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EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

EXIMIUS:
EXPORT ADVANTAGE

DECEMBER 2012
VOL. XXVI ISSUE IV

In this Issue

A Quarterly Publication by :
EXPORT-IMPORT BANK OF INDIA
www.eximbankindia.in

Burgeoning Trade and Investment add fillip to India-ASEAN Relations

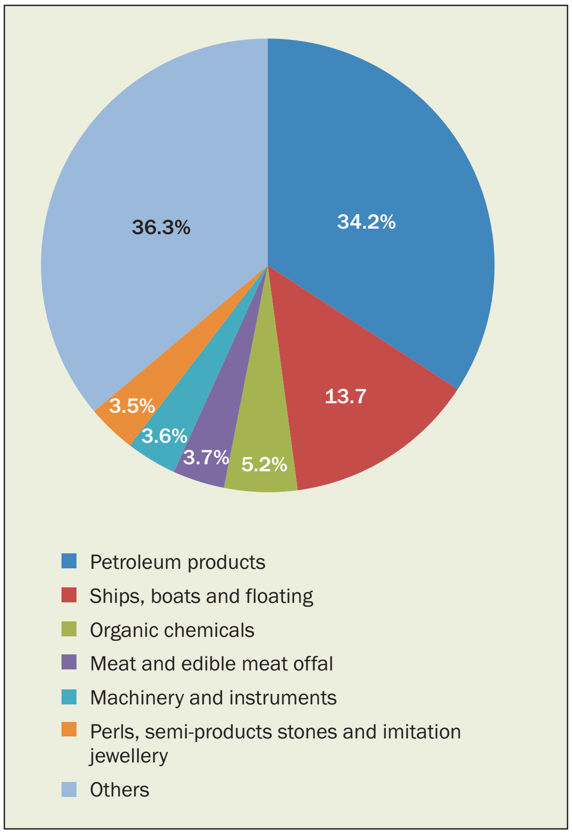
Since its start about a decade ago, the partnership between India and the Association of South East Asian Nations (ASEAN), comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam has had a fast paced development. India became a sectoral dialogue partner of ASEAN in 1992.

The deepening ties between India and ASEAN is reflected in the continued buoyancy in trade figures. India's total trade with ASEAN more-than doubled from US$ 30.7 billion in 2006-07 to US$ 79.3 billion in 2011-12, while India remained ASEAN's seventh-largest trading partner. During this period, exports grew at an average rate of 23.7 percent, while imports grew at an average rate of 18.6 percent **(Table)**.

India's exports to the region stood at US$ 36.6 billion during 2011-12, increasing sharply from US$ 25.6 billion in 2010-11. ASEAN accounted for 12 percent of India's global export market in 2011-12. In 2012-13, annual exports to the region are expected to pick-up, with exports amounting to US$ 22.5 billion in first three quarters (April-December, 2012).

Some of the principal commodities in India's export basket to ASEAN in 2011-12 include petroleum products, ships, boats and floating structures, organic chemicals, meat and edible meat offal, and machinery and instruments, among others

Chart 1: India's Principal Exports to ASEAN, 2011-12



Source: DGCIS, MOCI, GOI

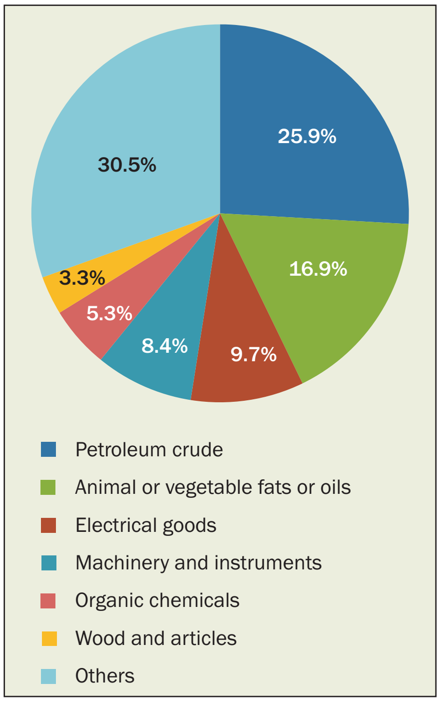
(Chart 1). Singapore (with US$ 8.3 billion in 2011-12) is India's largest market for petroleum exports; other markets in ASEAN include – Indonesia and Malaysia. Singapore is the also largest market for India's export of ships, boats and floating structures in 2011-12.

Table : India's Trade with ASEAN (US$ billion)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
India's Exports to ASEAN	12.6	16.4	19.1	18.1	25.6	36.6
India's Imports from ASEAN	18.1	22.7	26.2	25.8	30.6	42.6
India's Total Bilateral Trade with ASEAN	30.7	39.1	45.3	43.9	56.2	79.2

Source: Ministry of Commerce and Industry (MOCI), Government of India (GOI)

Chart 2: India's Principal Imports from ASEAN, 2011-12



Source: DGCIS, MOCI, GOI

India's imports from the ASEAN region increased more-than two-fold from US$ 18.1 billion in 2006-07 to US$ 42.6 billion in 2011-12. India's imports from the region accounted for approximately 8.7 percent of the country's total imports in 2011-12. In 2012-13, imports from the region amounted to US$ 32.6 billion in first three quarters of the fiscal.

Principal imports from the ASEAN region in 2011-12 include petroleum crude, animal or vegetable fats and oils, electrical goods, machinery and equipments and organic chemicals, among others (**Chart 2**). Indonesia is currently the largest source for vegetable oils for India; other sources from ASEAN region include Malaysia, Thailand and Cambodia. Malaysia is the largest supplier of petroleum crude to India in 2011-12 from the ASEAN region. Significant amount of petroleum crude are also imported from Indonesia, Singapore, and Brunei.

Globally, Singapore is the 4th largest export market and 20th largest import source for India. It is also the largest trade partner, largest export market and 2nd largest source for imports in ASEAN region. Globally, Indonesia is the 11th largest export market and 10th largest import source for India. In addition, Indonesia is the largest import source and 2nd largest export market in ASEAN region.

India-ASEAN Investment Relations

Cumulative FDI from ASEAN region into India during the period April 2000 – September 2012 totaled US$ 19.5 billion (10.6 percent of India's total). Singapore is the second largest source for India's global FDI inflows, after Mauritius, and the largest investor from the ASEAN region. ASEAN countries, particularly, Singapore, Malaysia, Thailand and Indonesia, are increasingly investing in India in sectors such as telecommunications, hotel and tourism services, heavy industry, chemicals, fertilisers, textiles, paper and pulp, and food processing.

Indian investments in ASEAN region amounted to US$ 41.1 billion, during April 2002 to November 2012. ASEAN's share in India's total ODI accounted for significant 30.9 percent, during the same period. Singapore is the largest destination accounting for 95.3 percent of India's total ODI in the region. Indian companies are mainly engaged in information technology, healthcare, engineering goods, oil and gas exploration, agro-chemicals, hospitality, equipment manufacturing, etc.

India's trade and investment relationship with ASEAN is an outcome of India's economic liberalisation policy in 1991. In pursuit of integrating with East-Asia, India launched the 'Look-East Policy' in 1992. India became a sectoral dialogue partner of ASEAN in 1992, a full dialogue partner in 1995, a member of the ASEAN Regional Forum (ARF) in 1996, and a summit level partner (at par with China, Japan and South Korea) in 2002. The Framework Agreement for Comprehensive Economic Cooperation (CECA), signed in 2003, laid the basis for an FTA with ASEAN. The key elements of Framework Agreement on CECA cover FTA in goods, services, and investment as well as economic cooperation in identified areas. In August 2009, India signed Trade-in-Goods (TiG) Agreement with ASEAN members in Thailand. The Agreement will provide tariff liberalisation of over 90 percent products traded between the two regions. Tariffs on over 4,000 product lines are expected to be eliminated by 2016. In the trade in services area, India has made requests in a number of areas including teaching, nursing, architecture, chartered accountancy and medicine as it has a large number of English speaking professionals in these areas who can gain from job opportunities in the ASEAN region. India is also keen on expanding its telecom, IT, tourism and banking network in ASEAN countries.

ASEAN– India FTA

At the Second ASEAN-India Summit in 2003, the ASEAN – India Framework Agreement on Comprehensive Economic Cooperation was signed by the leaders of ASEAN and India. This Framework Agreement laid a sound basis for the eventual establishment of an ASEAN-India Regional Trade and Investment Area (RTIA), which includes Free Trade Area (FTA) in goods, services, and investment.

Trade in Goods Agreement

The Governments of India and ASEAN members signed an Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation, on August 13, 2009. Through this Agreement, both would gradually liberalise their respective applied MFN tariff rates in accordance with the schedule of tariff commitments, as set out in the Agreement. The Agreement came into force on January 1, 2010. The schedules of tariff reduction commitments under this Agreement are given below.

Applied MFN tariff rates for tariff lines placed in normal track will be reduced and subsequently eliminated in accordance with the following schedule:

Normal Track – 1 (NT-1)

- January 1, 2010, to December 31, 2013, for Brunei, Indonesia, Malaysia, Singapore, Thailand, and India
- January 1, 2010, to December 31, 2018, for the Philippines and India
- January 1, 2010, to December 31, 2013, for India, and January 1, 2010, to December 31, 2018, for Cambodia, Laos, Myanmar, and Vietnam

Normal Track – 2 (NT – 2)

- January 1, 2010, to December 31, 2016, for Brunei, Indonesia, Malaysia, Singapore and Thailand, and India
- January 1, 2010, to December 31, 2019, for the Philippines and India
- January 1, 2010, to December 31, 2016, for India, and January 1, 2010, to December 31, 2021, for Cambodia, Lao, Myanmar and Vietnam

Sensitive Track (ST)

- Applied MFN tariff rates above 5 percent for tariff lines in the Sensitive Track will be reduced to 5 percent

Exclusive List (EL)

- This list does not have scheduled commitments; but the tariff rates will be reviewed on an annual basis, with a view to improve market access

Trade in Services Agreement and Investment Agreement.

India and ASEAN finalised the FTA in services and investments on the sidelines of the Commemorative India-ASEAN summit held in New Delhi, India, in December 2012.

Each ASEAN member state is expected to finalise the legal documents for the pact on services and investments by February 2013.

Cooperation between India and ASEAN is being intensified in the cultural, educational and academic fields, through the promotion of people-to-people contacts, and initiatives such as the Eminent Persons Lecture Series, Youth Exchange Programmes, Special Training Courses for ASEAN Diplomats and Media Exchange Programmes. Some of the ongoing activities to enhance further economic cooperation between the two regions are: ASEAN-India Cooperation fund, ASEAN Development Fund, ASEAN-India S&T (Science and Technology) fund, and India-ASEAN Green Fund.

ASEAN Summit 2012

The 21st ASEAN Summit with the theme “One Community, One Destiny” was held in Phnom Penh in November 2012, bringing together leaders from 10 ASEAN member countries.

The ASEAN Heads of State/ Government discussed the progress of the implementation of the ASEAN Charter and roadmap for an ASEAN Community, follow-up to the 20th ASEAN Summit, the progress report on the Implementation of Master Plan on ASEAN Connectivity, and exchanged views on regional and international issues.

ASEAN Leaders agreed to sign, adopt and note the following documents :

- Phnom Penh Statement on the Adoption of the ASEAN Human Rights Declaration;
- ASEAN Human Rights Declaration (AHRD);
- ASEAN Leaders' Joint Statement on the Establishment of an ASEAN Regional Mine Action Centre (ARMAC);
- Concept Paper on the Establishment of an ASEAN Regional Mine Action Centre (ARMAC)

The Leaders adopted the following documents: the ASEAN Human Rights Declaration (AHRD) and ASEAN Leaders' Statement on the Establishment of an ASEAN Regional Mine Action Center (ARMAC).

The Summit saw the launch of negotiations for the Regional Comprehensive Economic Partnership (RCEP) between ASEAN and its current FTA partners—Australia, China, India, Japan, South Korea, and New Zealand.

Business Opportunities and Contract Awards

Upcoming Projects as on December 2012

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
ZESCO Limited Second Floor, New building, room 3/10 Stand Number 6949 Great East Road P.O Box 33304 10101, Lusaka, Zambia **Contact:** Mr. Habadu Nchimunya Senior Manager – Procurement Fax : + 260 211 223971 E-mail : hnchimunya@zesco.co.zm	**Increased Access to Electricity Services Project** The project requires construction of a new 132KV overhead line between Figtree and Chibombo substations.	**World Bank** US$ 130 mn
Hanoi Power Corporation Tender Department No. 69 Dinh Tien Hoang, Hoan Kiem District Hanoi City, Vietnam **Contact:** Tel. : + 844 22200852 Fax : + 844 22200853 Email : dauthau.evnhanoi@gmail.com	**Distribution Efficiency Project** The project includes supply of substation equipment and material for sub-project 110 KV Gia Lam 2 substation and overhead line.	**World Bank** US$ 449 mn
Public Enterprise for Railway Infrastructure Macedonian Railways – Skopje (PERI) PE MR Infrastructure Zeleznicka 50 b Skopje Republic of Macedonia **Contact:** Mr. Vladimir Trajkovski Tel. : + 389 75 28 28 51 Fax : + 389 2 3230 3651 E-mail : vtrajkovski@mz.com.mk	**Corridor X Railway Project** The project consists of track renewal along key sections of Corridor X Railway Project with a total length of approximately 30km, at Nogaevci – Negotino section.	**European Bank for Reconstruction and Development** € 17.3 mn
Airport "Alexandar the Great" – Skopje P.O. Box 9, 1043 Petrovec Republic of Macedonia **Contact:** Mr. Nikolet Tagarinski Tel. : + 389 2 3148 100 Email : nikolet.tagarinski@mnavigation.mk	**Air Navigation Service (ANS) System Upgrade** • Procurement, installation and commissioning of New Air Traffic Management (ATM) System ; • Upgrade on several communication facilities; and • Consultancy services.	**European Bank for Reconstruction and Development** € 13.35 mn
United Water Supply Company of Georgia 5, Anna Politkovskaia Street 0186 Tbilisi Georgia **Contact:** Tel. : + 995 32 291 90 60 Fax : + 995 32 291 60 61 E-mail : n.gergedava@water.gov.ge	**Urban Services Improvement Investment Program - Project 1** The scope of works include construction of reservoirs, pumping stations, transmission lines and distribution lines of water supply systems and a water treatment plant in Poti.	**Asian Development Bank** US$ 55 mn

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Kathmandu Valley and Birgunj-Simra Corridor Distribution System Reinforcement and Loss Reduction Project Planning and Technical Service Department Distribution and Consumer Services East Durbarmarg Kathmandu, Nepal **Contact:** The Project Manager Tel. : +977-1-4153153 Fax : +977-1-4153155 E-mail : neatscd@gmail.com	**Energy Access and Efficiency Improvement Project** Nepal's Energy Access and Efficiency Improvement Project include supply and delivery of various line materials and Installation of lines.	**Asian Development Bank** US$ 41.2 mn
Sierra Leone Roads Authority Blackhall Road, Kissy Freetown P.M.B 1324 Sierra Leone **Contact:** The Director General Tel. : +232 22 226565 Fax : +232 22 222346 E-mail : slra_mis@sierratel.sl	**Lungi-Port Loko Road Upgrading Project** The services included under this project will include studies to: (i) establish the baseline situation/ values for the impact indicators of the project such as: traffic volumes, travel time saved, vehicle operating costs, among others; (ii) undertake impact assessment at the end of the civil works to evaluate the impact of the project on the intended beneficiaries .	**African Development Bank** US$ 12 mn
Kenya Electricity Transmission Co. Ltd. Capitol Hill Square, 2nd Floor Chyulu Road, Upper Hill Nairobi Republic of Kenya **Contact:** Dr. John M. Mativo Head of Technical Services Tel. : +254 20 4956000 Fax : +254 20 4956010 Email : jmativo@ketraco.co.ke	**Interconnection of Electric Grids of Nile Equatorial Lakes Countries (Kenya's part)** The project includes construction of double circuit transmission line from Lessos substation to Ugandan Border.	**African Development Bank** US$ 245 mn

Select contracts secured by Indian companies/consultants

Crompton Greaves Ltd., Mumbai	Contract for supply of power transformers for Kenya's Electricity Expansion Project Lot-3, funded by the **World Bank.**
Man Industries (India) Ltd., Mumbai	Contract for supply of 32-inch natural gas pipelines for Egypt's Giza North Power Project, funded by the **World Bank.**
Angelique International Ltd., New Delhi	Contract for design, supply, and installation of Hetauda-Dhalkebar-Inaruwa 400KV transmission line for Nepal-India Electricity Transmission and Trade Project, funded by the **World Bank**.
Kalpataru Power Transmission Ltd., Gandhinagar	Contract for design, supply and installation of Noraduz – Lichk- Vardenis -Vayk - Vorotan 220KV overhead transmission line for Armenia's Electricity Supply Reliability Project, funded by the **World Bank**.
Chadha Power Ltd., New Delhi	Contract awarded for refurbishment of Mantsonyane 2MW mini Hydro Power Station for Lesotho's Electricity Supply Project, funded by the **African Development Bank**.

6 India-China Trade at All Time High of US$ 76 bn

The Asian giants, India and China have emerged as two of the fastest growing economies in the world. While foreign trade of the two countries have grown rapidly over the last few years, bilateral trade between India and China has also witnessed robust trends. India's exports to China which were around US$ 1 billion in 2001-02 increased steadily to US$ 6.8 billion in 2005-06. Exports have, thereafter, risen at a robust compound annual growth rate (CAGR) of 18 percent increasing to US$ 18 billion in 2011-12.

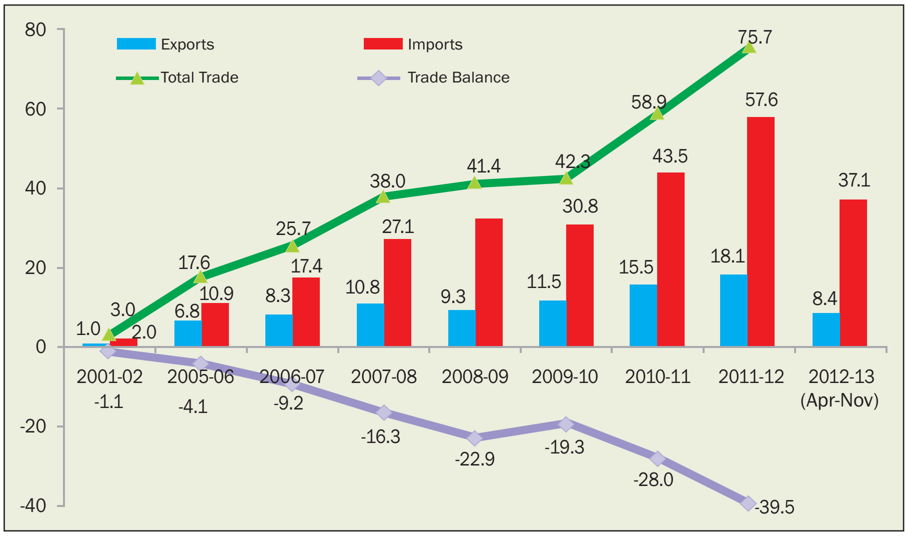
India's imports from China have also shown a similar increasing trend. India's imports from China rose significantly to around US$ 58 billion in 2011-12, from US$ 11 billion in 2005-06, witnessing a CAGR of 32 percent during the period. This sharp increase in imports was primary on account of a rapid increase in imports of iron and steel, transport equipment, manufactured fertilisers, project goods, gold and manufactures of metals. As a result, India's total trade with China stood at US$ 75.7 billion during 2011-12 up from US$ 58.9 billion during 2010-11 (**Chart**).

On account of the challenging global environment and gradual pickup from the global slowdown, during the period 2012-13 (April-November), India's exports amounted to US$ 8.4 billion as compared to US$ 11.2 billion during the corresponding period of 2011-12. Imports during the same period of 2012-13 amounted to US$ 37 billion as compared to US$ 39 billion during the corresponding period of 2011-12.

With India's increasing exports, China has emerged as India's third largest export destination with a share of almost 6 percent of India's total exports. With regard to India's imports, China has emerged as its largest import source during 2011-12 overtaking countries such as Japan, UK, Belgium, Switzerland and USA, which have been India's leading import sources during 2001-02. Consequently, China's share in India's total imports has increased from a modest 4 percent in 2001-02 to almost 12 percent over the past decade.

During 2011-12, India's exports to China were dominated by ores, slag and ash which accounted for around 26 percent of the total exports of the country, followed by cotton, copper and articles, petroleum products, and organic chemicals. On the other hand, major import items from China include electrical machinery and equipment, accounting for 24 percent of India's total imports from China, boilers and heavy machinery, project goods, organic chemicals, fertilisers, and iron and steel.

Chart : India's Trade with China (US$ billion)



Source: Ministry of Commerce and Industry (MOCI), Government of India (GOI)

India-China Strategic Economic Dialogue

The India-China Strategic Economic Dialogue mechanism which was agreed to be set up by India and China in December 2010, was envisaged to act as a forum for both sides to discuss strategic macro-economic issues impacting both nations as a result of the changing international economic and financial landscape. The dialogue also envisioned sharing of individual best practices, cooperation in handling challenging domestic economic issues and identifying specific fields for enhancing bilateral cooperation. The first India-China Strategic Economic Dialogue took place in Beijing during September 2011.

Furthering bilateral economic cooperation, the second India-China Strategic Economic Dialogue between the Planning Commission of India and the National Development and Reform Commission of China took place in New Delhi during November 2012. During the dialogue India and China formulated an economic strategy for increasing trade and ensuring development and economic growth amid global economic slowdown, allowing further market access to financial institutions in either country to boost investment and expand commercial operations.

The countries also successfully deliberated on a host of issues for greater cooperation at the global level, strengthening communication on macroeconomic policies, and expanding trade and investment relations. The countries envisaged increasing bilateral trade to US$ 100 billion by 2015. Towards this end, the two countries agreed to lay thrust on an open trade regime by removing market barriers, enhancing business exchanges and improving transportation links.

Exim Bank's Lines of Credit

Export-Import Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible from Exim Bank, without recourse to them, against negotiation of shipping documents. Exim Bank also extends LOCs at the behest of the Government of India. Under the LOC extended at the behest of the Government, Exim Bank reimburses 100 percent of contract value to Indian exporters, upfront upon the shipment of goods and at least 75 percent of goods and services of total contract value should be sourced from India. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters.

Exim Bank has in place 167 LOCs as on December 31, 2012, covering over 74 countries in Africa, Asia, Latin America, Europe, Oceania and the CIS, with credit commitments of over US$ 8.67 billion, available for financing exports from India. These LOCs have catalysed export of various projects in diverse sectors. Increasingly, LOCs are being extended for financing Indian project exports, which create, in the recipient countries, a greater visibility for Indian expertise and project execution capabilities, with downstream linkages.

Exim Bank, at the behest and with the support of Government of India, has extended the following LOCs during the quarter October – December 2012:

- An LOC of US$ 178.125 million extended to the Government of Tanzania, for augmentation of water supply schemes of Dar es Salaam and Chalinzi regions in Tanzania. Exim Bank has earlier extended LOCs aggregating US$ 111.56 million to the Government of Tanzania for financing supply of tractors, pumps and equipment, vehicles, etc.
- An LOC of US$ 37.9 million extended to the Government of Swaziland, for development and mechanisation of agriculture in Swaziland. Exim Bank has earlier extended an LOC of US$ 20 million, for financing the setting up of an IT Park in Swaziland.
- An LOC of US$ 5 million extended to the Government of Cuba, for financing the setting up of a milk powder processing plant in Camaguey Province of Cuba. This is the first ever LOC extended by Exim Bank to Cuba.
- An LOC of US$ 19 million extended to the Government of Guyana, for setting up a multi-specialty hospital. Exim Bank has earlier extended LOCs aggregating US$ 44.1 million to the Government of Guyana for construction of a cricket stadium in Georgetown, traffic signalling system project, and irrigation project.
- An LOC of US$ 76.5 million extended to the Government of Malawi, for development of irrigation network under greenbelt initiative; setting up of refined sugar processing equipment in Salima under greenbelt initiative; and development of fuel storage facilities. Exim Bank has earlier extended LOCs aggregating US$ 156.5 million for the setting up of cotton ginning facilities, supply of equipment for green belt initiative, dal processing plant, etc.
- An LOC of US$ 35 million extended to the Government of Ghana, for financing a Sugar Plant Project in Ghana. Exim Bank has earlier extended LOCs US$ 148.72 million for financing rural electrification, agriculture and transportation projects, procurement of railway wagons, fish harvesting & fish processing project, etc.
- An LOC of US$ 10 million extended to the Government of Seychelles for financing import of goods and services from India for specific projects funded by Development Bank of Seychelles. Exim Bank has earlier extended LOCs aggregating US$ 23 million for financing the supply of vehicles, medicines, food items etc.
- An LOC of US$ 19 million extended to the Government of Senegal for financing fisheries development project in Senegal. Exim Bank has earlier extended LOCs aggregating US$ 145.45 million for financing purchase of agricultural machinery & equipment, supply of buses and spares, irrigation project, etc.
- An LOC of US$ 16.88 million extended to the Government of the Republic of Gambia, for financing eligible goods, services, machinery and equipment including consultancy services from India for the purpose of completion of National Assembly Building Complex in the Gambia.

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MoCI announces incentives to boost exports

The Union Minister for Commerce, Industry and Textiles, Mr. Anand Sharma, announced additional incentives to boost exports in December 2012. Mr. Sharma said that the 2 percent Interest Subvention Scheme on rupee export credit which is available to certain specific sectors including handicrafts, carpets, handloom, readymade garments, processed agriculture products, sports goods and toys, has been given an extension up to March 31, 2014. At present, the Scheme is scheduled to end on March 31, 2013. Along with this, Small and Medium Enterprises (SMEs) for all sectors will now be able to avail the benefits of the Scheme. The benefits of 2 percent interest subvention will also be extended to certain specific sub-sectors of the engineering sector. Mr. Sharma also announced the introduction of a "pilot scheme" of 2 percent Interest Subvention for Project Exports through Exim Bank for countries of SAARC region, Africa and Myanmar. Speaking about the project, Mr. Sharma said that "the scheme will be operational immediately for a combined worth of US$ 500 million to begin with. The interest subvention would be linked to the Buyer's Credit Scheme which was introduced in the last financial year being implemented through Exim Bank, ECGC and the National Export Insurance Account". He further added that the "objective of the scheme is to boost India's exports in these countries by providing long term concessional credit through Exim Bank, as co-financing in infrastructure sectors such as drinking water, housing, irrigation, road projects, renewable energy, etc".

Retail credit up but industry credit slows y-o-y in Nov: RBI

Retail credit grew at 16.3 percent year-on-year in November, the highest this fiscal, according to Reserve Bank of India (RBI) data. Many banks also waived off or reduced processing fees to drive retail credit. In retail credit, vehicle loans grew by 25.8 percent compared with a growth of 22.2 percent in October. While housing loans grew by 13.2 percent compared as compared to 12.1 percent in October. Credit to industry increased by 17.7 percent in November compared with a growth of 15.2 percent the previous month. However, it had growth by 20.9 percent in November 2011. Credit growth to industry decelerated in all the major sub-sectors, barring mining and quarrying, food processing, wood and wood products, paper and paper products, petroleum, coal products and nuclear fuels, chemical and chemical products, cement and cement products, and all engineering.

Lok Sabha passes Companies Bill 2011

The Lok Sabha approved the Companies Bill 2011, paving the way for a more contemporary legislation that is in accord with the changing economic and commercial environment, both nationally and internationally. In December 2012, The Lok Sabha passed the new bill that seeks to replace the existing statute for regulation of companies in the country, viz, the Companies Act, 1956. The amended Bill would give more statutory powers to the Serious Fraud Investigation Office (SFIO) to tackle corporate fraud and protect small investors, regulating loopholes on chit funds. The Bill also aims to make corporate governance more transparent, independent directors more accountable and corporate social responsibility compulsory. With the passage of the bill, there will be better tie-ups between investigative agencies at the state and Centre, the income tax department and the information technology ministry with SFIO. Under the new regulations, SFIO would get powers to file cases, take action against culprits and coordinate with other investigative agencies such as the Central Bureau of Investigation and the enforcement directorate in case of any corporate fraud.

RBI infuses ₹ 8,000 crore in the financial system

The Reserve Bank of India announces to infuse ₹ 8,000 crore into the financial system on December 31, 2012 by purchasing government securities through Open market operations (OMO). Consistent with the stance of monetary policy and based on the current assessment of prevailing and evolving liquidity conditions, the Reserve Bank decided to conduct Open Market Operations by purchasing government securities for an aggregate amount of ₹ 8,000 crore on January 4, 2013, through multi-security auction.

India's Foreign Trade: April-December, 2012

Ministry of Commerce and Industry, stated that cumulative value of exports for the period April-December 2012 (for 2012-13) was US$ 211.6 billion as against US$ 226.2 billion registering a negative growth of 6.5 percent, while cumulative imports marginally increased by 0.4 percent to US$ 365 billion during April-December 2012, as against US$ 363.7 billion during the same period in the preceding year. The trade deficit during April - December, 2012 was estimated at US$ 153.4 billion which was higher than the deficit of US$ 137.5 billion during April-December, 2011.

India's trade and investment potential in IOR-ARC: Exim Study

Exim Bank released its publication on "Indian Ocean Rim Association for Regional Co-operation (IOR-ARC): A Study of India's Trade and Investment Potential" in September 2012. The study highlights that despite the continuous difficulties impacting the global economy, IOR-ARC region is estimated to have performed well recently. In 2011, the combined GDP of IOR-ARC member countries increased to an estimated US$ 6.5 trillion, from US$ 5.7 trillion in 2010 and is expected to cross US$ 9 trillion by 2016. Total trade of the IOR-ARC increased from US$ 2 trillion in 2005 to US$ 3.5 trillion in 2010, growing at a compound annual growth rate of 14.1 percent over the period, reflecting favourable growth performance of both exports and imports. Also, total intra-regional trade of IOR-ARC member countries crossed US$ 1 trillion in 2010, from US$ 506.5 billion in 2005. The study draws attention to the fact that India's trade and investment relations with the IOR-ARC member countries have strengthened in recent years, and presents opportunities to further enhance bilateral commercial relations. The study highlights that India's total trade with other IOR-ARC member countries has risen more than eight-fold from US$ 19 billion to US$ 156.3 billion during the decade 2001-2010, with India's exports to the region amounting to US$ 69 billion, and imports from the region aggregating US$ 87.3 billion in 2010. The study also highlights that the cumulative Indian direct investments in IOR-ARC region during April 1996 to March 2012, amounted to US$ 82.4 billion, accounting for over 50 percent of India's global overseas investments during the period. Potential items for India's exports to the IOR-ARC countries, identified in the study broadly include, among others, machinery, electrical and electronic equipment, transport vehicles, and medical apparatus, plastics and articles, and iron and steel.

Exim Bank's 30 Years Commemorative Lecture Series: Lars Thunell talks at the 3rd Lecture

Exim Bank organised its third Commemorative Lecture in Mumbai on December 10, 2012. The Lecture was deliverd by Dr Lars Thunell, former CEO International Finance Corporation (IFC), The World Bank Group. Dr. Thunell spoke on the topic, "Private Sector's Role in Development and the opportunities for India and for Indian companies".

Exim Bank had organized a series of Lectures in 2012 to commemorate completion of 30 years of its operations. The first lecture in the series was delivered in June this year in Mumbai by Dr. Kaushik Basu, then Chief Economic Adviser, Ministry of Finance, Government of India, and the second lecture in the Commemorative Lecture series was delivered in November in New Delhi by Prof. Padma Desai, Gladys and Roland Harriman Professor of Comparative Economic Systems and Director of the Center for Transition Economies, Columbia University.

Delivering the Lecture Dr. Thunell said that there are a lot of uncertainties presently prevailing in the global economic system. Europe is in recession and will have to deal with its debt burden resulting in slow growth and high unemployment. The US is slowly coming back, based on the improving housing situation, and a better competitive situation with lower energy prices. The emerging markets are where there would be real growth. The new middle class, newly found natural resources and demographics will continue to be drivers of growth in these countries. Africa would be the new opportunity. However, since imbalances remain in the world, risk for another dip in the world economy very high.

In his Lecture Dr. Thunell said that the new normal will be based on this multipolar world with differentiated growth. Financing will be scarce resource due risk aversion and the lack of capital in the banks. Cooperation through Public Private Partnerships will be key. Private Companies, large and small, should take these opportunities and grow and develop their businesses. They should look for new markets in terms of new segments.

Prof. Bhagwati delivers Exim Bank's Commencement Day Lecture

Prof. Jagdish Bhagwati, Professor of Economics and Law, Columbia University and one of the most eminent crusaders for free trade, spoke at Exim Bank's Commencement Day Annual Lecture in Mumbai on November 21, 2012. He spoke on the topic, "Developments in the World Trading System: India's Options". The Lecture was presided by Dr. Subir Gokarn, the then Deputy Governor of the Reserve Bank of India.

Exim Bank's Commencement Day Annual Lecture is organised every year to commemorate commencement of the Bank's business in March 1982. The Bank's Annual Lecture series commenced in 1986 and has been institutionalised evolving into an important annual event in the public life of Mumbai. The lecture is attended, by invitation, by a large audience, comprising discerning businessmen, professionals, bankers, academicians. The annual lecture seeks to inform and promote, as also contribute to the ongoing debate on globalisation among discerning intelligentsia. Previous speakers at the Bank's Commencement Day Lecture include Mr. Supachai Panichpakdi, Secretary General of UNCTAD, Prof. Nicholas Stern, Chief Economist & Vice President of the World Bank, Lord Meghnad Desai, Professor of London School of Economics, Rt. Hon. James Bolger, former Prime Minister of New Zealand, Dr. Kemal Derviş, former Administrator, United Nations Development Program (UNDP), and Prof. Yu Yongding, President of the China Society of World Economics, who delivered the 2011 lecture on 'Rebalancing the World Economy'.

10 Strategies to Enhance Indian Textile Machinery Exports

Textile is one of the major export items of India contributing to over 11 percent in India's export earnings. Indian textile machinery sector started as an offshoot of the textile industry to cater to the capital expenditure demand of the textile units. In the initial years, its growth was hampered, however, the Indian textile machinery sector started producing automated machines, with innovation, envisaging growth in capacity expansion in the textile industry in the post-quota regime. The thrust given by the Government of India through the Technology Upgradation Fund Scheme (TUFS) also contributed to the growth.

World trade in textile machinery was valued at US$ 32 billion in 2010. Germany is the major exporter (share 16 percent), followed by China (14 percent), and Italy (11 percent). India, ranked at 23rd position, holds a share of just 0.5 percent in world exports. As regards imports, India is ranked as fourth largest importer with a share of 4 percent in global imports (**Table**).

Strategies for development

Capacity enhancement and thriving on technological competency would pave way for increasing textile machinery exports.

Export diversification: China, Switzerland, Germany, and Indonesia are major markets for Indian textile machinery accounting for around 50 percent of total exports. While China and Germany are the two major world importers to whom we are also catering to, there are other major importers such as Japan, France, UK, Turkey, Italy and Canada to whom our exports have been low. These countries offer a market level of US$ 10 billion, which is about one-third of global imports. Our share in import of textile machinery in these countries is also miniscule – India's share in China's imports was 0.5 percent, in Germany 1 percent, Italy 0.9 percent, Japan 0.2 percent, Turkey 0.8 percent, Canada and France (negligible share). This shows that we need to diversify our markets – since these countries are developed countries, diversification could be possible through technological competency, innovation and R&D.

Thrust on R&D: One of the critical reasons for low level concentration of Hi-tech products in this sector in India is lesser spending in R&D. Global spending on R&D in this sector has been very high for developed countries (about 5 percent of sales), while leading developing countries such as China spends about 2 percent of sales on R&D in this sector. In comparison, India spends about 0.5 percent of sales on R&D in this sector. India needs to augment its R&D intensity in this sector significantly and the approach that should be adopted for large enterprise and small and medium enterprises should be different.

Table: World's Top Exporters and Importers of Textile Machinery 2010

Exports				Imports			
Rank	Country	US $ million	% share	Rank	Country	US $ million	% share
World		**32,482**	**100.0**	**World**		**31,054**	**100.0**
1	Germany	5,240	16.1	1	China	4,380	14.1
2	China	4,513	13.9	2	USA	3,527	11.4
3	Italy	3,489	10.7	3	Germany	1,787	5.8
4	Korea rep.	2,864	8.8	**4**	**India**	**1,282**	**4.1**
5	Japan	2,576	7.9	5	Japan	1,257	4.0
6	Poland	1,644	5.1	6	Turkey	1,165	3.8
7	USA	1,431	4.4	7	France	1,034	3.3
8	Switzerland	1,253	3.9	8	United kingdom	993	3.2
9	Thailand	1,075	3.3	9	Italy	980	3.2
10	Turkey	966	3.0	10	Canada	751	2.4
23	**India**	**174**	**0.5**				
Memo Items							
5-year CAGR of World (Exports)			-0.2%	5-year CAGR of World (Imports)			-0.1%
5-year CAGR of India (Exports)			13.5%	5-year CAGR of India (Imports)			-11.2%

Source: PCTAS

Enhancing investment cap for medium enterprises: There are a large number of SMEs (above 80 percent) in textile machinery sector, manufacturing complete machinery as well as all types of components/parts and accessories, testing and monitoring equipments and auxiliaries. Upgradation of technology levels and achieving self sufficiency in this sector requires desired levels of investment and support by the Government for SMEs. The cap on plant and machinery for the purpose of classifying the units as MSMEs does not encourage Indian MSMEs to move up the value chain. In India, cap on investment for a medium enterprise is defined in the range between approximately US$ 1-2 million (i.e ₹ 5-10 crores). Even in countries which are at a similar stage of development as India (for e.g. China, Philippines and Thailand), the ceiling on capital investment for classifying any manufacturing units as SMEs is significantly higher.

Cluster based approach: MSMEs are often weak economic actors if considered individually, but they can reach high levels of competitiveness if they work in a cluster environment ensuring competitiveness, common activities, collective marketing and institutional stability. One key instrument towards moving up the value chain by MSMEs in textile machinery sector is adoption of cluster-based approach. Countries such as China and Korea adopted the cluster based approach and developed clusters where one can form inter-relationships between suppliers and vendors that make development of products faster, cheaper and even lead to better innovations. The textile machinery MSME clusters in Surat, Surendranagar and Ahmedabad need to undertake such approaches.

The success of the textile machinery sector depends largely on technology and branding. Considering that many Indian textile machinery manufacturers have started in-house research and development activities, the sector is poised for further growth.

India's Agri Exports to Expand in FY13

Agriculture export of India is expected to expand in 2012-13. India's agriculture exports already grew by 23.4 percent to US$ 28.1 billion during the first three quarters of 2012-13, from US$ 22.8 billion during the same period in the previous year. The rise is mainly due to jump in exports of guar gum meal from US$ 1.7 billion during April – December 2011 to US$ 4.5 billion April – December 2012 (**Table**).

Guar gum prices have risen drastically over the previous year, given the increasing demand in the international market. Guar gum is an extract from Guar seed used as sealant in oil and natural gas drilling. The global demand for Guar gum has surged during the last one and half years due to soaring crude prices. Accordingly, the share of guar gum exports to India's total exports also trebled from 0.7 percent during April –December 2011 to 2.1 percent in April –December 2012.

Another key commodity that pushed up agricultural exports from India has been the export of rice. Rice exports (Basmati and non-Basmati rice) from India have hiked to US$ 4.4 billion during the first three quarters of 2012-13, from US$ 3.2 billion during the same period in the preceding year, resulting in an increase in the share of rice exports to India's total exports from 1.4 percent during April –December 2011 to 2.1 percent during April – December 2012. Jump in rice exports broadly reflect significant increase in India's export of non-Basmati rice during the first half of 2012-13, which increased by more-than eight-fold from the previous year to US$ 1.1 billion. This can be mainly attributed to Government of India's decision to lift the ban on non-Basmati exports in September 2011, after a three-year restriction. Exports of India's flagship agri-export product, Basmati rice, grew by 4.7 percent to US$ 1.7 billion during the first half of 2012-13 mainly because of rising demand for aromatic long grain rice in Gulf countries, European Union and United States. Iran and Saudi Arabia constitute more than half of India's Basmati exports.

Table: Agricultural Exports from India

Commodity	Apr-Dec 2011 (US$ mn)	Apr-Dec 2012(P) (US$ mn)	Growth (%)	Share in India's Total exports (%)
Cereal	4097.3	6563.3	60.19	3.10
a) Rice	3185.4	4370.8	37.21	2.07
b) Wheat	133.5	1280.1	858.90	0.60
c) Others	778.4	912.5	17.22	0.43
Pulses	187.4	149.6	-20.21	0.07
Tobacco	576.7	667.5	15.75	0.32
a) Unmanufactured	406.1	504.5	24.24	0.24
b) Manufactured	170.6	163.0	-4.47	0.08
Spices	2053.8	2170.6	5.69	1.03
Nuts & Seeds	1925.2	1534.1	-20.32	0.73
a) Cashew including CSNL	712.4	560.1	-21.39	0.26
b) Sesame & Niger seed	438.5	390.7	-10.91	0.18
c) Ground nut	774.2	583.3	-24.66	0.28
Oil Meals	1719.6	1805.3	4.99	0.85
Guar gum Meal	1654.7	4464.6	169.82	2.11
Castor Oil	759.7	568.0	-25.24	0.27
Shellac	38.3	49.5	29.31	0.02
Sugar & Molasses	1317.0	1472.8	11.84	0.70
Processed Foods	1826.4	1892.8	3.63	0.89
a) Fresh Fruits & Vegetables	810.2	772.6	-4.64	0.37
b) Fruits/Vegetable seeds	39.9	47.7	19.45	0.02
c) Processed & misc processed items	976.3	1072.5	9.85	0.51
Meat & Preparations	2082.3	2312.4	11.05	1.09
Poultry & Dairy Products	142.9	241.1	68.72	0.11
Floriculture Products	56.3	58.1	3.25	0.03
Spirit & Beverages	211.8	256.5	21.10	0.12
Tea	710.7	586.2	-17.51	0.28
Coffee	665.1	604.4	-9.13	0.29
Marine Products	2748.8	2701.2	-1.73	1.28
Total Agri Exports (incl. Plantation and Marine Products)	**22774.1**	**28098.1**	**23.38**	**13.28**

P: Provisional

Source: Ministry of Commerce and Industries, Govt. of India; Exim Bank India Analysis

Another key commodity that has a substantial share in agriculture and allied activities and witnessed a significant export growth is the export of spices. India's spices export increased by 5.7 percent during April-December 2012 to US$ 2.2 billion from to US$ 2.1 billion during the same period in the previous year.

Other key commodities that saw an increase in exports during April-December 2012 include meat products (11.1 percent growth over same period previous year), processed foods (3.6 percent), oil meals (5 percent), and sugar & molasses (11.8 percent).

Plantation exports (which comprise tea and coffee) declined by 13.5 percent from US$ 1.4 billion during April–December 2011 to US$ 1.2 billion in April–December 2012. Low tea export is mainly a result of the low tea production in the country, attributed to the prolonged winter in 2011-12 in northern India and the prolonged dry spell in Tamil Nadu and Kerala (major tea producing states in southern India). Exports of marine products also declined marginally by 1.7 percent to US$ 2.7 billion during April – December 2012 over the same period in the preceding year.

Overall, the period witnessed increase in the share of India's agriculture exports (including plantation and marine) to 13.3 percent of India's total exports during the first three quarters of 2012 from 10.1 percent during the same period in the preceding year.

Indian Investments in Resource-rich Africa

Foreign Direct Investment (FDI) inflows to Africa have increased sharply in the past decade with improved investor's perceptions of Africa and positive outlook on region's growth potential. According to a World Bank report, Africa offers one of the highest investment returns in the world. Africa has been a significant investment destination for India over the past many years.

India's business interests and investments in Africa for long were largely driven by small and medium enterprises and traders. But the recent wave of FDI from India to Africa is driven by the bigger Indian companies. Sustained increase in commodity prices coupled with increasing demand for energy and raw materials in the domestic economy seems to be the major driving forces for these companies.

Approved cumulative Indian investments in joint ventures and wholly owned subsidiaries in Africa was US$ 33.1 billion during April 1996-March 2012, accounting for a significant 20.1 percent of India's overall FDI outflow (US$ 164.3 billion). In absolute terms, Indian FDI outflows to Africa increased from US$ 2.6 billion in 2007-08 to US$ 7.5 billion in 2011-12. Mauritius, Sudan, Egypt, South Africa and Libya were the major destinations for India's FDI Outflow (**Table**). Around 90 percent of India's investments in Africa has taken place in Mauritius, a tax haven. Africa's share of Indian FDI outflows increased from 11.1 percent in 2007-08 to 24.3 percent in 2011-12. In particular, Indian investments to Africa witnessed a quantum leap from US$ 2.5 billion in 2009-10 to US$ 13.3 billion in 2010-11 primarily due to the acquisition of the mobile operations of Zain Telecom in 15 African countries by the India's Bharati Airtel for US$ 10.7 billion.

Indian investments in Africa are in diverse segments of industries including oil & gas, infrastructure (roads, ports), telecom, financial services, hospitality etc. Several of these investments are actually tied to the investments made in the extraction sector. Apart from these, market seeking FDI from India is also present in Africa. Several auto industry majors like Tata Motors and Mahindra and Mahindra have investments in Africa. Broadly it can be said that Indian investments in Africa are resource seeking, market seeking and efficiency seeking. Major Indian investors in Africa in 2011-12 include Reliance Oil & Gas, Tata Power, ETHL Communications, Bio Win Corporation, RHC Financial Services, GMR Infrastructure, Suzlon Energy Limited, Essar Services, Bharti Airtel, Bloom Fountain, Godrej, etc.

In 2011-12, Africa's manufacturing sector is a major recipient of India's FDI outflows with 53.5 percent share of India's total FDI to Africa. Other sectors include financial, insurance, real estate and business services (27.7 percent), construction (8.1 percent), community, social and personal services (3.6 percent), wholesale, retail trade, restaurants and hotels (3 percent), transport, storage and communication services (2.6 percent), and agriculture, mining and allied activities (0.8 percent).

Table: Approved Indian Investments in Joint Ventures and Wholly Owned Subsidiaries in Africa (US$ million)

Country	Apl. 1996 to March 2007	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Mauritius	2572.1	1506.3	2651.2	2351.8	13106.9	7421.1	29609.3
Sudan	1144.8	8.3	64.9	6.9	13.9	0.001	1238.7
Egypt	11.8	790.0	9.4	10.7	24.0	11.8	857.7
South Africa	59.1	46.2	22.1	70.2	41.8	12.2	251.5
Libya	130.3	0.02	21.4	11.6	56.0	-	219.2
Liberia	155.2	17.7	18.0	-	-	0.4	191.4
Kenya	15.8	133.2	0.6	0.8	0.7	1.8	152.9
Nigeria	36.4	27.2	1.4	1.4	8.9	16.3	91.6
Morocco	32.5	0.4	2.3	0.7	38.0	0.0	74.0
Gabon	63.0	-	1.3	4.8	0.1	0.2	69.3
Others	73.8	36.3	35.4	63.2	56.4	46.3	311.5
Africa	**4294.8**	**2565.7**	**2827.9**	**2521.9**	**13346.7**	**7510.0**	**33067.0**
% Share in India's total	**13.7**	**11.1**	**16.5**	**14.0**	**30.4**	**24.3**	**20.1**

Notes: '-' denotes nil or not available; FDI figure include equity, loans and guarantees issued

Source: Ministry of Finance, Government of India and RBI

Exim Bank in Africa

In line with the Government of India's strategy and as the apex financial institution in India for financing, promoting and facilitating India's international trade and investments, Export-Import Bank of India (Exim Bank) operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in Africa. Exim Bank has currently 114 operative Lines of Credit amounting to US$ 4.9 billion covering 48 countries in Africa for varied projects.

Exim Bank has also supported several Indian projects exporters to execute project export contracts in Africa such as setting up transmission lines, telecommunications network, multi-product pipelines, roads, power stations, IT parks, etc. Exim Bank has also supported companies in setting up JVs in Africa in sectors such as electronics, steel, oil and gas exploration, and pharmaceuticals. Exim Bank has also signed MOUs with a number of institutions in Africa to increase business interactions and facilitate South-South trade and investment.

Export Marketing Services
October-December, 2012

World Craft Council (WCC) organised a series of events and exhibitions to promote handicrafts of the world during October 2012 in Chennai. A Craft film contest was organised themed "Exim Bank – WCC International Craft Film Contest" for students during WCC's 17th General Assembly from October, 7-10, 2012. The objective of the event was to create an archive of films on traditional craft and encourage young students to showcase their country's heritage. The event was inaugurated by Hon'ble Union Minister for Commerce and Industry, Shri Anand Sharma. Other dignitaries present during the inaugural session included Mr. T. C. A. Ranganathan, CMD, Export-Import Bank of India (Exim Bank), Ms. Usha Krishna, President, WCC; Dr. Syeda Hameed, Member Planning Commission; Ms. Kiran Dingra, Secretary of Textiles; and Ms. Kasturi Gupta Menon, President, Craft Council of India.

The Craft film contest was organised on following themes - Crafts – a fight for survival; Crafts – the magic of creation; Crafts – a signpost of culture

The contest attracted over 70 entries from 26 different countries. The first three awards were handed over by CMD of Exim Bank, to Ms. Irene Dawazhanma, Tibet for "Clay Sculpture Images in Sman Shod Valley", Ms. Nagihan Cakar, Turkey for "Colours of Zilan" and Ms. Neela Bhaskar, India for "Togalli Bomallata- The Art of Leather puppetry".

On the sideline, various events and exhibitions were organised, which primarily focused on showcasing Handicrafts of the world while simultaneously providing a platform to artisans and manufacturers to present and market their products.

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Eximius Centre Activities
October-December, 2012

Exim Bank in collaboration with Federation of Indian Export Organisation(FIEO) organised a workshop on "Strategic Management of EOUs & SEZs" on October 18. A workshop cum interactive session on "Anti dumping Agreement and other trade remedy instruments under WTO Framework and Role of Directorate General of Anti- Dumping and Allied Duties" was organised on November 19. The Centre also conducted a workshop on "Strategic Management of International Trade Payment Terms" on December 20.

Eximius Centre in association with Consulate General of Argentina organised two seminars, namely, "Investment & Trade opportunities in Argentina" on November 05, and "Doing Business with Argentina" on December 17.

Eximius Centre also organised a workshop in association with FIEO and Visvesvaraya Industrial Trade Centre (VITC) on "Electronic Bank Realization Certificate and Interactive Session on Director, Directorate of Duty Drawback" on November 23. Further, in association with VITC, the Centre also organised a Workshop on "Exim Bank's Products & Services" on November 30, and an "Export Management Training Programme", during December 10-15.

Upcoming activities of the Eximius Centre include a seminar on "Doing Business with Argentina" in Chennai; awareness programme for students of University of Agriculture Sciences; "Management Training Programme"; Seminar on "Doing Business with Arab Countries"; Programme on "Emerging Business opportunity for Service suppliers of State of Karnataka in light of various RTAs signed by India"; and "Business implications of WTO for Exporters of Karnataka (Goods sector)" to be organised jointly with VITC and FIEO.

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BOOK REVIEW
India's Tryst with Destiny

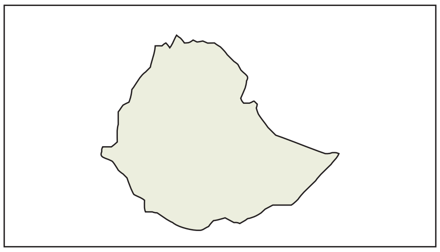
The book 'India's Tryst with Destiny: Debunking Myths that undermine Progress and Addressing New Challenges' is jointly authored by Prof. Jagdish Bhagwati, university professor of economics, and Dr. Arvind Panagariya, professor of Indian economics, both at the Columbia University. The book's title comes from Prime Minister Jawaharlal Nehru's speech made on the eve of India's independence in 1947.

The book has addressed growth versus welfare debate and aims to counter negative perceptions about reforms. The authors articulate the Track-1 and Track-2 reforms. The first track deals with reforms aimed at accelerating and sustaining growth by generating revenue and the second track for programs that distribute this revenue among the neediest.

The book has 17 chapters in three parts. Part-1 is about debunking myths. Some of the myths empirically addressed are as follows: earlier Indian planners pursued growth as an end in itself, ignoring poverty reduction and other social objectives. Health and education were only recently thought of as objectives. Since poverty did not fall through the 1970s, the growth strategy adopted was inappropriate. To reduce poverty, redistribution is necessary. Part-2 is on the unfinished agenda of Track 1 reforms, and highlights labour laws, land acquisition, infrastructure and higher education. Part-3 is on reforming public expenditure.

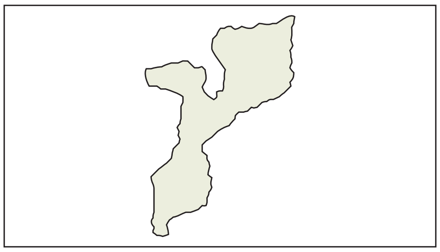
The authors write that economic growth in India has been far less inclusive in India than South Korea, Singapore or Taiwan because of the slow movement of workers from the agricultural to the industrial sector. The authors argue that the scores of 'entrepreneur unfriendly' labour laws make it difficult for businesses to expand. They suggested the whole set of labour laws need to be reformed or rewritten.

Ethiopia



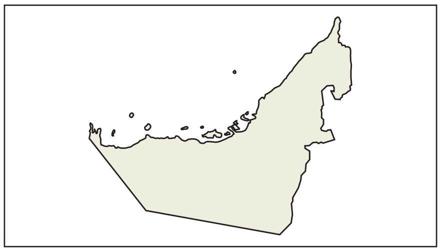
Ethiopia is currently Africa's fourth-largest economy and the fastest-growing non-oil producing African nation. It is estimated to have become East Africa's largest economy surpassing Kenya in 2012. According to World Bank, Ethiopia's economy has been growing at twice rate of the African region over the past decade, averaging 10.6 percent of the gross domestic product (GDP) yearly between 2004 and 2011, compared to 5.2 percent in sub-Saharan Africa. Ethiopia has made significant progress in tackling the persistently high inflation by tightening its fiscal and monetary stance. Currently, Ethiopia is constructing Africa's largest hydropower plant, Ethiopian Renaissance Dam, situated on the Blue Nile River. The US$ 4.5 billion project, expected to generate 6,000 megawatts, is scheduled to be completed in 2018. The country which is the world's fifth-biggest coffee producer, is seeking to diversify its economy to reduce its reliance on agriculture. With this aim, Ethiopia plans to invest about 16 percent of GDP, in the current fiscal year, in industrial development, transport, telecommunications, energy and housing, according to the Government's five-year growth plan.

Mozambique



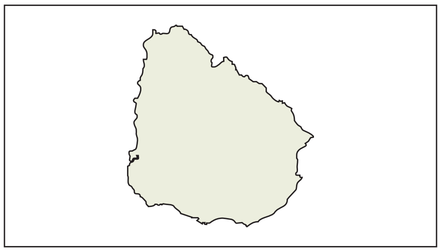
Mozambique has emerged as one of the world's fastest growing economies, with foreign investors showing interest in the country's untapped oil and gas reserves. Mozambique's economy is growing at 7.5 percent, buoyed by coal exports, and the IMF expects GDP growth to reach 8.4 percent in 2013. Mozambique remains resilient to the weakening global economic prospects, with the lowest inflation rate in the southern African Region. Mozambique has some of the world's most valuable coal deposits. The Government of Mozambique is considering a US$ 2 billion port and railroad line project to speed up the nation's coal exports to the rest of the world. The recent discovery of two massive gas fields in its waters has turned Mozambique into an energy hotspot. Mozambique is now the world's fourth largest producer of natural gas - behind Russia, Iran and Qatar.

UAE



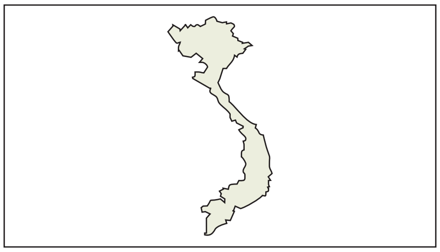
UAE, the world's third-largest oil exporter, emerged as top financial hub in GCC in a survey conducted by 'The National' with the Middle East Investor Relations Society. UAE accounted for around 5.9 percent of the world's proven oil reserves in 2011. Oil exports are the main driver of the economy, generating an overwhelming majority of the state's foreign exchange and government revenue. UAE has laid down a 400 km pipeline from Habshan fields in Abu Dhabi to Fujairah terminal on the Gulf of Oman, which has the capacity of exporting two million barrels oil per day to Asian markets, giving it an edge over its regional peers.

Uruguay



Uruguay is estimated to have recorded a growth of 4 percent in 2012, mainly due to the increase in foreign investment. Uruguay's high local interest rates and the recent credit up gradation to investment grade by Moody's and S&P has attracted foreign investors recently. Uruguay in August decided to use capital controls to stem short-term investment flows and keep its currency from appreciating further. With this announcement, Uruguay joins Brazil among countries in the LAC region that have adopted measures to halt the appreciation of local currencies that make exports more expensive. Uruguay also became the first country in the LAC region to use the new World Bank financing tool called Program-for-Results (PforR) which supports ongoing government investment programmes. It is expected that about 500 kilometers worth of road will be improved by 2015, including bridges, drainage systems and improvements to 8,875 km of road signage along the Uruguay National Road Network with the support of this programme.

Vietnam



The World Bank, in its report about the Asia Pacific mentioned that the average income per capita in Vietnam has been increasing very rapidly, just second to China. The country has fulfilled its Millennium Development Goals (MDGs) for poverty reduction. The Government has set the targets for 2013 GDP growth rate and inflation rate at 5.5 percent and 6.5 percent, respectively. The country is expected to be among the top 10 most competitive nations for manufacturing in next five years. The Government of Vietnam has recently applied more flexible policies. It is also considering reducing corporate income tax and improving its business environment to match the offerings of regional countries.

Russian Rouble

Rouble (RUB) is the currency of Russia, Belarus and was the currency unit of several other countries influenced by the Soviet Union. The Rouble was re-denominated on January 01, 1998 as a 1 New RUB =1000 Old RUB.

Russia's GDP growth decelerated to 2.9 percent YoY in 3Q12 from 4.5 percent YoY in 1H12. Inflation is expected to remain above 6 - 6.5 percent YoY in 1H13. The high interest rate environment is weighing on investment, and some offsetting fiscal stimulus for capital spending might come next year. At the same time, the private sector is borrowing from abroad, and loans at US$ 26 billion in 3Q helped lowered the net capital outflow. In December, the high (US$ 22 billion) external debt repayments and budget deficit are likely to weaken the ruble. The Central Bank of Russia (CBR) held the refinancing rate at 8.25 percent .

The rouble has strengthened against the US dollar supported by the rebound in crude prices reflecting heightened military tensions in the Middle East. The impact of weakening external demand for Europe is contributing to an economic slowdown in Russia. Real GDP is still on course to expand by around 3.5 percent in 2012 after 4.3 percent in 2011. Underlying domestic demand is also weakening as households' real incomes have been squeezed resulting in retail sales growth slowing. Investment growth has also weakened due to lack of attractive domestic investment opportunities, resulting in estimated capital outflows totalling US$ 67 billion in 2012.

The CBR's monetary tightening bias appears to be softening as growth slows, although it still judges that growth is close to potential. The CBR seeks to dampen inflation back towards its 5.0-6.0 percent target range for 2013, from 6.5 percent in October, 2012. In these circumstances, it is believed that Rouble strength will ease further ahead. As on December 31, 2012, RUB was quoted at 30.5277 to the US dollar.

Brazilian Real

Brazilian Real (BRL) is one of the few currencies in the world which is watched keenly by economists. Since January 18, 1999 the Real has been freely floating against the US Dollar. The BRL depends largely on the domestic policies of Brazil. Analysts observe that countries, like Brazil, with high yields are attractive to investors. For this reason, capital inflows to Brazil were heavy throughout last year in spite of the high risk associated with the region. Brazil also faces concerns over BRL strength with the potential for intervention on sustained appreciation.

The real rose the most since June 2012 as Brazil further loosened capital controls to support economic growth that was less than half the pace forecast by analysts in the third quarter. The currency advanced 1.5 percent to 2.0879 per U.S. dollar, the biggest advance since June 29, 2012. The real climbed the most among 25 emerging-market currencies. The real extended its gain after a central bank official said in an interview that policy makers considered the currency's drop excessive.

The Government is trying to establish liquidity in the exchange-rate market. Policy makers maintain that the real has weakened to a level that doesn't correspond to the country's economic fundamentals. Brazil's Intervention Policy makers have intervened in the currency market to stem the real's decline. The currency tumbled after the statistics agency reported in November 30, 2012 that gross domestic product increased 0.9 percent in the third quarter from a year earlier, trailing the 1.9 percent median forecast of economists.

The Banco Central do Brasil (BCB) left the SELIC target rate unchanged at 7.25 percent, following a 0.25 point cut in October. As on December 31, 2012, BRL was quoted at 2.0488 to the US dollar.

Chinese Yuan

China had followed a dual exchange rate policy since 1979. In 1994, it unified the rate to create a crawling Yuan peg. The peg allowed the Yuan to move in a band centered on a rate of 8.28 per US Dollar to 8.30 per Dollar till the Asian financial crisis and after that it remained virtually fixed at 8.28 per USD. China revalued its currency to 8.11 per USD, on July 21, 2005 changing from fixed rate regime to floating rate regime. Under this regime, the People's Bank of China (PBOC), allows Yuan to rise and fall each day by 0.30 percent (further widened to 0.50 percent in May 2007) from the Central Banks middle rate reset each day on previous day's close.

The renminbi markets, onshore and offshore, were spellbound for much of November 2012 as the PBOC didn't intervene. But the central leadership has been saying USD/CNY at around 6.30 is a long-run equilibrium. So even while the PBOC is not intervening, it is trying to "will" the market into trading on its beliefs. But if it is wrong about where long-run equilibrium is, it won't be able to make its "will" stick without intervention. Ahead of year-end market's expectation is that the PBOC will step in to do some housekeeping. The market thinks the PBOC may also not be comfortable to end a year with spot sitting at the 1 percent strong-side barrier in an environment of all offers and no bids (which may draw comparisons with a dysfunctional market), so the natural course of action is to lift spot higher via intervention or quasi-intervention.

The market expects the fix to shift down (renminbi stronger) at a very gradual 0.5ppt per quarter pace in the first three quarters with spot still hovering around the 1 percent strong barrier, followed by a band widening to +/- 2 percent in 4Q13 which will see spot appreciate faster to its new 2 percent strong barrier. The market's twelve-month USD/CNY forecast is 6.0500. As on December 31, 2012, CNY was quoted at 6.2313 to the US dollar.

SEZ Exports Rise 40-fold Over the Decade

Special Economic Zones (SEZs) in India were created with an objective of enhancing economic growth, by providing support through quality infrastructure and an attractive fiscal package both at the Central and State level, with a single window clearance, and with minimum possible regulations. The first Export Promotion Zone (EPZ) in India was set up in Kandla, Gujarat in 1965, followed by seven more zones. In April 2000, with an objective of correcting the shortcomings of the EPZ model, the SEZs Policy was announced. The implementation of SEZ policy led to conversion of all existing EPZs to SEZs.

To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime, and with a view to impart stability to the SEZ regime and thereby generating greater economic activity and employment through the establishment of SEZs, a comprehensive Special Economic Zones Act, 2005, was passed. The SEZ Act, 2005, came into effect on June 23, 2005, supported by SEZ Rules, that was effective since February 10, 2006. Thus providing simplification of procedures and single window clearance on matters relating to Central and State governments. One of the main objectives of the SEZ Act is promotion of exports of goods and services. There are 380 SEZs, which have been notified under the Act and are in various stages of operation; of which 154 SEZs export. Of these SEZs that export, 88 SEZs are in the IT/ITeS sector, followed by SEZs in multi-product (17 SEZs), engineering (9 SEZs), and pharmaceuticals and chemicals (8 SEZs), others are in textiles and apparel (including Wool), food processing, gems and jewellery, bio-tech, non-conventional energy, handicrafts, etc.

SEZs play a vital role in enhancing Indian exports. Over the past decade, exports from SEZs have surged from a meager ₹ 9,200.4 crore in 2001-02 to ₹ 364,477.7 crore in 2011-12 (**Table**). In 2011-12, exports from SEZs increased by 15.4 percent to ₹ 364,477.7 crore, as compared to ₹ 315,867.9 crore in the preceding year.

Table: Exports from the functioning SEZs in India

Year	SEZ Exports	
	₹ '000 cr	Growth (%)
2001-02	9.2	8.9
2002-03	10.1	9.3
2003-04	13.8	37.4
2004-05	18.7	35.0
2005-06	22.8	22.4
2006-07	34.8	52.3
2007-08	66.6	91.6
2008-09	99.7	49.6
2009-10	220.7	121.4
2010-11	315.9	43.1
2011-12	364.5	15.4

Source: Indiastat, derived from MOCI, GoI.

In 2010-11 (as per latest data), chemical pharmaceutical accounted for the largest share of 33.7 percent in SEZ exports followed by computer/ electronic software (26.8 percent), gems and jewellery (15.1 percent), trading and service (11.4 percent), and electronics hardware (6.7 percent). Other sectors namely engineering, textiles and garments, non-conventional energy, electronics, plastic and rubber, biotech, leather, footware and sports goods, food and agro industry and handicraft had a marginal share.

As per geographical dispersion, SEZs in Gujarat accounted 46.5 percent of India's total SEZ exports in 2010-11, followed by Karnataka (14.8 percent), Tamil Nadu (13.8 percent), Maharashtra (6.3 percent), Kerala (5.9 percent), and Andhra Pradesh (4.2 percent).

Among existing SEZs, some of the leading export performers as on 2010-11 are Reliance Jamnagar Infrastructure Ltd., Gujarat (Multi-Product SEZ), Nokia Special Economic Zone in Tamil Nadu (Telecom equipments SEZ), Mahindra City SEZ, Tamil Nadu (Apparels and fashion accessories; IT/Hardware; auto ancillary), and Wipro Limited, Karnataka - 2 SEZs in Sarjapur and Electronic City (IT SEZ).

From the above analysis, it can be noted that SEZ exports have grown markedly over the years. However SEZ exports have been skewed to five sectors, namely, chemical pharmaceutical, computer/ electronic software, gems and jewellery, trading and service, and electronics hardware, cumulatively accounting for 94 percent of the total SEZ exports. As regards to geographical dispersion, SEZ exports from Gujarat, Karnataka, and Tamil Nadu cumulatively accounted for 75 percent of the total SEZ exports.

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

Note: Indian Rupees are referred in crore and lakh

1 crore : 10 million
1 lakh : 100 thousand

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