2006) and Ahmedabad (November 30, 2006).

The year 2006-07 marks an important milestone in the history of Export-Import Bank of India. The Bank commenced its operations on March 1, 1982, and is in the 25th year in its efforts to contribute to the growth of India's international trade. As part of the Silver Jubilee celebrations, a series of seminars are being organized at various places.

- A seminar on *"Globalisation through Overseas Investment"* was organized in association with the Indian Institute of Social Welfare & Business Management (IISWBM) at Kolkata on November 25, 2006. Dr. Ashok Lahiri, Chief Economic Adviser, Ministry of Finance, Govt. of India; Prof. Ashok Dutta, Director, IISWBM; and Mr. K.K.Bangur, Chairman, Graphite India Ltd., addressed the participants.
- Seminar on *"Potential for Export of Agricultural Products from the North Eastern Region"* was organized in association with the Federation of Industry & Commerce in the North Eastern Region (FINER) at Guwahati on December 5, 2006. Mr. Kumar Sanjay Krishna, Joint Secretary, Ministry of Finance, Government of India; Mr. H.N. Das, former Chief Secretary, Government of Assam; Dr. P.G. Rao, Director, Regional Research Laboratory, Jorhat; and senior scientists and professors from the Assam Agricultural University, Bidhan Chandra Krishi Viswa Vidyalaya and NEDFi R&D Centre, Guwahati; addressed the participants.

Other programmes on the anvil include:

Seminars/workshops focusing on entrepreneurship development, handicrafts/agricultural and food products, and export procedures and documentation are being planned during January-March 2007 at Bhubaneswar, Chandigarh, Lucknow, Vishakapatnam, Goa, Bidar, Udupi, Sagar, Madurai, Ahmedabad, Rajkot and Baroda.

For details on future programmes contact:
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BOOK REVIEW

Asian Development Outlook 2006

Asian Development Outlook 2006 is the 18th edition of the annual comprehensive economic report on the developing member countries of the Asian Development Bank.

Asian Development Outlook 2006 provides an assessment of recent economic performance for 43 developing member countries, and projections for major macroeconomic indicators for 2006 and 2007. An important theme of the report is how developing Asia can best position itself to maximize the benefits of international trade. Aggregate gross domestic product for the region expanded by a robust 7.4% in 2005. Growth was underpinned by a favourable external environment and by continuing progress on domestic reform issues.

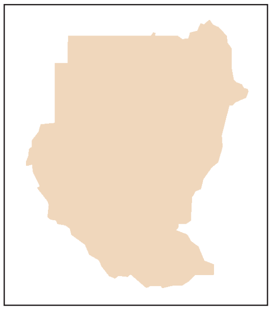
The Report highlights that, while developing economies in the Asia region are integrating themselves into the global economy through increasing foreign trade, the region has concomitantly witnessed an increased impetus towards Preferential Trade Agreements (PTA) as also bilateral trade arrangements.

By 2005, over 27 agreements had been notified, with a much bigger number of other agreements under negotiation or under consideration. These agreements range from minimalist agreements that simply exchange partial tariff preferences or extended tariff concessions from more to less developed countries to 'full-blown' FTAs that go beyond agreements on tariff reductions, and such FTAs are becoming increasingly common.

In light of the risk and opportunities posed by these agreements, the Asian Development Outlook 2006 has focused on this issue with a view to seeking out means to ensure that the rising tide of bilateral trade agreements leaves in its wake building blocks to global trade liberalization, not stumbling blocks.

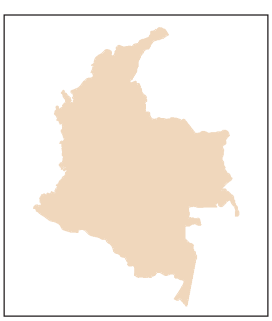
Sudan

In 2005, real GDP growth rose sharply to 7.9% from 5.2% in the previous year, due to stable oil production, and sharp rise in agricultural output. New oil fields and expectations about continued rise in output have made Sudan the third largest sub-Saharan oil producer, after Nigeria and Angola. Rising oil earnings would allow the Sudanese government to boost investment expenditure on infrastructure, in line with its commitments to promote regional economic development under the Comprehensive Peace Agreements. Real GDP growth is forecast to accelerate to 8.7% in 2006. Sudan is a part of the Heavily Indebted Poor Countries (HIPC) Initiative in the pre-decision point phase.



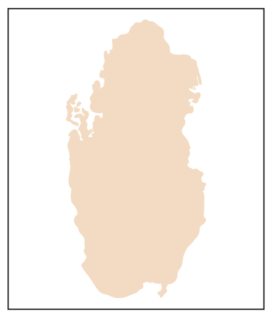
Colombia

Reflecting the pick up in exports, increased private investment and household consumption, economic activity has picked up in recent years, with real GDP rising from 4.9% in 2004 to 5.2% in 2005, and further to an estimated 5.4% in 2006. The government's efforts to strengthen public finances have been assisted by favourable international conditions and Colombia's economic expansion. The government will continue to focus on reducing the public debt, strengthening the financial sector and keeping inflation within a target range of around 4%. In February 2006, the US and Colombia signed a Free Trade Agreement (FTA), whereby the US will allow immediate duty-free access to 99% of Colombia's exports, while Colombia will grant the same benefit to 81.8% of US exports. Colombia's pharmaceutical industry and producers of rice, poultry and maize expressed concerns about competition. The FTA is expected to be ratified by both countries and is expected to come into force by 2008.



Qatar

Due to the developments in the oil and gas sector and higher oil prices, real GDP growth which stood at 6.1% in 2005 is forecast to remain strong reaching 7.9% in 2006, with expansion of Qatar's LNG industry and new oil capacity coming online. Qatar's crude oil production is expected to be higher at 823,000 barrels per day, along with total oil exports of US$ 16.2 bn in 2006. This will also be supported by sustained growth in other gas-based industrial ventures. Increased oil and LNG output are expected to boost overall export revenue by 16% to US$ 27.2 bn. The Free Trade Agreement (FTA) between Qatar and the US is expected to be signed in 2007. The US's FTA negotiations with the GCC states are part of the program to create a US – Middle East FTA by 2010. In mid-2005, Qatar signed an FTA with Singapore and is holding talks with Japan and Australia to reach similar agreements.

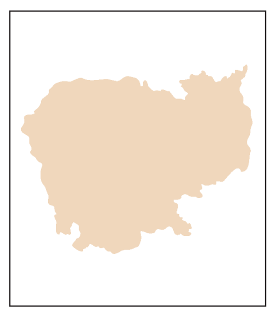


Israel

Reflecting the sharp rise in high technology exports and revenue from tourism sector, Israel's surplus on the current account is estimated to rise from US$ 1.15 bn to US$ 1.93 bn, a 68.2% growth. High-tech exports compose about 46% of all industrial exports excluding diamonds. At the same time, both capital inflows as also outflows have continued to expand in 2006. In May 2006, Berkshire Hathaway, a US Investment firm announced its acquisition of 80% of Iscar Metalworking, an Israeli machine tool manufacturer. The deal involving a purchase price of US$ 4.0 bn is one of the largest and most important corporate deals in Israel.

Cambodia

The economy expanded sharply by 13.4% in 2005, boosted by stronger agricultural production resulting from recovery from drought and increase in land under irrigation. Agriculture is an important sector of the Cambodian economy, with timber and rubber being important export commodities. In August 2006, the government launched its National Strategic Development Plan for 2006-10, which focuses heavily on reducing the incidence of poverty in addition to improving infrastructure. Cambodia's all-important garment manufacturing sector continues to remain buoyant, easing concerns about increasing competitive pressures from other low-cost manufacturers following the termination of the Multi-Fibre Arrangement (MFA). Cambodia's garment manufacturers have benefited from two developments: measures by USA and the EU to contain imports of garments from China, and Cambodia's good performance in improving labour standards and working conditions. The riel is expected to continue to depreciate, with the Government of Cambodia making efforts to maintain export competitiveness.



Currency Currents

Thai Baht-

The Thai Baht (THB) is managed under floating exchange rate system since July 1997(after the Asian Currency crisis) with occasional intervention by the Central Bank to moderate the volatility and to ensure export competitiveness. Thailand's economy has grown strongly over the past couple of years on the back of resilient exports and robust domestic consumption. Annual consumer inflation has come down from a high of 6.2% in May 2006 to a 19 month low of 2.7% in September 2006. The Thai Baht had weakened about 1.9% on a single day after a military coup on September 19, 2006 and was traded at 37.90 to the US$. Now with the political crisis over, forecast for economic growth has been raised by Bank of Thailand (BOT). GDP growth forecast is revised to 4.5-5.0%. BOT had kept its interest rate unchanged at 5% in December 2006 after raising the rate 13 times between August 2004 and June 2006. The Baht strengthened to 35.06 against the US$ on December 18, 2006, its highest in the last nine years. The currency has gained about 16% against the US$ during this year, as a result BOT has announced fresh measures to curb THB's rise. From December 19, 2006 onwards, 30% of non-trade related inflows need to be deposited interest free for one year and early withdrawal would result in stiff penalty. This new measure has resulted in weakening of THB. As on December 29, 2006, the THB was quoted at 36.08 to the US$.

Canadian Dollar-

Canada follows a floating exchange rate regime. Imports and exports form a relatively large part of its economy, with USA being the major trade partner. The Canadian dollar therefore, is closely linked to the US$. The Canadian dollar has recently been reacting to the swings in crude prices and interest rate expectations and has gained against the US$ following good economic data. Bank of Canada has been following inflation-targeting monetary policy since 1991. It has a target for core inflation at the midpoint of a 1% to 3% range. The core inflation was 2.3% in October 2006. Bank of Canada has kept its overnight rate steady at 4.25% in their last three meetings. It hiked rates seven times between September 2005 and May 2006. Canadian Dollar touched a 28-year high of 1.09 to the US$ in May 2006. The movement of Canadian Dollar is also dependent on oil prices. Canada is a major producer and exporter of oil. Slowing US economy and falling oil prices have resulted in Canada's trade surplus reducing by 5.3% in September 2006 from August 2006. As a result, Bank of Canada has revised its 2006 growth forecast down to 2.8% from 3.2% and its 2007 growth forecast down to 2.5% from 2.9%. Canadian Dollar is expected to decline moderately in the short term with a weaker than expected US economy offset by strong domestic spending. The Canadian dollar was quoted at 1.1604 to the US$, as on December 29, 2006.

Russian Rouble-

The Russian Central Bank fixes the Rouble (RUB)/US$ 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 US dollars after the de facto devaluation of Rouble in 1998. The Central Bank of Russia has adopted a managed float using a dual currency basket of US$ & Euro and uses exchange rate as a tool to control inflation. Russian government had set an inflation target of 9% for 2006. The Russian Central Bank has allowed the Rouble to appreciate by 10% against the US$ in 2006 to achieve this target. This coupled with huge inflows of oil export revenues has also resulted in Rouble appreciation. Russia is the second largest oil exporter in the world, with oil & gas accounting for about 70% of total export revenues. As a result, the Rouble reached a seven-year high of 26.18 against the US$ on December 5, 2006. A monthly Reuters poll of 15 economists on Russia's economic and foreign exchange outlook has predicted the Rouble at 26.00 per dollar by March 2007. The Rouble was quoted at 26.33 per US$ as on December 29, 2006.

Recent Trends In Global Merchandise Exports: A Comparative Analysis

Table: Trends in Merchandise Exports by Regions (% Shares)

Regions	2000	2001	2002	2003	2004	2005
North America	19.0	18.6	17.1	15.3	14.4	14.2
South & Central America	3.0	3.0	2.9	2.9	3.1	3.4
Europe	40.8	42.9	43.8	44.7	44.0	41.9
CIS	2.3	2.3	2.4	2.6	2.9	3.3
Africa	2.3	2.2	2.2	2.3	2.5	2.9
Middle East	4.2	3.9	3.8	4.0	4.3	5.2
Asia & Oceania	28.5	27.1	27.9	28.2	28.8	29.2

Source: International Trade Statistics 2006, WTO

Global merchandise exports have risen at an increasing rate in recent times. This is evidenced by a rise in average growth rate of global exports between the period 1995-2000 and 2000-2005 from a CAGR of 4.5% to a CAGR of 10.1%. By virtue of this, global exports have increased by over 60% during 2000-2005 from US$ 6.45 trillion (trn) to US$ 10.43 trn. Though exports from all the regions have grown in absolute terms in the period, there has been a gradual decline in North America's share in global exports in recent years (Table). This may be attributed to the decline in the share of the United States from 12.1% to 8.7% in the period. As a result, Germany has overtaken US as the leading exporter in the world since 2003. In 2005, exports from Germany amounted to US$ 969.9 bn as compared to US$ 904.4 bn of the US. Apart from Germany, five other European countries, namely, France, Netherlands, UK, Italy and Belgium ranked among the top ten exporters in the world in 2005. This explains the continuation of Europe as the leading exporter in the world with a 41.9% share in total in 2005. However, during 2000-2005, export growths have been particularly robust in case of CIS, Africa and Middle East with respective CAGRs of 18.5%, 15% and 15%. This has resulted in raising their cumulative share in global exports from 8.8% in 2000 to 11.4% in 2005. Modest increase in shares was also observed in case of Asia & Oceania and South & Central America. This attests the growing participation of developing countries in global trade.

Considering the export performances of the developing countries, China more than trebled its exports to US$ 761.9 bn in 2005 from US$ 249.2 bn in 2000. In doing so it became the 3rd largest exporter in the world with a 7.3% share in global exports in 2005. In the said period, Russia also improved its share in global exports from 1.64% to 2.34% with robust export performance. Among major exporters, distinct improvement in share could be also observed in case of Saudi Arabia (1.20% to 1.74%), UAE (0.77% to 1.11%) while modest rises were noticed in case of Brazil (0.85% to 1.13%) and India (0.66% to 0.91%). Particularly, in case of India it may be noted that the Foreign Trade Policy 2004-2009, announced in August 2004, has envisaged doubling India's share in global exports by 2009. This implies India aims to double its share in global exports from 0.75% in 2003 to 1.50% in 2009.

An interesting observation regarding global export performance in recent years is that, the countries which have registered the most significant export growth rates are mostly fuel or metal and mineral rich countries from Africa and CIS. For example, during 2000-2005, exports from African countries like Chad, Sierra Leone, Equatorial Guinea, Mozambique and Angola have grown at CAGRs of as high as 75.7%, 64.9%, 45.6%, 36.8%, 24.2% respectively. Similarly, in the said period, CIS members Armenia & Kazakhstan's exports grew by CAGRs of 26.4% and 25.9% respectively. The trend is in tune with the recent strengthening of the prices of oil and non-fuel primary commodities (particularly metal prices), which have increased at an average of 30% and 12%, respectively during 2003-2005.

With reference to product-wise export trend, the prevailing strong global prices backed by robust global demand, has resulted in a 15% annual average growth for exports of fuels and mining products during 2000-2005, enhancing their share in global exports from 13.7% to 17.2% in the period. In general, the export growth trend for fuels and mining products has been most volatile as compared to manufactured and agricultural exports. Manufactured exports, however, continue to dominate global exports with a share of 72% in 2005.

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

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