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Recent Economic Developments in LAC Region

The Latin America and Caribbean (LAC) region occupy a significant portion in the global economy. The region is characterised by large markets, host of trading blocs, and its close access to the United States and European economies.

Economic Performance of LAC Region

Recovery in the LAC region was rapid in 2010, after a recession in 2009. However, the region's real GDP growth slowed down to 2.9 per cent in 2012, after expanding at 4.6 per cent in the preceding year. The slowdown was mainly in the larger economies; modest growth was partly a result of softening global activity during the year due to the euro area uncertainty and partly due to the fall in non-oil commodity prices. Despite the moderation in growth, domestic demand was strong in most economies during the year, supported by easy financing conditions.

During 2012, Central Banks of most economies in the region eased on the monetary tightening process that began in 2010, partly in response to heightened global uncertainties during the year. As regards fiscal policy, most countries chose a neutral stance in 2012, with primary expenditures growing broadly in line with potential GDP as in 2011.

The region's GDP is expected to cross the six-trillion-mark in 2015, with nominal GDP projected to be at US$ 6.3 trillion in 2015.

Recent Trends in LAC's Foreign Trade

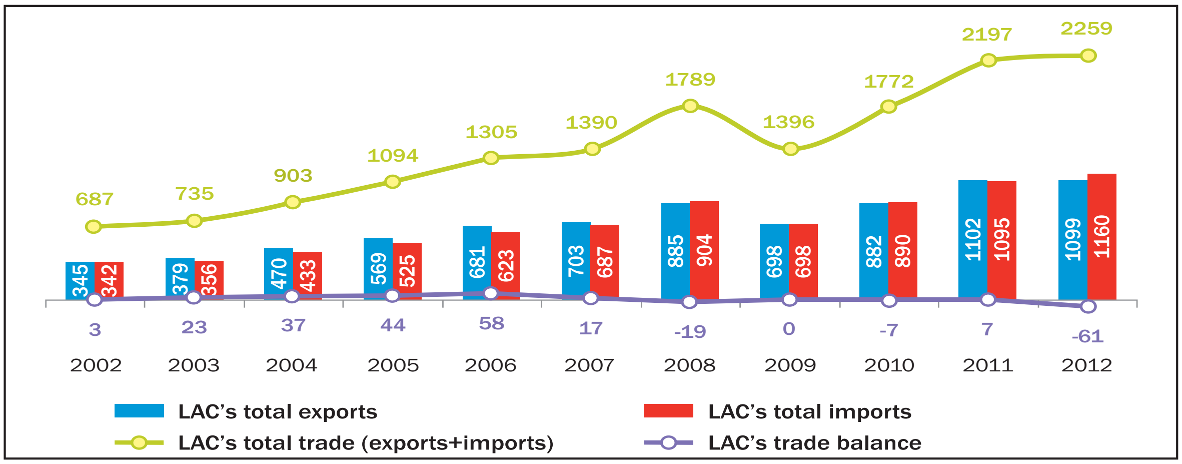
Reflecting the increasing globalization of LAC economies, the region's global trade has witnessed a significant upward trend in recent years. During the period 2002 to 2012, LAC's total trade (export + imports) has risen more than three-fold, from US$ 687.5 billion to US$ 2258.8 billion. This upward trend has been underlined by rise in both LAC's exports and imports **(Chart 1)**.

Amongst the countries in LAC, the largest exporters are Mexico, Brazil, Venezuela, Argentina, and Chile, together accounting for as much as 78 per cent of LAC's total exports in 2012. Other important exporters from LAC include Colombia, Peru, Ecuador, Trinidad and Tobago, and Panama.

As regards imports, the leading importers in LAC are Mexico, Brazil, Chile, Panama, and Argentina, together accounting for 70 per cent of LAC's total imports in 2012.

Reflecting the significant rise in exports of petroleum crude from LAC, mineral fuels are the largest export items from LAC, accounting for as

Chart 1 : LAC's Foreign Trade, 2002-2012 (US$ bn)



Source : ITC Geneva, based on COMTRADE Statistics much as 23.3 per cent of LAC's total exports in 2012. Other major items of exports from LAC include: transport vehicles (8.6 per cent of the total exports); electrical, electronic equipment (7.9 per cent); ores, slag and ash (6.9 per cent); and machinery (6.6 per cent).

While western developed countries such as the US, Canada, Germany, Spain, the UK and the Netherlands continue to be major markets for LAC's exports, developing countries such as China and India have emerged as major export destinations in recent years. Major destinations for LAC's exports in 2012 include the US (40.4 per cent of LAC's exports), China (10.9 per cent), Canada (3.7 per cent), Brazil (3.4 per cent), and Japan (2.9 per cent).

In contrast to LAC's export basket which is dominated by crude oil, LAC's import basket is relatively diversified. Minerals fuels and petroleum products (14.6 per cent of the total exports); machinery (13.8 per cent); electrical, electronic equipment (13 per cent); transport vehicles (9.1 per cent); and plastics and articles thereof (4.1 per cent) are among the largest import items in 2012.

As regard imports sources, US is the largest supplier for LAC's imports, with a share of 36.6 per cent, China has grown from being the sixth-largest supplier in 2002 (2.9 per cent of total LAC import) to the second-largest supplier in 2012 (12.3 per cent). Other suppliers to the LAC region include Brazil (4.6 per cent), Germany (3.9 per cent), and Japan (3.8 per cent).

India has entered into Preferential Trading Agreement (PTA) with MERCOSUR and Chile, and is currently in the process of expanding its agreement with Chile.

Foreign Direct Investment (FDI) flows in LAC region

Recovery of the Foreign Direct Investment (FDI) flows to the LAC region was remarkable in 2011. However, in 2012, FDI inflows into the region declined marginally by 2.2 per cent to US$ 243.9 billion from US$ 249.4 billion in the preceding year. During the year, significant growth in FDI flows to South America was offset by a decline in flows to Central America and the Caribbean, which in turn resulted in the overall fall of the region's FDI inflow.

Outward FDI from LAC also declined by 2 per cent to US$ 103 billion in 2012, as compared to US$ 105.2 billion in the preceding year. Mexico and Chile saw strong increase in their FDI outflows; however, outflows from Brazil remained restrained by high levels of repayment of intercompany loans by Brazilian affiliates abroad to their parent companies in Brazil, which in turn offset the growth in FDI outflows during 2012.

India's Trade with LAC

With the increasing diversification of India's global trade towards other developing countries, the LAC region has emerged as an important partner for India, both as export destination as also import source. This is reflected in the synergy in bilateral trade relations wherein India's total trade (exports + imports) with LAC has risen almost 20-fold, from US$ 2.2 billion in 2002 to touch US$ 42.5 billion in 2012 (**Table 1**).

Underlying the robust trend in total trade has been the significant rise in both India's exports to as also India's imports from LAC, with the latter having risen faster than the former. While India's total exports to LAC has risen from US$ 1.2 billion in 2002 to US$ 14.8 billion in 2012, depicting a 12-fold rise during the period, India's total imports from LAC have also risen significantly from US$ 1 billion to US$ 27.7 billion during the same period. As a result, India's trade balance with LAC, which stood at a surplus of US$ 0.3 billion in 2002, has turned negative in recent years and amounted to a trade deficit of US$ 12.9 billion in 2012.

India's major export items to LAC include mineral products (36.6 per cent of the total exports in 2012); vehicles (10.8 per cent); organic chemicals (6.4 per cent); pharmaceutical products (3.5 per cent), and machinery (3.5 per cent).

Brazil is India's largest export destination in LAC, accounting for around 41.6 per cent of India's total exports to LAC in 2012. Other major export markets in LAC include the Bahamas (16.5 per cent of the total exports), Mexico (10.8 per cent), Colombia (6.3 per cent), Chile (4.4 per cent) and Peru (4.3 per cent).

An analysis of the trend in India's exports to major destinations in LAC during the period 2001 to 2012 would reveal that, while the share of major destinations

Table 1 : India's Trade with LAC, 2002-2012 (US$ bn)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
India's total exports to LAC	1.2	1.2	1.8	2.8	3.9	4.5	7.0	5.1	9.3	13.2	14.8
% share in LAC's total imports	*0.4*	*0.3*	*0.4*	*0.5*	*0.6*	*0.7*	*0.8*	*0.7*	*1.0*	*1.2*	*1.3*
India's total imports from LAC	1.0	1.2	1.8	2.4	5.1	5.9	10.5	8.4	13.6	16.8	27.7
% share in LAC's total exports	*0.3*	*0.3*	*0.4*	*0.4*	*0.8*	*0.8*	*1.2*	*1.2*	*1.5*	*1.5*	*2.5*
India's total trade with LAC (exports + imports)	2.2	2.4	3.6	5.2	9.0	10.4	17.5	13.5	22.9	30.0	42.5
India's trade balance with LAC	0.3	0.0	0.0	0.5	-1.2	-1.4	-3.4	-3.3	-4.2	-3.6	-12.9

Source : ITC Geneva, based on COMTRADE Statistics such as Brazil, Mexico, Chile, Argentina and Venezuela in India's total exports to LAC has declined, other countries such as the Bahamas, Colombia and Peru are increasingly emerging as important destinations, with rising share in India's exports to LAC.

Reflecting the increased importance of the LAC region as sources for India's crude oil imports, minerals fuels (HS-27) are the largest items in India's import basket from LAC, accounting for as much as 73.4 per cent of India's total imports from LAC in 2012. Other important items of imports from LAC include: animal, vegetable fats and oils; sugars and sugar confectionery; iron and steel; electrical and electronic equipment; and machinery.

Venezuela is the largest import source in the LAC region accounting for 43.8 per cent of India's total imports from LAC, followed by Brazil (19.5 per cent of total imports from LAC), Mexico (12.6 per cent), Chile (9 per cent), Colombia (4.5 per cent), and Argentina (4.4 per cent).

India's Investments Relations with LAC

According to data from the Ministry of Finance, Government of India, and the Reserve Bank of India (RBI), approved cumulative Indian investments in LAC region was US$ 13.5 billion during April 1996-March 2013, accounting for 7.1 per cent of the overall FDI outflow. British Virgin Islands, the Bermuda, Mexico, and Cayman Islands were the major destinations for India's FDI Outflow (**Table 2**). On the contrary, investments into India from LAC region during the period April 2000 to March 2013 amounted to US$ 2.6 billion.

Select Indian Companies* present in the LAC region include TCS (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay), ONGC Videsh Ltd. (Argentina, Brazil, Colombia, Cuba, Venezuela), Arcelor Mittal (Argentina, Brazil, Mexico, Trinidad & Tobago, Uruguay), HCL (Argentina, Bermuda, Brazil, Mexico), Infosys (Brazil, Mexico), UPL (Argentina, Brazil, Colombia, Mexico), Mahindra and Mahindra (Brazil, Cayman Islands, Venezuela), Havels (Argentina, Brazil, Colombia), Strides Arcolab (Brazil), and Shree Renuka Sugars Ltd. (Brazil), among others.

As stated earlier, investments into India from LAC region during the period April 2000 to March 2013 amounted to US$ 2.6 billion. Select LAC Companies in India among others include Marcopolo, Vale, Sunley Fashion, Weg, Stefanini, Gerdau (Brazil); Cineopolis , TREMEC, NEMAK, Softtek, Prolec (Mexico); IMPSA, Galileo, Techint (Argentina); Aje Group (Peru); and CSAV (Chile).

*Source : Ministry of External Affairs, Government of India; R. Viswanathan, "Business with Latin America", www.businesswithlatinamerica.com (accessed on December 02, 2013)

Table 2 : Approved Indian Investments in JVs & WOS in the LAC Region (US$ mn)

Country	Aprl. 1996 to March 2007	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
British Virgin Island	1008.4	935.6	512.7	502.5	855.8	1582.7	1011.6	6409.4
Cayman Island	103.9	75.9	51.9	98.18	446.3	218.9	1368.6	2363.6
Panama	23.9	23.2	29.4	41.9	220.6	1889.9	19.8	2248.6
Bermuda	628	0.1	219.4	104.2	-	61	340.1	1012.6
Brazil	487.1	10.1	11.8	10.98	7.1	21.1	16	564.2
Mexico	63	7.6	10.7	10.1	13.1	4.1	6.4	114.9
Other LAC Countries	73.2	68.9	49.6	19.37	91.2	49.6	77.4	428.8
Total in LAC Region	**2387.2**	**1121.4**	**885.4**	**787.2**	**1634.1**	**3827.3**	**2840**	**13482.5**
India's Total ODI	**31271.1**	**20947.2**	**17166.1**	**17987.3**	**43929**	**30862.9**	**26872.4**	**189036**
Share of LAC in India's Overall ODI	7.6	5.4	5.2	4.4	3.7	12.4	10.6	**7.1**

Source : Ministry of Finance, Govt. of India; Reserve Bank of India (RBI)

Exim Bank in the LAC Region

The importance of the LAC region in India's trade configuration can be gauged from the Government of India's several initiatives, the most important being the "Focus: LAC" Programme, with which Export-Import Bank of India (Exim Bank) is closely associated. As a partner institution to promote economic development in LAC region, the commitment towards building relationships with the region is reflected in Exim Bank's various activities and programmes. Exim Bank plays a pivotal role in promoting and financing Indian companies in execution of projects, primarily in the infrastructure sector. Towards this end, the Bank extends funded and non-funded facilities for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts. Exim Bank extends Lines of Credit (LOCs) to enable buyers in those countries to import developmental and infrastructural projects, equipments, goods and services from India, on deferred credit terms. Further, Exim Bank supports Indian companies in their endeavour to globalise their operations through joint ventures (JVs) and wholly owned subsidiaries (WOS). Towards building Institutional Linkages in LAC region, Exim Bank has signed Memoranda of Cooperation (MOCs) with several institutions in the Region. It has also periodically published research studies on issues related to India's trade and investment prospects in the Region.

In an attempt of bringing together Governments and businesses from both regions, the Confederation of Indian Industry (CII) in partnership with Exim Bank and Ministry of Commerce & Industry, organized the Fifth India-Latin America and Caribbean Conclave: Enhancing Business Partnerships, during December 09-10, 2013, in New Delhi.

Business Opportunities and Contract Awards

Upcoming Projects as on December 2013

Country/Executing Agency	Project/Brief Scope	Loan from Funding Agency
Rural Energy Agency Procurement Management Unit 2nd Floor, Room No. 214 Mawasiliano Towers, 20 Sam Nujoma Road 14414, Dar es Salaam Tanzania **Contact :** Tel : +0 22 2412001-3 Fax : +0 22 2412007 Email : info@rea.go.tz	**Energy Development & Access Expansion Project** The scope of project includes construction of 33kV and LV distribution line works for low cost electrification for Kilombero District, Morogoro Region.	**World Bank** US$ 105 mn
Ministry of Rural Rehabilitation and Development Tashkilat Road, Darul-Aman Kabul, Afghanistan **Contact :** Project Director Email : m.hanifi@nspafghnistan.org n.azimi@nspafghanistan.org	**NSP-III Project** The project includes procurement of thirty hard-top station wagons for Ministry of Rural Rehabilitation and Development Government of the Islamic Republic of Afghanistan (GoIRA).	**World Bank** US$ 40 mn
Department for Development & Investment AD Elektrani na Makedonija Street 11, Oktomvri 9, Skopje Republic of Macedonia **Contact :** Mr. Ivan Trpeski Tel : +389 23149-101 Fax : +389 23224-492 Email : ivan.trpeski@elem.com.mk	**Boskov Most Hydro Power Project** The project includes construction works of rockfill dam, diversion system, power waterways, powerhouse and related civil works comprising site installations and other infrastructure.	**European Bank for Reconstruction and Development** € 84 mn
Ministry of Finance of Kyrgyz Republic 58 Erkindik Boulevard 720040 Bishkek Kyrgyz Republic **Contact :** Ms. Gulmira Samsalieva Main Specialist Tel : +996-312-660506	**Corporate Development of Osh Auto Transport Enterprise** Specific tasks of the consultant will include, inter alia :- i. Prepare a Financial and Operational Performance Improvement Programme (FOPIP); ii. Develop fleet and infrastructure maintenance and repair programmes; and iii. Prepare a long-term Business Plan containing measures to increase efficiency, revenues and cost coverage and meet consumers demands and priorities.	**European Bank for Reconstruction and Development** € 0.25 mn
Ceylon Electricity Board 7th Floor 50, Sir Chittampalam A. Gardiner Mawatha Colombo 2 Sri Lanka **Contact :** DGM(RE Projects & Procurement) Tel : +94 11-2055942 Fax : +94 11-2055944 Email : udompage@yahoo.com	**Sustainable Power Sector Support Project** The project includes procurement of goods and related services for installation of 40MVAr breaker switch capacitor banks at Aniyakanda, Ambalangoda and Katunayake Grid Substations. 15 Nos. Three Phase Circuit Breakers for BSC bank switching complete with operating mechanism and mounting structures.	**Asian Development Bank** US$ 120 mn

Country/Executing Agency	Project/Brief Scope	Loan from Funding Agency
Department of Roads Ministry of Physical Infrastructure and Transport Bishalnagar Kathmandu, Nepal **Contact :** Project Director (ADB) Tel : +977-1 4437492 Fax : +977-1 4437488 Email : pdadb@wlink.com.np	**SASEC Road Connectivity Project** The Work comprises, among others, roadway excavation and formation of embankment; construction of motorable RCC T-Grider, Pre-Stressed, and Solid Slab Bridges; realignment of road section; and construction of side drains, retaining structures.	**Asian Development Bank** US$ 24.9 mn
Geothermal Development Company Ltd. Riverside Drive P. O. Box 100746-00101 Nairobi Kenya **Contact :** Manager (Supply Chain) Email : asaat@gdc.co.ke	**Menengai Phase I Geothermal Project** The project includes supply and installation of 5 to 10 MW Modular Power Plant and training of GDC instructors. The project location is Menengai Geothermal Field, Nakuru County, Kenya.	**African Development Bank** US$ 165 mn
Ethiopian Roads Authority Ras Abebe Aregay Street 4th floor, Room Number 408 Addis Ababa Ethiopia **Contact :** The Director General's Office Tel : +251 11 515 66 03 Fax : +251 11 551 48 66	**Modjo-Hawassa Highway Project - Phase I** The contract will comprise the detailed engineering design and construction of 56 km of new 4 lane dual carriageway between Modjo and Meki Towns. The work will include linking roads to the small towns in between Alem Tena and Meki.	**African Development Bank** US$ 220 mn

Select Contracts Secured by Indian Companies/Consultants :

KEC International Ltd., Mumbai	Contract for 400kV overhead transmission line in Tanzania (Lot 3: Singida-Shinyanga-228 km), funded by **European Investment Bank.** Contract for rehabilitation of existing 220kV double circuit transmission line of Ossakarovka Transsmision Project in Kazakhstan, funded by **European Bank for Reconstruction and Development.**
Global Procurement Consultants Ltd., Mumbai	Procurement Post Review (Audit) for the Year 2012-2014 for Kyrgyz Republic's Health & Social Protection Project, funded by the **World Bank Group.**
Cosmos International Ltd., New Delhi & Maalab Scientific Equipment Ltd., Hyderabad	Contract for supply of soil laboratory equipments, glass, plastics and ceramics wares, spare parts, chemicals and reagents for Ethiopia's Agricultural Development Programme, funded by the **World Bank Group.**
Triveni Turbines Ltd., Noida	Contract for procurement of Steam Turbine Plant with turbine power of 6MW, installation supervision, starting-up and adjustment works, training for Uzbekistan's Energy Efficiency Facility for Industrial Enterprises Project, funded by the **World Bank Group.**
WAPCOS Ltd., New Delhi	Contract for technical design study for development of Kamiranzovu marshland (140 ha) with irrigation dam in Nyamasheke District Western Province of Rwanda, funded by the **World Bank Group.**
Development Environergy Services Ltd. (DESL), New Delhi	Contract for preparation of feasibility study for Ulaanbaatar District Heating Supply Improvement under Clean Air Project, funded by the **World Bank Group.**

Economic Performance of GCC Countries

The Gulf Cooperation Council (GCC) is a political and economic union of six Arab states namely United Arab Emirates (UAE), Saudi Arabia, Qatar, Oman, Kuwait and Bahrain. In recent years, the GCC countries have witnessed robust economic activity, boosted primarily by soaring hydrocarbon prices and production. Increased export revenues have resulted in substantial current account surpluses, accompanied by rise in foreign exchange reserves. At the same time, high oil prices have facilitated increase in government spending and investment, thereby leading to a surge in activity in non hydrocarbon sectors. Most GCC countries are oil dependent, with a result that economic performance fluctuates with movements in international oil prices.

The GCC nations have a common goal of diversifying their economies from being oil and hydrocarbon sector oriented to services sector oriented. Towards this direction, the GCC nations have undertaken economic reform by amending Foreign Direct Investment (FDI) laws, initiating public-private partnerships and encouraging joint ventures. Among the GCC economies, Bahrain and Oman were hit by the Arab Spring Uprising during 2011. Political and social unrest had hit the service oriented economy of Bahrain, dampening investor confidence, resulting in GDP growth of 1.9 per cent, the lowest seen since 2004. However, in 2011 fiscal stimulus as well as the aid package from GCC partners have helped in boosting growth to 3.4 per cent in 2012. In Oman, escalation of protests has impacted the cost of doing business in 2011. However, the hydro-carbon sector has been the main driver of growth in Oman, with GDP growth at 7.1 per cent in 2012, compared to 4.3 per cent in 2011. Oil has also been the primary driver of growth in Kuwait. Owing to an increase in oil production in 2011, real GDP expanded by 6.3 per cent during the same year. However constrained by domestic political tensions, growth moderated to 4.8 per cent in 2012. In Qatar, completion of gas expansion projects had put a brake on double digit growth to 6.2 per cent in 2012, compared to 13 per cent in 2011.

In Saudi Arabia, real GDP growth picked up momentum from 1.8 per cent in 2009 to 7.4 per cent in 2010 and further to 8.5 per cent in 2011, backed by government stimulus as well as increase in Saudi oil production to compensate for supply interruptions in Libya. However, growth eased to 6.8 per cent in 2012. In the case of UAE, the economy has been slowly recovering from the aftermaths of the Dubai crisis. Growth revived to 4.4 per cent in 2012 driven by private consumption, exports and increased production of crude oil.

Exim Bank in the GCC Region

Export-Import Bank of India (Exim Bank India) plays a pivotal role in promoting and facilitating project exports from India. Towards this end, Exim Bank India extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy services contracts. The GCC countries are major destinations for India's project exports. As on March 2013, the value of project contracts secured by Indian project exporters in the GCC region amounted to ₹ 37, 814 crore, accounting for 32.6 per cent of total projects exports (₹ 1,16,019 crore), supported by Exim Bank India.

With a view to support Indian companies in their endeavour to globalise their operations, Exim Bank India also operates a programme to support overseas investment by Indian companies through JVs/ WOS. Exim Bank India has supported several JVs in Oman, Saudi Arabia and UAE in sectors such as engineering, metals and metals processing, plastics and packaging, and agro and allied activities.

Exim Bank India has been consciously forging a network of alliances and institutional linkages to help further economic co-operation while promoting and facilitating bilateral trade and investment between India and the GCC region. Towards this end, Exim Bank India has signed Memoranda of Understanding (MOUs) with Economic Development Board, Bahrain; Qatar Industrial Development Bank, Qatar; and Sharjah Chamber of Commerce and Industry, UAE. Further, Exim Bank India has also undertaken feasibility study for establishment of an export credit and guarantee facility for GCC countries.

Exim Bank India has a representative office in Dubai, which identifies upcoming projects in the region and provides leads to Indian project exporters, apart from assisting in availing of guarantee facility from banks in the region.

With a view to identifying trade and investment opportunities, Exim Bank has published a research study on India's Trade and Investment Relations with Gulf Cooperation Council (GCC): Strengthening Economic Ties.

Exim 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 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. Under the LOCs extended at the behest of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent 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.

Bank has now in place 180 LOCs, covering over 75 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over US$ 9.71 billion, available for financing exports from India. These LOCs have catalysed export of various projects in diverse sectors such as agriculture, transportation, communication, manufacturing, energy generation and transmission, rural electrification. 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 signed two LOCs as given below during the quarter October-December, 2013:

- An LOC of US$ 120.05 million to the Government of Rwanda for financing [i] Export Targeted Modern Irrigated Agricultural Project; and [ii] Extension of Export Targeted Modern Irrigated Agricultural Project in Rwanda. This is the third LOC extended by Exim Bank to Rwanda at the behest of the Government of India. The first two LOCs of US$ 20 million and US$ 60 million were extended for financing construction of the Nyaborongo Hydro power project in Rwanda.

- An LOC of US$ 41.60 million to the Government of Senegal, for financing setting up a modern abattoir, meat processing, cold storage, rendering and tannery plant and market place in Senegal. Exim Bank has earlier extended 9 LOCs to the Government of Senegal for value aggregating US$ 149.45 million. The LOCs were extended for financing various purposes such as irrigation project, IT Training projects, rural electrification project, fisheries development project, supply of medical equipments, vehicles and railway infrastructure to Senegal.

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Project Exports : Role of Exim Bank

Project exports are a measure of a nation's economic development. Export-Import Bank of India (Exim Bank) plays the role of coordinator and facilitator for the promotion of Project Exports and serves as the focal point of the Working Group on Project Exports covering overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts.

Exim Bank is equipped to offer a comprehensive financing package to Indian project exporters including funded support, project related guarantee facilities and issuance of letters of credit on their behalf towards third country imports for overseas projects. The Bank's strong emphasis on increasing project exports from India has been enhanced with the introduction of the of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

As on date, 310 project export contracts valued at ₹133,088 crore (approx. USD$ 21.3 bn), supported by the Bank, were under execution, in 73 countries across Asia, Africa and CIS by 92 Indian companies.

CAD dips in Q2 as exports rise

India's Current account deficit (CAD) narrowed sharply to US$ 5.2 billion (1.2 per cent of GDP) in the July-September quarter (Q2) of 2013-14, as compared to US$ 21 billion (5 per cent of GDP) in the corresponding period of the previous year. During April-June quarter (Q1) CAD was recorded at 4.9 per cent of GDP. This decline was mainly on the back of a turnaround in exports and decline in gold imports. During the quarter, merchandise exports increased by 11.9 per cent to US$ 81.2 billion on the back of significant growth especially in the export of 'textile and textile products', 'leather & leather products' and chemicals. As regards imports, gold imports declined to US$ 3.9 billion as compared to US$ 11.1 billion in Q2 of 2012-13.

India's External Debt stood at US$ 400.3 bn as at End-September 2013

Department of Economic Affairs, Ministry of Finance, released India's External Debt statistics as at end-September 2013. India's total external debt stock stood at US$ 400.3 billion, recording a decline of US$ 9 million over the level at end-March 2013. Of the total external debt, long-term debt was US$ 305.5 billion (76.3 per cent of the total debt), showing an increase of 0.6 per cent over the end-March 2013 level, while short-term debt declined by 2 per cent to US$ 94.8 billion (23.7 per cent of the total debt). Government (Sovereign) external debt stood at US$ 77.3 billion, (19.3 per cent of total external debt) at end-September 2013 vis-a-vis US$ 81.7 billion (20.4 per cent) at end-March 2013.

Union Finance Minister makes first move on FSLRC

Government of India has made the first move to implement the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC). The FSLRC had recommended that the DICGC be subsumed into the Resolution Corporation. The FSLRC report called for a total overhaul of the existing financial system by merging the oversight functions of the market, commodity, insurance and pension regulators. Apart from proposing to increase DICGC's authorized capital to ₹ 3,000 crore, the Finance Ministry also suggested giving the government power to appoint directors, including the Chairman. Currently, the Chairman and the Board are appointed by Reserve Bank of India (RBI). All the proposed changes are part of the DICGC Amendment Bill, 2013.

RBI cautions on increasing bank debt to infra sector

RBI has called for sorting out infrastructure issues before they start adversely affecting the asset quality of banks, as stress is building up in the infrastructure segment. Outstanding bank credit to the infrastructure sector which stood at ₹ 7,243 crore in 1999-2000, has jumped over 100-times to ₹786,045 crore in 2012-13. Macro stress tests suggest that under this severe stress, the gross NPA ratio may rise to 4.4 per cent by March 2014 (from 3.9 per cent in June 2013). RBI has also alerted furthermore, that banks will also face hurdles in a smooth transition to the Basel-III framework. Basel-III mandates that banks maintain a Capital Adequacy Ratio (CAR) of 8 per cent. However, RBI has fixed the minimum CAR for Indian banks at 9 per cent.

RBI permits third party payments for export-import transactions

RBI has permitted third party payments for export/import transactions subject to certain conditions. Among the key conditions RBI said that for an export transaction, firm irrevocable order should be backed by a tripartite agreement; while for import transactions, firm irrevocable purchase order / tripartite agreement should be in place. RBI also said that for export as well as import transactions third party payment should come from a Financial Action Task Force (FATF) compliant country and through banking channels only. In case of exports to a country in Group II of Restricted Cover Countries (e.g. Sudan, Somalia, etc.), payments for the same may be received from an Open Cover Country. RBI further added, that the amount of an import transaction eligible for third party payment should not exceed US$ 100,000, which would be revised as and when considered expedient.

RBI approves reforms in primary co-operatives

RBI has accepted the recommendations of an expert committee on primary agricultural co-operatives to bring in far-reaching reforms in the three-tier short-term co-operative credit structure. Assets and liabilities of primary co-operatives will now stand transferred to central / state co-operative banks. In States where the central / state co-operative banks are fully computerized on core banking systems, primary co-operatives will function as their business correspondents. A circular from National Bank for Agriculture and Rural Development (NABARD) unveiled the reforms to state and central co-operative banks. Primary co-operatives will not accept deposits on their account anymore and will not do lending operations of any kind.

Exim Bank CMD, Shri T. C. A. Ranganathan, retires; Shri Anurag Jain assumes charge as CMD

Shri T. C. A. Ranganathan, Chairman and Managing Director of the Export-Import Bank of India (Exim Bank), relinquished his office, on attaining superannuation, on November 30, 2013. Shri Ranganathan served as the Chief Executive of the Bank since April 2010. Under the stewardship of Shri Ranganathan, Exim Bank has crossed significant milestones in business promotion as well as other initiatives as the premier export finance institution of the country. Shri Anurag Jain (IAS :1989), Joint Secretary (Financial Inclusion & CVO), Department of Financial Services, Ministry of Finance, has been appointed as Chairman and Managing Director of Export-Import Bank of India, till such time as a regular incumbent is appointed by the Government of India. Shri Anurag Jain is a graduate in Electrical Engineering from the Indian Institute of Technology, Kharagpur, and holds a Masters degree in Public Administration from Maxwell School of Syracuse, USA. Shri Anurag Jain is on the Boards of Punjab National Bank, National Insurance Co. Ltd. and IFCI Ltd.

Exim Bank's study recommends flexible labour market regulations

Exim Bank Research Study titled 'Comparison of Labour Laws: Select Countries' suggests that India needs to align its labour policies to match with those of its competitors so that India could effectively leverage the business cooperation agreements (such as FTAs/PTAs, CECAs) and attract sizeable investments into the manufacturing sector, contributing to industrialization, export development and economic growth of the country. According to the study, there have been concerns about decline in India's exports and growing imports, leading to high trade deficit, and the resultant high current account deficit. One of the main reasons for growing imports has been the low level of capacities in certain sectors of Indian manufacturing. The Study that compares labour regulations in India with 20 countries under 15 parameters, highlights that on three major parameters, namely, (a) formation and recognition of trade unions for collective bargaining; (b) procedures for engaging contract labourers for permanent tasks; and (c) procedures for resolving of industrial disputes, most of India's peer group countries have modified the statutes to suit the changing conditions. India also needs to modify its policy to match with its requirements in the current day context, and with what peer group countries have done. While doing so, adequate safeguard measures, including provision of social security, suitable compensation framework, etc., need to be devised to take care of the interest of workmen. Such an approach would generate formal employment in the manufacturing sector.

Exim Bank inks MoU with NCDPD to help handicraft manufacturers

Exim Bank and the National Centre for Design and Product Development (NCDPD) have entered into a Memorandum of Understanding (MoU) to help Indian handicraft manufacturers and artisans cater to the changing preferences of international buyers. The MoU sets out broad guidelines for the two institutions on jointly organizing workshops for companies/ artisans, cooperate in providing faculty support and providing training on design, product and skill development, technology upgradation, and assist in creating export capability. The MoU was signed by Exim Bank's Executive Director, Mr. David Rasquinha and NCDPD's Chairman & Development Commissioner (Handicrafts), Mr. S. S. Gupta, in the presence of State Minister of Textiles, Smt. Panabaaka Lakshmi; Executive Director of Export Promotion Council for Handicrafts (EPCH), Mr. Rakesh Kumar; and Chairman of EPCH Mr. Lekhraj Maheshwari, during the International Seminar & Craft Exchange Programme in New Delhi.

Exim Bank signs MOC with ACASH and NHDC

Exim Bank has signed a Memorandum of Cooperation (MOC) with the Association of Corporations and Apex Societies of Handlooms (ACASH) – a registered society having experience in promoting the handloom sector by providing marketing platform to handloom primary societies, and National Handloom Development Corporation Limited (NHDC) – a Public Sector Undertaking set up for development of handloom sector. Under the MOC, the partners will work on various areas including product and packaging improvement, developing channel partners and enhancing marketing efforts by conducting market surveys and research and sharing relevant information for effectively promoting handloom/ handicraft products from India. As India's premier export facilitator, Exim Bank plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities in domestic and overseas markets and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating distributors / buyers / partners for their products and services. Under its Grassroots Initiatives and Development (GRID) programme, the Bank lays special emphasis in promoting Indian companies and non-profit-organisations which have rural focus with an export orientation.

10 Processed Food Industry in India

India is the world's second-largest producer of food next to China. The Indian food processing industry accounts for 32 per cent of India's total food market. The industry is estimated to be worth US$ 121 billion in 2013, and by 2015 the industry is expected to touch US$ 175.2 billion. It is one of the largest industries in India and is ranked fifth in terms of production, consumption, and exports among other Indian industries. The food processing sector contributes about 12.7 per cent of the country's GDP and provides nearly 60 per cent of all job opportunities in the country. The industry, over the last couple of years, has grown at a rate almost double of GDP growth rate of India.

As per the Index of Industrial Production (IIP), the food processing sector has performed better than the manufacturing sector during 2011-12, while the food processing industry grew at 15.1 per cent, manufacturing growth was close to 3 per cent. According to the Annual Survey of Industries (ASI) this sector has a total of 35,838 registered units with an invested capital of nearly ₹ 2.5 lakh crore producing an output of around ₹ 5.8 lakh crore in value terms.

State – wise distribution of factories in Processed Food Industry

According to the ASI 2010-11, the total number of factories in the food processing sector in the country is 35,838. In this industry, highest numbers of factories are in Andhra Pradesh, accounting for about 23 per cent of the total factories in the food processing sector industry followed by Tamil Nadu (15 per cent) and Punjab (8.3 per cent).

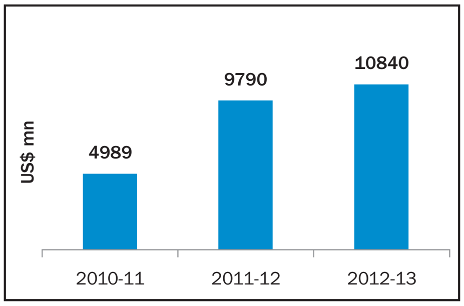
Capital Invested in Food Processing Industries

In terms of investment, food processing sector has registered a positive growth in terms of capital invested. As per the ASI 2010-11, the invested capital in food processing industry stood at ₹ 2.5 lakh crore growing at an Annual Average Growth Rate (AAGR) of 22.17 per cent during five years ending 2010-11 **(Table)**.

Exports

India's Food Processing industry is primarily export-oriented. Exports of processed food have been rising in the recent years **(Chart)**. India's major export destinations for processed food are USA, Europe, Middle East, and South-east Asia. India's processed food exports mainly include mango pulp, dried and preserved vegetables, pickles and chutneys, buffalo meat, basmati rice, and shrimp. Mango pulp is exported to Saudi Arabia, Kuwait, UAE, Netherlands, and Hong Kong. In case of pickles and chutneys, the popular markets are USA, UK, UAE, Germany, and Saudi Arabia. The other items like tomato paste, jams and jellies are exported to USA, Russia, UK, UAE, and Netherlands. Vegetable exports are largely to Middle East, Europe, UK, and Singapore.

Chart : Processed food exports from India



Source : DGCIS

Food Processing Demand Drivers

With changing demographics and rise in disposable income, demand for convenience food has been increasing, in the recent years. Growth in organised retail and private label penetration in the food sector is also giving rise to new processed food products. Government of India has declared food processing a priority sector, which has made it eligible for priority sector lending. It plans to set up one mega Food Park each for a cluster of three-four districts to encourage the food processing sector. Such a move is envisaged to cause creation of infrastructure, transportation, logistics and centralised processing centers. The government's policy push to promote value addition in agriculture is also projected as another factor aiding the growth of the sector. There is a need of higher involvement of scientists and policy makers to help increase productivity. Infrastructure development should be the focus, particularly for storage of perishable goods and reduce the wastage during buffer production.

Reference :

➢ Ministry of Food Processing, Govt. of India

Table : Capital Invested* in Food Processing Industries

Year	2006-07	2007-08	2008-09	2009-10	2010-11(P)	AAGR
Invested Capital (₹Crore)	1,12,484	1,38,996	1,57,062	1,93,850	2,49,337	-
Growth Rate	22.21	23.57	13	23.42	28.62	22.17

*Total of Fixed capital and Physical working capital; P: Provisional Results

Source : Annual Survey of Industries, MOSPI

Manufacturing exports from India have not taken off even though India has several advantages in manufacturing, including engineering skills, a growing domestic market, an established raw material base, and a large pool of skilled labour. India's manufacturing sector accounts for 13.5 per cent of GDP, and India's share in global manufacturing is only 1.8 per cent. This is in stark contrast to the experience of other Asian nations, who were at similar stages of economic development, particularly China, where manufacturing now constitutes 34 per cent of national GDP and 13.7 per cent of world manufacturing — up from 2.9 per cent in 1991. India also suffers from a huge trade deficit, which has been a huge drag on India's current account deficit.

On analyzing India's merchandise exports during the 10 year period 2002-2012, it is observed that close to 50 per cent of the exports constitute agriculture & allied products, petroleum products, and gems & jewellery products. Most of these products in which India has a substantial exports does not involve high-end technology orientation. During the same period, the import of manufactured goods by India has grown faster than exports of manufactured goods, leading to trade deficit shooting up to US$ 199.4 billion in 2012 (at a CAGR of 44.3 per cent) **(Table)**.

Cumulative trade deficit in the manufacturing sector (US$ 30.9 billion) amounted to close to 1/3rd of total current account deficit of the country. Trade deficit in sectors such as capital goods, chemicals, fertilizers, metals and products, paper products, plastic products, rubber, ceramic products, and technical/medical apparatus cumulatively amounted to US$ 74.3 billion, a share of over 84 per cent of India's current account deficit.

Industry-wise analysis reveals that some sectors such as metals and products, footwear and leather products, plastics, and rubber and articles, have turned to negative trade balance in 2012 from positive balance in 2002. Products like capital goods exhibited significant increase in trade deficit in 2012, as compared to 2002 – an increase by 24.4 per cent CAGR. Chemicals and products, fertilizers, and optical products have witnessed a similar increase in trade deficit during the analyzed period.

Transport equipment sector witnessed improvement as its trade balance, which turned positive over the years, facilitated by greenfield FDI inflows, absorption of technologies, quality compliance, etc., through suitable policy measures.

While the neglected status of manufacturing in the domestic economy led to slowdown in exports, import of high-end manufactured products (capital goods, electronics and chemicals) led to widening trade deficit. Export capabilities if strengthened may contain the growing trade deficit.

MNCs have historically not treated India as a major global sourcing and manufacturing hub. Given India's potential as a dominant sourcing hub or primary alternative to China, India must tap into its advantages in skill-intensive industries, and to avoid the risks inherent in single-country sourcing. As the manufacturing sector unleashes its true potential, Indian entities and MNCs alike, will have the opportunity to participate more vigorously in what promises to become one of the world's largest economies. Indian must consider creating a suitable ambience for the promotion of the manufacturing sector. The sector not only has the potential to enhance exports, but also create large scale employment. This will also facilitate Government in achieving its target to increase the contribution of manufacturing in India's GDP to 25 per cent by 2022.

Table : Trade Deficit in Select Manufacturing Sectors

PRODUCT DESCRIPTION WITH HS CODES	INDIA'S EXPORTS (US$ bn)		CAGR (%)	INDIA'S IMPORTS (US$ bn)		CAGR (%)	TRADE BALANCE (US$ bn)	
	2002	2012	2002-12	2002	2012	2002-12	2002	2012
Capital Goods (HS codes 84, 85)	3.0	21.7	24.6	9.2	65.9	21.8	-6.2	-44.2
Transport Equipment (HS codes 86-89)	1.2	18.2	35.3	1.5	13.6	24.3	-0.3	4.7
Chemicals and Products (HS codes 28, 29, 32, 33, 34, 36, and 38)	3.73	21.2	21.4	4.3	27.0	20.2	-0.5	-5.7
Fertilizers (HS code 31)	0	0.1	-	0.4	7.9	35.4	-0.4	-7.8
Pharmaceutical products (HS code 30)	1.2	9.6	25.3	0.2	1.8	23.2	1.0	7.8
Textiles, Apparels and Products (HS codes 50-63)	11.3	32.6	12.5	1.6	5.2	12.4	9.8	27.5
Metals and Products (HS codes 72, 73, 74, 76, and 79 to 83)	3.7	21.7	21.4	2.4	26.2	27.1	1.4	-4.4
Paper & paperboard, articles of pulp, paper and board (HS Code 48)	0.2	0.9	15.7	0.4	2.3	18.6	-0.2	-1.3
Printed books, newspapers, pictures etc (HS code 49)	0.07	0.3	19.2	0.2	0.7	12.3	-0.1	-0.3
Footwear, leather, products of animal origin (HS codes 42, 43, 64)	0.8	4.0	18.6	0.0	0.6	33.1	0.8	3.4
Plastics and articles thereof (HS code 39)	0.9	4.9	20.0	0.9	9.3	26.5	0.1	-4.3
Rubber and articles thereof (HS Code 40)	0.4	2.7	21.1	0.3	3.9	27.5	0.1	-1.1
Ceramic products (HS Code 69)	0.1	0.4	17.9	0.1	0.7	26.7	0.0	-0.3
Optical, photo, technical, medical, etc apparatus (HS code 90)	0.3	2.1	22.0	1.3	6.9	18.3	-0.9	-4.8
Total Above	***27.4***	***140.8***	***19.9***	***22.8***	***171.7***	***22.4***	***4.6***	***-30.9***
All Commodities	***50.1***	***289.5***	***21.5***	***57.5***	***489.0***	***23.9***	***-7.4***	***-199.4***

Source : MoCI, EXIM Bank Analysis

Investment Opportunities in CLMV Region

The CLMV countries, comprising Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, and Vietnam are an integral part of the ASEAN region, covering 32 per cent geographical area of the ASEAN region, and accounting for around 9 per cent of ASEAN's Gross Domestic Product (GDP). These countries have been undergoing economic transitions from central planning to market economy, from inward looking to outward - looking economic development strategies and policies. The CLMV economies, which are considered among the fastest growing economies in the region, are primarily agrarian, and have enjoyed certain degree of macroeconomic stability in recent years, with vast potential for future developments. These economies are endowed with abundant natural resources and low-waged labour forces. However, they are plagued by underdeveloped infrastructure and logistics.

In order to attract FDI, the government of Cambodia has strengthened the country's legal framework, bolstered its institutions and liberalized the relevant regulations in ways that are conducive to private sector investment and business activities in Cambodia. Cambodia's open economy, plentiful natural resources and low-cost workforce offer many opportunities to investors. Areas of opportunity for investment in the country include agro processing; infrastructure-rail, roads, bridges, power transmission, transport communication; tourism; energy sector; high technology industries.

In Lao PDR, FDI has been playing an important role in development. Majority of investments are currently concentrated in hydropower and mining, with close to three quarter of total FDI in Laos directed to these two sectors. The country has huge potential for hydropower generation. Likewise, the country has abundant mineral wealth, with only 30 per cent been explored, thus providing opportunities for investment. Increasingly, investments are also pouring into agro-business, tourism and other services industries. As a landlocked country located between China, Thailand and Vietnam, the government has placed strong emphasis on improving regional transport links in order to expand trade and investment opportunities. In addition, the government has also set a goal of electrification of 90 per cent households by 2020. Lao PDR's shortage of skills is one of the prominent factors that concern businesses and investors. Thus improving human capital has been set as a priority area of investment.

Myanmar's recent reforms open a range of economic opportunities, mainly on account of its strategic geographical location and abundance of natural resources. It is expected that by 2030, seven sectors namely manufacturing, agriculture, infrastructure, energy, tourism, financial services and telecom could generate an economic output of more than US$ 200 billion. Telecommunications, including mobile telephony, is in urgent need of investment as the country has a low mobile penetration rate of 1.5 per cent and an internet penetration rate of 0.2 per cent. Myanmar's financial sector which is still relatively underdeveloped due to its isolation from the global banking system also presents opportunities for collaboration. Large scale power generation is a critical issue for Myanmar, with a modest power consumption of around 103.7 kWh per capita. In manufacturing, abundance of low cost labour presents an opportunity to expand into labour intensive and export oriented manufacturing, including the garment sector. Another area of importance is infrastructure development, which encompasses rail-road-air-port connectivity, logistics and water supply. It is estimated that by 2030, infrastructure could contribute US$ 49 billion to national economy. The tourism sector possesses huge potential given the country's natural and cultural features and sites. Myanmar is a resource rich country with large unexplored reserves of both on-shore and off-shore oil and gas. In addition, Myanmar has abundance of jade, rubies and sapphire.

Priority sectors for investment in Vietnam would include high-tech production; Infrastructure; education & training, vocational training; healthcare; manufacturing and auxiliary industry.

The Business Conclave: Cambodia, Laos, Myanmar, Vietnam (CLMV) - "Creating New Economic Opportunities"

The CLMV Business Conclave was held during October 21-22, 2013 in New Delhi, and highlighted the investment potential for Indian industry in the ASEAN group of least-developed countries (LDCs), especially resource sectors and knowledge industries in sectors of infrastructure, agriculture, manufacturing and services. It was attended by over 50 member delegation from CLMV countries and over 150 delegates from India. The Conclave opened with a special session on 'Building Connectivity: Linking the Region'. During the session, it was pointed out that the robust physical connectivity between India and the CLMV countries will not only boost bilateral trade and investment flows but also bring the people of the two regions closer to each other. In this connection, it was mentioned that the various physical infrastructure projects undertaken for strengthening India-CLMV connectivity are making good progress, and hence the focus should be on creating the soft infrastructure that facilitates effective use of the physical infrastructure for seamless movement of people and goods between the two regions.

Marketing Advisory Services
October - December 2013

The Bank plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies through its Marketing Advisory Services. The Bank provides assistance in helping Indian firms in their globalisation efforts by locating overseas buyer/distributor for their products and services on a success fee basis.

The Bank with help of its in-house Research & Planning Group released an operational paper on Indian Horticulture and concluded the need to tap the export potential for mango and processed products of mangoes.

A Mumbai based manufacturer & exporter of wide range of tropical fruit pulps, puree, concentrates and vegetable powder approached the Bank for a term loan towards the expansion of its manufacturing unit and to meet its regular working capital requirement in form of pre & post shipment finance.

Bank with help of its in-depth knowledge and understanding of the international market, approached an UK based importer and introduced this exporter. With the assistance of Exim Bank's overseas office and through rigorous follow up, the exporter was able to receive over ten orders in a time frame of 12 months for its Mango Pulp in tin packing for retail consumption. Through Exim Bank's assistance the product was successfully placed, garnered much desired attention from customers and exporter expanded its current customer base in the global market. Subsequently, repeat orders are being placed and value additions are being carried out by the Exporter based on the Banks inputs.

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Eximius Centre Activities
October - December 2013

Eximius Centre (EC) in association with Federation of Indian Exports Organisation (FIEO) had organised Two days conclave on North East (NE) states on Sept 24-25, 2013. This was organised to analyse potential strength of NE states in tea, spices, handicrafts, textiles, garments, etc., and scope for enhancing its exports.

EC in association with Ministry of Finance, Government of India has conducted Interactive sessions on Services sector at Kochin and Kolkatta on October 4 and 8, 2013 respectively. The objective of the meetings was to interact with select service providers and institutions/ associations, with a view to elicit responses and feedback from stakeholders, which in turn would serve as key inputs for the Government of India's strategy for India's services sector and exports. Meetings were chaired by Dr. HAC Prasad, Senior Economic Adviser and Additional Secretary, Ministry of Finance.

EC and FIEO organised a Seminar on “Trade and Investment Opportunities in Vietnam” on October 17, 2013 in Bangalore. The objective of the programme was to create awareness among people the available opportunities for Trade and Investment in Vietnam and Products and Services of Exim Bank.

EC and Visvesvaraya Trade Promotion Council (VTPC) have conducted series of Export Management Training Programmes during the month of June, July and August & December 2013 at Darvad-Hubli & Bangalore. The programme is conducted for the benefit of exporters/budding exporters and also aimed at motivating them in export business.

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Book Review

Reimagining India: Unlocking the Potential of Asia's Next Superpower

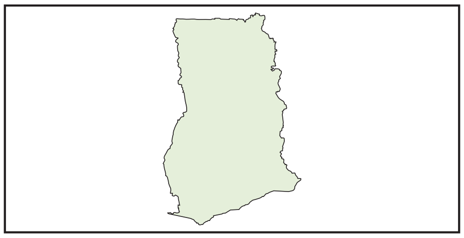
The book is a compilation of more than 60 essays on India's challenges and opportunities written by 82 leading Indian and global thinkers that include industrialists, academicians, global CEOs. The book probes India's anxieties about its uneven progress on the path to becoming 'Asia's next superpower'. The book offers fresh thinking on Asia's next superpower 'India' which is reclaiming its historical prominence in the world economy.

Recently, many western economies struggled to recover from global recession, India's multitudes earn it a place alongside China as one of the world's two indispensable emerging markets. India, with its 1.2 billion people, half of them under the age of 25, is expected to overtake China as the world's most populous nation before 2025. In good years, India's sprawling economy has shown itself capable of growing as rapidly as China's.

With increasing confidence, CEOs of India's leading companies are venturing overseas, making headlines with high-profile acquisitions. Indian companies are thriving in other key sectors such as pharmaceuticals, petrochemicals, and steel, demonstrating a capacity for efficiency and innovation that is changing the global competitive landscape.

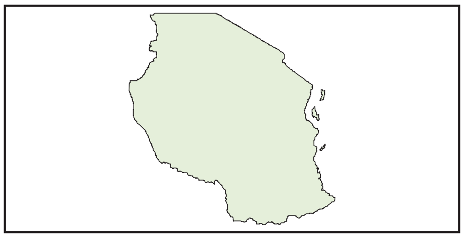
The book has essays on strengths and weaknesses of India's political system, growth prospects for India's economy, the competitiveness of Indian firms, and Indian foreign policy. The book explores how India might harness the power of new technologies, improve its infrastructure, expand access to healthcare, revamp its educational system, rethink its energy strategy, and halt destruction of its environment. But there are also essays on 'softer' topics such as bollywood, cricket, Indian cuisine, chess, classical dance, and India's bid for a stronger performance in the Olympics.

Ghana



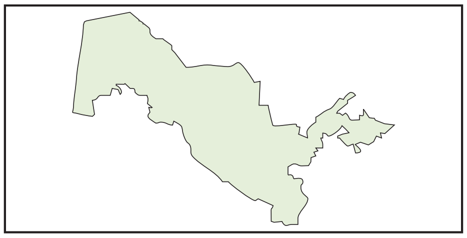
According to UNCTAD's Global Investment Trends Monitor (GITM) released in October 2013, FDI flows to Ghana slowed to US$1.5 billion as the end of first-half of 2013 from US$1.6 billion during the second-half of 2012. According to the same report, Indian automotive manufacturer, Mahindra, is looking to set up a vehicle-assembly plant in partnership with a local Ghanaian firm, raising hopes for a diversification of investments away from the oil and mining sectors. Ghana has also announced plans to set up a specialized fund to deal with the country's infrastructural deficit. The World Bank has also recently ranked Ghana as the fourth country in Africa which has the highest public debt in relation the total value of the economy. In August 2013, World Bank has given Ghana US$10 billion, most of which has come from the Bank's facility for the world's poorest nations – the International Development Association (IDA). About US$ 8 billion of the total funding were grants and interest-free credits to the government.

Tanzania



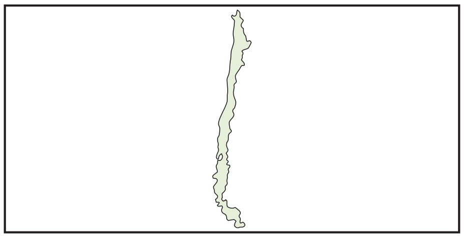
According to the International Monetary Fund Tanzania is projected to achieve a growth rate of over 7 per cent in 2014. According to Tanzania's National Bureau of Statistics, in the second quarter of 2013, the economy grew 6.7 per cent compared to 6.4 per cent in the previous year. In November, UK Department for International Development (DFID) announced plans to invest in four agricultural projects in Tanzania totaling GBP 20 million. The investment scheme is part of a UK plan to cut back on foreign aid and increase private sector involvement in economic development in Tanzania by investing in local entrepreneurs, and increasing the number of UK companies doing business. Tanzania and China have also signed seven contracts, totaling US$ 1.7 billion, for investments in electricity, residential and business real-estate construction, and research.

Uzbekistan



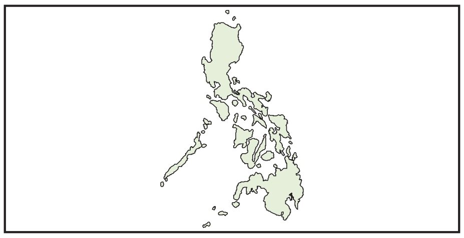
Uzbekistan is one of the world's biggest producers of cotton and is also rich in natural resources, including oil, gas and gold. The Asian Development Bank (ADB) will be providing a loan totaling US$110 million for a 100-megawatt solar power plant in Samarkand, Uzbekistan to promote large scale solar energy development in the country. In recent times, Uzbekistan's state railway company Uzbekistan Temir Yullari (Uzbekistan Railways) has announced tenders to purchase equipment for electrification of 466 kilometers of railways in the south of the country. By 2019 Uzbekistan Railways plan to spend US$ 1.2 billion for electrification of three rail sections with a total length of 715 kilometers, which will allow a 20 per cent increase in passenger and freight traffic to and from the Uzbek south, the venue of several large investment projects. The railway electrification will also help increase freight traffic to and from neighboring Afghanistan. Uzbekistan's national energy company Uzbekenergo will start construction of a new gas-fueled power plant intended to increase power supply to the Navoi Mining and Metallurgical Plant.

Chile



Chile's central bank expects economic growth to slow to 4.2 per cent in 2013 and has cut its forecast for growth and inflation during 2014 amid weaker-than-expected domestic demand. The central bank has cut the benchmark interest rate twice in the past two months as domestic demand eased and inflation rate fell below the 2-4 per cent target range. Chile is the world's top copper producer and has benefitted greatly from the huge demand for the metal from China, its top trading partner. In its annual economic survey on Chile, OECD has advised on reforming tax systems in the country. The World Bank, in its latest edition of "Doing Business" report has confirmed Chile as the best country in Latin America to do business, placing it at 34 out of 189 nations surveyed.

Philippines



According to Department of Budget and Management (DBM), government expenditures for infrastructure and other capital outlays grew by 33.9 per cent in the first 9 months of 2013. In October 2013, Philippines completed its transformation into investment grade status after it won a credit rating upgrade from Moody's. The United Nations Conference on Trade and Development (UNCTAD) in its World Investment Report 2013 has rated Philippines among the top 20 investment destinations globally.

Euro (EUR)

The Euro is managed and administered by the European Central Bank (ECB). ECB as the independent central bank determines the monetary policy. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area.

In current conditions, it would be tempting to argue that the rise in euro is appropriate given that Euro zone economy has shown signs of revival. But the reality is that the pick-up in activity is modest. It is unlikely to drag down lofty unemployment rates quickly, or deliver a robust cyclical improvement in fiscal balances. Nor is inflation an issue with CPI currently at a low of 0.7 per cent YoY, in fact the threat of deflation is growing. With such a fragile foundation, the recovery can ill afford a stronger euro. Interest rate reduction is clearly a potent tool. For example, in November the decision to cut interest rates saw EUR-US$ fall swiftly from 1.35 to 1.33. Indeed, the euro has generally shown a rising correlation to medium term interest rates expectations. President Draghi made it clear that a further rate reduction is a possibility. He reminded markets that refinancing rate is not yet at the zero bound and that the ECB is technically prepared for a negative deposit rate.

The decision to cut interest rates by the ECB in November may have been influenced by lower than expected inflation. With further easing likely in the Euro zone and a drift towards the exit from monetary easing likely in the US, monetary policy is unusually heading in opposite directions in the Euro zone and US. It is a combination that is believed to continue to drive EUR-US$ lower and market expects EUR to be at around 1.30 by year end and 1.24 for end 2014. The euro was trading at 1 EUR = 1.3776 US$ on December 31, 2013.

Chinese Yuan (CNY)

The CNY has been the best-performing Asian currency since the October Federal Open Market Committee (FOMC) meeting. Prudent monetary policy by the People's Bank of China (PBOC) has kept interbank liquidity relatively tight. Economic data continued to show stabilization in the domestic economy. Moreover the PBOC has continued nudging the onshore CNY fix lower despite renewed US dollar strength. This has fuelled expectation of a band widening move and further foreign exchange (FX) reforms. The market expects policy makers to continue to push forward with CNY internationalization and capital account liberalization measures. The market expects more detailed measures on FX liberalization and capital convertibility to emerge now that the third Plenum has been completed.

The PBOC's recent daily FX operations – via both intervention and movements in the USD-CNY fix suggest that FX liberalization, including a potential widening of USD-CNY's daily trading band, could be around the corner. The new Shanghai Free Trade Zone should start to take off when more detailed rules are announced after the plenum. It is expected that the zone will be a test ground for CNY convertibility, enhancing offshore CNY liquidity over time. China's FX reserves increased by US$ 166 billion in Q3, the biggest quarterly gain since Q1 2011. FX inflows have rebounded strongly after posting a small net outflow in late 2Q. Strong inflows pressures are supporting the CNY but this is challenge for the authorities when trying to introduce more market driven FX reforms. As on December 31, 2013 CNY was quoted at 1 US$ = 6.0540 CNY.

Mexican Peso (MXN)

The Mexican Peso is managed under a floating exchange regime with the exchange commission consisting of members from the Secretariat of finance and the Central Bank. Mexico has in place an option mechanism to accumulate US dollar reserves and US dollar selling scheme to reduce volatility of the currency without disturbing the principles of a floating exchange rate regime.

A confluence of factors have led to a weakening of the MXN, including softer domestic growth, concerns over a wider fiscal deficit and a stronger US dollar across all Emerging Markets– in line with rising US yields. However, it is believed that there is room for the MXN to stage a recovery, based on three assumptions. First, the US dollar yields will not rise significantly. Second, growth in Mexico will rebound (economists expect to 4.1 per cent in 2014) and that stronger US activity will ultimately be deemed to be a positive factor for Mexican assets. Lastly, markets see room for some upside surprise from the energy reforms slated to be passed by year end.

To date, the government has indicated that they will favor profit-sharing contracts for foreign oil companies, but media reports have suggested the government may consider more attractive production-sharing contracts or even concessions. This could see accelerated foreign investment, and more room for the MXN to recover from current levels. As of December 31, 2013 the exchange rate stood at 1 US dollar = 13.0995 MXN.

India's Trade Deficit down by 13.4% in H1FY2014

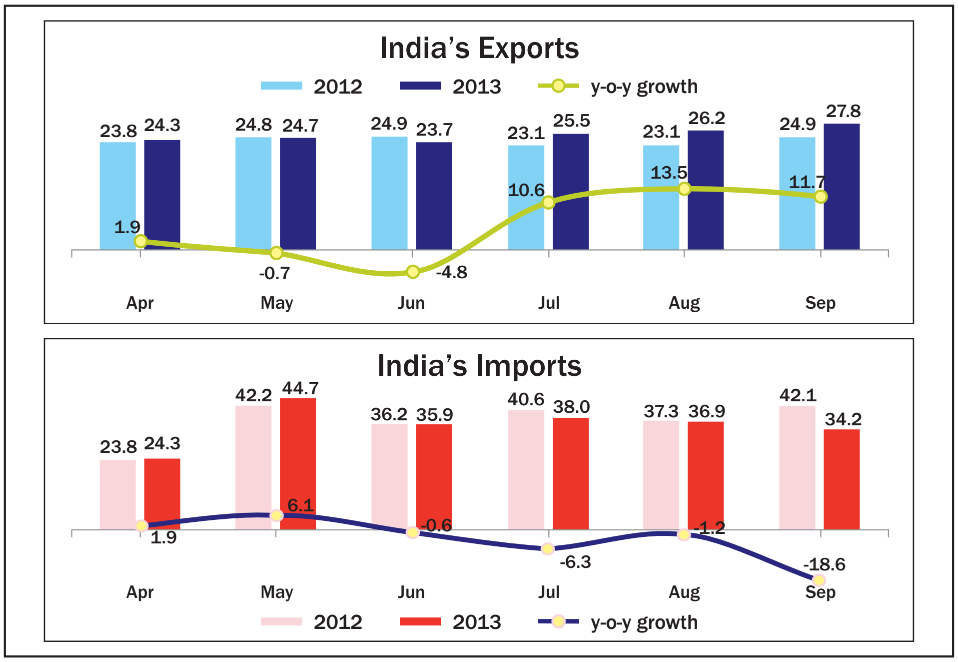
India's foreign trade (exports+imports) during the first half of 2013-14 (April-September) has shown positive signs of recovery after a slowdown in the preceding year. During April-September 2013-14, India's exports grew 5.2 per cent to US$ 152.3 billion as compared to US$ 144.7 billion (registering a 6.2 per cent fall) in the preceding year. While imports declined by 2 per cent to US$ 231.8 billion, as compared to US$ 236.5 billion during the same period in the preceding year. The rise in exports and decline in imports was mainly in the second quarter of the fiscal (**Chart 1**). Accordingly, India's trade deficit declined by 13.4 per cent to US$ 79.5 billion as compared to US$ 91.8 billion during the corresponding period in the preceding year.

Exports grew at 5.2 per cent during the first half of the fiscal mainly on the back of rise in export of petroleum products that grew by 17.6 per cent, textiles (13.3 per cent), and chemicals (5.8 per cent). Though India's overall exports during the period have exhibited a strong recovery, growth in India's engineering goods exports - the second largest contributor to the country's export basket, was slow-paced at 0.9 per cent during the same period. Among engineering goods, growth in machinery & instruments (3.8 per cent) and transport equipments (3.3 per cent) was offset by a fall in export of manufacture of metals (9.6 per cent).

As regards imports, growth in India's import of petroleum crude, which accounted for 35.8 per cent of India's total imports, eased at 3.7 per cent during the first half of 2013-14, as compared to a 5.8 per cent during the corresponding period in the preceding year. Machinery imports, which accounted for 9.1 per cent of India's total imports, declined by 13.2 per cent during the first half of 2013-14.

Demand from European countries for India's exports recovered in 2013-14. India's exports to European Union (EU) - 27 grew by 5.4 per cent during the first half of 2013-14, as compared to a decline of 10.9 per cent recorded in the corresponding period of the previous year.

Chart 1 : India's Foreign Trade - A Monthly Analysis (US$ billion)



Source : Ministry of Commerce, Government of India

As regards imports, India's imports from China-largest source for India's machinery imports, declined by 4.1 per cent during first half of 2013-14. Imports from UAE and USA also declined by 15 per cent and 7.8 per cent, respectively, during the first half of 2013-14.

With the recovery in India's foreign exports, Government of India aims to achieve an export target of US$ 325 billion in 2013-14, with increased focus on markets in Asia (including ASEAN), Africa and Latin America.

During the year, the government took several steps to curb its imports bills including raised import duty on gold, platinum and silver. To maintain its foreign exchange reserves, a number of measures were also announced including liberalizing external commercial borrowing norms, quasi-sovereign bond issuances by public sector financial institutions to finance long-term infrastructure, and allowing sovereign wealth funds to invest in tax-free bond issuances of a few state-run institutions.

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

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Trade and Investment Opportunities

Trade Opportunities

Handicraft & Home Décor

A design led brand which works with rural communities & self help groups for creating handcrafted home décor items such as furniture, apparel, gift & décor, home linen, natural fiber, and accessories.

Cashew Kernels

An ISO certified renowned processer and exporter of whole cashew kernels offers white whole & scorched whole cashews in all type of grades such as 150, 180, 210, 240, 320, 450 etc.

Agro Commodities

Leading agricultural commodities trader involved in processing & exporting of a wide variety of spices, dehydrates, sesame seed, raisins, peanuts, pulses, cereals and bird seeds.

Lifting Tower

Indian engineering company offering multi-purpose mobile lifting and lighting tower. Usage of the product is in varied sectors i.e. homeland security, police & fire dept, surveillance of temporary mining sites & disaster management.

Glass & Kitchen wares

Indian manufacturer offering world class kitchen and table wares. The products are blend of international sophistication, unique glaze and eco-friendly property. Product has been appreciated in UK, South Asia, Middle East and Europe.

Marble Handicrafts

Indian manufacturer offering a wide variety of marble decorative & handicrafts. The products are meticulously crafted using Meenakari work of Rajasthan.

Investment Opportunities

Acquisition / Joint Venture in India

One of the largest Japanese Aluminium based building material company is looking for acquisition or JV (equity participation) with an Indian manufacturer & distributor of Aluminium Window & Door companies or other Aluminium Sash product with wide distribution and sales network. The core business area of the target company would be:- (a) Building fixtures - Sashes, Curtain walls etc (b) Housing fixtures - Sliding doors for Front entrance, Kitchen entrance, Bathroom etc (c) Exterior fixtures - Gate doors, Fences, Functional gateposts, Carports etc.

Investment Merits: - The Japanese company is open to provide access to their technology and products, for sales in India and to neighbouring countries.

Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.

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