

EXIMIUS: EXPORT ADVANTAGE



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Recent Economic Developments in the Global Economy

Introduction

The global economy showed signs of revival in 2010, having suffered a financial setback in the preceding year. According to the International Monetary Fund (IMF), global activity expanded by 5.1 percent in 2010, as against a contraction of 0.5 percent in 2009. This was primarily attributed to the improved medium-term growth outlook in the emerging and developing economies, which recorded real GDP growth of 7.4 percent in 2010. Advanced economies grew by 3.0 percent in 2010 against the 3.4 percent contraction in 2009 (Chart 1).

However, the world economy has not fully recovered and output is expected to ease at 4.3 percent in 2011 and 4.5 percent in 2012, owing to the associated downside risks to recovery. Economic activity in emerging and developing economies is forecast to grow at 6.6 percent in 2011 and 6.4 percent in 2012 while that in advanced economies is 2.2 percent and 2.6 percent, respectively. The new fiscal package passed in late 2010 in the United States is expected to bolster the overall growth of advanced economies in the forecast period.

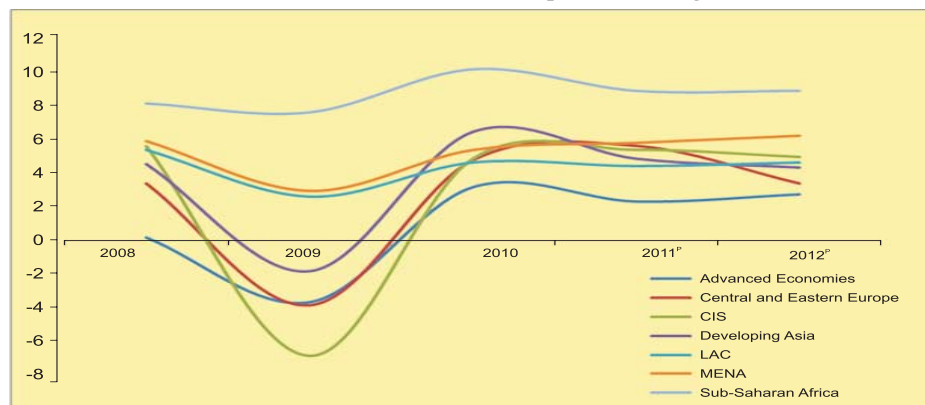
While growth and recovery prospects in the advanced economies are subdued with significant output gaps and elevated unemployment levels, among the emerging and developing economies, those with strong fundamentals before the crisis, smaller output losses during the crisis, and diversified export partners, are expected to have a fast-paced growth and recovery. The financial sectors of most advanced economies are likely to be vulnerable to shocks and need to repair their financial balance sheets. Emerging economies, on the other hand, would need to guard against overheating and credit booms, and focus on exchange rate flexibility.

Developed Economies

The US economy, with a growth rate of 2.9 percent in 2010 was close to its pre-crisis level of output. Economic activity slowed down in the second quarter of 2010 but gained momentum in the third and fourth quarter buoyed by a pickup in private demand coupled with a fast-paced rise in consumer spending. However, the overall recovery has been slow, as the labour market remains subdued. The US economy is yet to get over the high levels of retrenchment in 2008 and 2009. However, the new fiscal stimulus package announced by the US government in December 2010, is expected to push up the output by 2.5 percent in 2011 and a further 2.7 percent in 2012.

Real GDP growth in the Euro area was at moderate levels of 1.8 percent in 2010, mainly driven by high growth levels in Germany. Stronger domestic demand pushed Germany's growth to 3.5 percent in 2010, against the 4.7 percent decline in 2009. However, it is forecast to moderate at 2.5 percent in 2011 owing to withdrawal of fiscal support and slowdown in external demand growth. Growth was subdued in

Chart 1: Real GDP Growth (percent change)



P Projections

Source: International Monetary Fund (IMF), World Economic Outlook (WEO), April 2011 and June 2011 update



France and Italy at 1.4 percent and 1.3 percent, respectively in 2010. Growth in Greece, Ireland, Portugal, and Spain was much lower, constrained by fiscal imbalances. In 2011, growth for the region is forecast to ease at 2.0 percent in 2011 and 1.7 percent in 2012 due to the financial stresses that would raise concerns from market participants.

Japan's economy grew by 4 percent in 2010, owing to the sizable stimulus measures that strengthened consumption in the third quarter and the rebound in exports. Growth in Japan is expected to slow down at 0.7 percent in 2011, partly reflecting the tsunami tragedy that devastated the country, and is expected to be supported by reconstruction activity in later quarters of 2011. Reconstruction spending is expected to continue in 2012, though at a slower rate than in 2011. The economy is forecast to gradually recover with a growth rate of 2.9 percent in 2012.

The Newly Industrialised Asian Economies grew by a robust 8.4 percent in 2010, mainly driven by a rebounding inventory cycle, strong domestic activity, and soaring demand for exports from these economies. Property markets in the region are also experiencing an appreciation, resulting in adoption of macro prudential policies. These policy measures are likely to affect the economy in the following year, moderating the growth to a sustainable 5.0 percent in 2011.

Emerging and Developing Economies

Asian Region

Driven by strong export performance, buoyant domestic demand and rapid credit growth, developing Asia continued its growth momentum, real GDP growing at 9.6 percent in 2010. Growth is however, projected to moderate at 8.4 percent in 2011. Policy tightening in economies in the face of demand pressure, policy adjustments in advanced economies, high levels of inflation and accommodative monetary policies are expected to lead to this moderation. China and India are the main drivers for expansion in this region. China's real GDP grew by an impressive 10.3 percent in 2010, the highest growth level achieved since 2007, spurred by loose credit conditions and government-backed stimulus packages. Economic activity is

projected to moderate at 9.6 percent 2011, on account of the policy tightening and fiscal stimulus coming to an end. India, on the other hand, grew at 10.4 percent in 2010, owing to the country's strong growth fundamentals of high savings and investment rates, fast-growing labour force, and rapidly expanding middle income-class. The Indian economy is expected to grow by 8.2 percent in 2011 supported by an increased corporate investment in infrastructure.

Latin America and the Caribbean Region

Strong macroeconomic policy fundamentals, sizable policy support, favourable external financing conditions, and strong commodity revenues have strengthened recovery in the Latin America and Caribbean (LAC) region. The region's real GDP grew by 6.1 percent in 2010, mainly driven by the robust demand from China and rising commodity prices. GDP growth of the region is projected to ease at 4.6 percent in 2011, as Central American and the Mexican regions prospects are tied to the developments in the United States. Brazil, Mexico, Chile, Colombia and Peru experienced robust growth on the back expanding labour force, real wage growth, credit expansion, strong commodity price and growth in investments. Growth in the Central American region was subdued in 2010, owing to weak prospects for tourism and remittances, and limited scope for policy support resulting from chronic public debt burdens.

Sub-Saharan Africa Region

Real GDP of the Sub-Saharan region expanded by 5.1 percent in 2010, as against the 2.8 percent growth recorded in the preceding year. This was backed by a growth in domestic demand, rebound in trade and commodity prices and accommodative macroeconomic policies. The main drivers of the region are the oil exporting countries and the Low Income Countries (LICs). Increased oil production coupled with infrastructure investment as well as increased agricultural production has enhanced growth in these economies. The South African economy grew at a modest rate of 2.8 percent in 2010, but growth is likely to ease in 2011

on the back of the falling domestic demand, resulting in excess capacity and hence holding back private investment.

Middle East and North African Region

The rebound in oil prices boosted the economy of the Middle East and North African (MENA) region, with a real GDP growth of 4.4 percent in 2010. The growth rates in the oil exporting nations was a result of the expansionary policies adopted by the Governments, while in the oil-importing economies, growth was supported by the strong capital inflows. However, political discontent, high unemployment, rising food prices have resulted in social unrest in a number of countries, which is likely to have a dampening effect on short term growth in 2011.

Emerging Europe

Average growth in Central and Eastern Europe region strengthened in 2010, a result of normalisation of global trade and capital flows in the region. The region grew at an average of 4.5 percent in 2010 and is expected to strengthened to 5.3 percent in 2011.

Recovery in Commonwealth of Independent States (CIS) was anchored by high commodity prices, normalised trade and capital inflows, accommodative policies, and positive regional spillovers. Real GDP of the region increased by 4.6 percent 2010 and is further expected accelerate to 5.1 percent in 2011. The Russian economy grew by 4.0 percent in 2010, underpinned by stockbuilding, and recoveries in private consumption and fixed investment. High commodity prices benefited the exports from the region, while at the same time, recovery in private consumption led to increased imports. The rest of the CIS region expanded by 6.0 percent in 2010 and is expected to moderate at 5.6 percent in 2011. For most CIS economies, growth prospects remain highly dependent on the speed of recovery in Russia, which could surprise in either direction. Higher commodity prices represent an upside risk to growth in commodity-exporting economies in the region, while increased global risk aversion or lower external demand from advanced economies present downside risks to growth.



World Trade

According to IMF's *WEO, April 2011*, global merchandise exports amounted to US\$ 15 trillion in 2010, implying a rise of 21.4 percent over the previous year's total of US\$ 12.3 trillion. In volume terms, the growth in global merchandise trade in 2010 increased by 12.4 percent as compared to 10.8 percent contraction witnessed in 2009. While advanced economies registered a growth of 11.6 percent in volume of merchandise exports in 2010, emerging and developing economies registered a growth of 13.7 percent (Table 1). The world trade prices of non-fuel primary commodities rose by 26.3 percent in US dollar terms in 2010 as against the 15.7 percent fall in 2009. Oil prices, which contracted by 36.3 percent in 2009, also expanded by 27.9 percent in 2010. World trade price of manufactures increased by 3.0 percent in 2010, as against the 6.3 percent fall recorded in 2009. World export of services amounted to US\$ 3.7 trillion in 2010, implying a 8.3 percent rise over that recorded in 2009.

During 2011, world merchandise exports are projected to grow by 18.2 percent, taking annual global exports to US\$ 17.7 trillion, supported by the positive growth in global commodity prices. Growth in service exports is expected to rise from US\$ 3.7 trillion in 2010 to US\$ 4.2 trillion in 2011.

Table 1: Global Trade Flows in Goods and Services (percent change)

Region	2008	2009	2010	2011 ^P	2012 ^P
World Trade Volume	2.7	-10.8	12.4	8.2	6.7
Imports					
Advanced Economies	0.4	-12.5	11.6	6.0	5.1
Emerging and Developing Economies	8.8	-7.9	13.7	12.1	9.0
Exports					
Advanced Economies	1.9	-12.0	12.3	6.8	6.1
Emerging and Developing Economies	4.0	-7.9	12.8	11.2	8.3

P Projections

Source: IMF, *WEO, April 2011 and June 2011 update*

Private Capital Flows, Current Account Balances and External Debt of Emerging Economies

The recovery in net private capital inflows to emerging market economies surged since early 2009. Net private inflows were at US\$ 940.1 billion in 2010, as compared to US\$ 473.2 billion in the preceding year. The recovery was led by portfolio and bank flows and a falling share of foreign direct investment (FDI) inflows (Table 2).

Table 2: Emerging and Developing Economies: Private Financial Flows (US\$ billion)

Region	2008	2009	2010	2011 ^P	2012 ^P
Emerging and Developing Economies	230.3	236.6	470.1	388.1	411.5
Central and Eastern Europe	153.4	29.0	75.4	119.5	139.7
Commonwealth of Independent States	-96.2	-62.0	-23.7	6.2	10.7
Developing Asia	49.4	162.6	280.7	169.7	125.2
Latin America and Caribbean	66.3	33.1	104.3	131.1	137.8
Middle East and North Africa	33.0	49.5	11.6	-75.3	-40.2
Sub-Saharan Africa	24.5	24.4	21.7	36.9	38.2

P Projections

Source: IMF, *WEO, April 2011 and June 2011 update*

Current account surplus of the emerging economies increased to US\$ 378.1 billion in 2010, from US\$ 326.6 billion recorded in the previous year. In the emerging Asian region, the aggregate current account surplus reduced to US\$ 308.1 billion in 2010, from US\$ 328.2 billion in 2009.

In emerging Latin America, current account deficit increased to US\$ 56.9 billion in 2010 from the deficit of US\$ 25.0 billion in the previous year. In emerging Europe, the current account deficit increased from US\$ 44.3 billion in 2009 to US\$ 76.0 billion in 2010. However, in the Africa and Middle East region, current account surplus jumped from US\$ 47.9 billion in 2009 to US\$ 152.8 billion in 2010.

External debt of emerging and developing economies, as a proportion of their exports of goods and services, decreased to 77.4 percent in 2010 from 89.8 percent in 2009. The ratio in the case of Central and Eastern Europe and CIS region also decreased to 181.4 percent as against 196.2 percent in 2009 and 110.4 percent from 139.9 percent in 2009, respectively. The ratio has also decreased for Middle East Region to 66.4 percent in 2010 from 76.8 percent in 2009. The ratio in emerging Asian region fell to 45.4 percent in 2010 from 52.6 percent in 2009. In Sub-Saharan Africa and the Latin America and Caribbean region, the ratio has declined and stood at 59.3 percent and 102.8 percent, respectively, in 2010. Overall, the debt-service payments ratio of the emerging and developing economies dropped to 27.3 percent in 2010 from 28.2 percent in 2009.

PROJECT OPPORTUNITIES

Business Opportunities Updates : Upcoming Projects

Select opportunities for Indian exporters in upcoming projects around the world, funded by multilateral funding agencies such as World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development are given alongside.

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

Interested exporters need to contact the concerned executing agencies to pursue the business opportunities. Our Multilateral Funded Projects Overseas (MFPO) team at Centre One Building, World Trade Centre Complex, Mumbai, would be glad to be of help. Please contact **Mr. Priyanshu Tiwari / Mr. Ashish Kumar** on Tel: 22172319.

Country /Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Nepal Electricity Authority (NEA) Durbar Marga PO Box 10020 Kathmandu Nepal Contact: Dr. Jivendra Jha Managing Director Tel: (+977) 1 415 3007 Fax: (+977) 1 415 3009 E-mail: neamd@mos.com.np	Nepal - India Electricity Transmission and Trade Project The project requires design, construction and operation of 400kV double circuit transmission lines, grid synchronisation and installation of properly tuned power system stabilisers in the major power generating stations and other measures in Nepal. The project also includes technical advisory services to Nepal Electricity Authority (NEA) for the preparation of a transmission system master plan for future transmission system development in Nepal and for development of additional cross-border interconnections.	World Bank US\$ 99 mn
Ministry of Energy and Natural Resources (Government of Armenia) Government Building 2 Republic Square Yerevan 0010 Armenia Contact: Project Director Tel: (+374-10) 521964 Fax: (+374-10) 526365 E-mail: minenergy@minenergy.am	Electricity Supply Reliability Project There are two components to the project. The first component includes replacement of around 230 km section of transmission line from the Hrazdan thermal power plant to Shinuhayr substation. The second component of the project is technical assistance, which includes training of the staff of the High Voltage Electric Networks (HVEN) to strengthen their capacity in technical supervision, planning, procurement, financial management and project management.	World Bank US\$ 39 mn
Romanian National Railway Company-CFR 38, Dinicu Golescu Blvd 010873, Bucharest 1 Romania Contact: Mr. Ion Stoichescu Director General Tel: (+40) 21 319 24 40 Fax: (+ 40) 21 311 18 08	Main City Railway Stations Enhancement Project The project includes the modernisation works and supervision services in five main city railway stations: Cluj-Napoca, Iasi, Constanta, Craiova and Timisoara. The Project will create specific improvements in the commercial performance of CFR by enhancing revenue earning potential and cutting energy and maintenance costs at major stations; and create opportunities for private businesses (particularly SMEs) in stations.	European Bank for Reconstruction and Development € 24 mn
State Unitary Enterprise Khojagii Manziliyu-Kommunali N. Karabaeva street, B.56 Dushanbe -734018 Republic of Tajikistan Contact: Mr. Musso Gafurov Project Director Tel: (+992 37) 2210691 Fax: (+992 37) 2210691 E-mail: mussogafurov@mail.ru	Southern Tajikistan Water Rehabilitation Project The objective of the project is to improve the municipal water services in the South Tajik Cities of Dangara, Kulob and Kurgan-Tube, which includes development of well field water supply, water treatment plant, distribution system metering, pumping station rehabilitation and internal plumbing rehabilitation.	European Bank for Reconstruction and Development € 8 mn



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Ministry of Agriculture and Forestry National Project Management Office, Ban Phonexay Saysetha District, Vientiane Lao PDR Contact: Mr. Phaythoune Phomvixay National Project Manager Tel: (+856) 21 990249 Fax: (+856) 21 242 344 E-mail: npmo.nri@gmail.com	Northern Rural Infrastructure Development Sector Project The project comprises the following major components: <input type="checkbox"/> Rural Infrastructure Development; <input type="checkbox"/> Productivity and Impact Enhancement; <input type="checkbox"/> Institutional Capacity Building; and <input type="checkbox"/> Project Implementation and Management.	Asian Development Bank US\$ 23 mn
Song Bung 4 Hydropower Management Board 78A, Duy Tan Street Danang city Vietnam Contact: Mr. Truong Thiet Hung Director Tel: (+84) 0511 2488800 Fax: (+84) 0511 3621535 E-mail: tuyentt@asb4.vn	Song Bung 4 Hydropower Project The project is the first hydropower project in Vietnam to receive financing from a multilateral financial institution. The project requires supply, transportation, storage and preservation, installation, pre-commissioning and commissioning of electro-mechanical equipment of the Song Bung 4 Hydropower Project (2units x 78MW) located on Bung river in Quang Nam province.	Asian Development Bank US\$ 196 mn
Uganda Electricity Transmission Company Ltd (UETCL) Ground Floor Procurement Office Plot 10, Hannington Road P.O. Box 7625, Kampala Uganda Contact: Principal Procurement Officer Tel: (+256) 414 233433/4 Fax No. (+256) 414 341 789 E-mail: procurement@uetcl.com	Mbarara – Nkenda & Tororo – Lira Transmission Lines Project The Project has following main components:- <input type="checkbox"/> Lot 1: Construction of 260 km Double Circuit 132kV Tororo-Lira transmission line; and <input type="checkbox"/> Lot 2: Construction of 160 km 132 kV Double Circuit Mbarara-Nkenda transmission line and associated Substations including Reactive power compensation.	African Development Bank US\$ 35 mn
Road Sector Development Team (RSDT) 6, Niagara Close, Off Erie Crescent, Off Nile Street Maitama, Abuja Nigeria Contact: Engr. L.A. Audi Unit Manager Tel: (+234) 7034044403 E-mail: unitmanager@rsdt.gov.ng	Transport Facilitation Programme on the Bamenda – Mamfé – Ekok - Abakaliki – Enugu Road Corridor The design & build (D&B) bridge project includes a new two lane bridge over the cross river of approx length 276 metres with approach roads (single carriageways of approx. 1.5 km length) on either side of the bridge. Two types of bridge designs are proposed: (a) Pre-stressed Concrete continuous Box Girder (Integral or Semi-Integral) Bridge type with Approach Roads; or (b) Suspension or Cable-Stayed Bridge with Approach Roads.	African Development Bank US\$ 22 mn

CONTRACT AWARDS

Select contracts secured by Indian companies/consultants:

Tata Consultancy Services, Mumbai

Contract for procurement of software (ERP) with license along with its customisation, implementation, commissioning and support for Bangladesh's Railway Sector Investment Program Reform, funded by the **Asian Development Bank**.

Dalkia Energy Services Limited, New Delhi

Contracts awarded for consulting services (project preparatory) to Nepal's Energy Access and Efficiency Improvement Project II, funded by the **Asian Development Bank**.

PEC Limited, New Delhi

Contract for procurement of overhead line accessories and pole top hardware for Ethiopia's Accelerated Electricity Access (Rural) Expansion Project, funded by the **World Bank**.

Fedders Lloyd Corporation Ltd., New Delhi

Contract for supply of 50KVA, 33/0.4KV and 100KVA, 33/0.4KV distribution transformers for Ethiopia's Accelerated Electricity Access (Rural) Expansion Project, funded by the **World Bank**.

Asbesco (I) Pvt. Ltd., Kolkata

Contract for supply of copper cable, miniature circuit breakers, steel tubes for earthing wires and other electrical equipments for Ethiopia's Electricity Access Rural Expansion Project I, funded by the **World Bank**.

Shiv Dial Sud & Sons, Ambala

Contract for supply of laboratory equipments for Malawi's Support to Senior Education Project, funded by the **African Development Bank Group**.

Performance Highlights of Exim Bank: 2010-11

FINANCIAL PERFORMANCE

- Profit after tax amounted to ₹ 5.84 billion.
- Net worth of the Bank increased to ₹ 52.30 billion from ₹ 45.32 billion.
- ₹ 1.85 billion was transferred to the Central Government as per the Exim Bank Act.
- Capital to Risk Assets Ratio (CRAR) stood at 17.04 percent as on March 31, 2011.
- Net NPAs to net loan assets was at 0.20 percent as on March 31, 2011.

BUSINESS PERFORMANCE

- Loan Assets increased by 17 percent to ₹ 460.41 billion. Loan Approvals increased by 23 percent to ₹ 477.98 billion. Disbursements aggregated ₹ 344.23 billion.
- Resources of the Bank increased by 17 percent to ₹ 471.92 billion.
- Project Export Contracts supported amounted to ₹ 239.18 billion, secured by 28 companies in 32 countries.
- During the year, the Bank extended 22 LOCs, aggregating to US\$ 2,378.23 mn, to support export of projects, goods and services from India.
- During the year, 64 corporates were sanctioned funded and non-funded assistance aggregating to ₹ 83.25 billion for part financing their overseas investments in 28 countries. Cumulatively, Exim Bank has provided finance to 331 ventures set up by 268 companies in 68 countries.

RESOURCES/TREASURY

- During the year, the Bank received capital of ₹ 3 billion from the Government of India.
- As on March 31, 2011, outstanding Rupee borrowings including bonds/commercial paper/certificates of deposit

amounted to ₹ 249.17 billion, and the Bank had a pool of foreign currency resources equivalent to ₹ 241.50 billion.

- Total borrowings as on March 31, 2011, stood at ₹ 471.92 billion. Market borrowings as on March 31, 2011, constituted 99 percent of total borrowings and 89 percent of the total resources of the Bank.
- As on March 31, 2011 the Bank was rated Baa3 (Stable) by Moody's, BBB- (Stable) by Standard & Poor's, BBB- (Stable) by Fitch Ratings and BBB+ (Stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.
- The Bank's domestic debt instruments continued to enjoy the highest rating viz. AAA rating from the rating agencies, CRISIL and ICRA.

NEW INITIATIVES

New product under NEIA to boost Project Exports from India

- Exim Bank in conjunction with the Export Credit Guarantee Corporation of India Ltd (ECGC) introduced a new product, Buyer's Credit under Government of India's National Export Insurance Account (NEIA), to boost project exports from India. Sovereign governments and government-owned entities overseas can use the Buyer's Credit facility for financing import of projects from India on deferred payment terms.

R&D financing programme

- Exim Bank introduced a new lending programme to finance research and development activities of export-oriented companies. R&D finance by Exim Bank is in the form of term loan or a hybrid facility to the extent of 80 percent of the R&D cost. Research foundations, institutions and special purpose vehicles promoted by companies are also eligible for borrowing.

Japanese, Swiss & Taiwanese markets tapped for raising FC resources

- The Bank issued Samurai bonds of JPY 20 billion for 10 years at the tightest level under the JBIC Guarantee and Acquisition toward Tokyo Market Enhancement (GATE) and Market Access Support Facility (MASF) programme. With this issue, Exim Bank became the first sovereign agency and the fourth issuer to utilise JBIC's GATE programme. The Bank also accessed Swiss market for the first time and issued bonds of CHF 175 million listed at SIX

Swiss exchange. The Bank raised US\$ 150 million by way of a syndicated loan with participation from 9 banks, mostly from Taiwan.

Grassroots Initiatives and Development

- During the year, the Bank provided support to the Anchalika Agarbatti Federation through Orissa Rural Development and Marketing Society for increasing productivity through mechanisation and capacity building.
- The Bank supported the 'Society for Handicraft and Literacy Promotion Initiative,' an NGO in Agartala, through Tripura Bamboo Mission towards supporting a project for increasing productivity of bamboo-based products through mechanisation.
- The Bank facilitated tie up of Uravu, an NGO engaged in promoting bamboo craft for ensuring livelihood sustenance of rural poor in Wayanad, Kerala, with The Village Store, a retail store, in Mumbai for promoting sales of their products.

Research activities

- Seven Occasional Papers were published by the Bank during the year, namely Common Market for Eastern and Southern Africa (COMESA): A Study of India's Trade and Investment Potential; Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential; West African Region: A Study of India's Trade and Investment Potential; Innovation, Imitation and North South Trade: Economic Theory and Policy; Indian Shipping Industry: A Catalyst for Growth; New Renewable Energy in India: Harnessing the Potential; Indian Electronics Industry: Perspectives and Strategies.

Opening of new Representative Office in East Africa

- The Bank opened its East Africa Representative Office in Addis Ababa, Ethiopia during the year. The office in Addis Ababa is the Bank's seventh overseas regional office and the third in Africa.

Commencement of Business at London Branch

- Exim Bank commenced operations at its Branch in London. The Bank had a Representative Office in London since 2005 which was upgraded to a wholesale branch in October 2010. The Branch will extend ECBs to Indian companies to support India's external trade and investment. The Branch will also raise foreign currency funds in international loan and bond markets.



Performance Highlights of the Asian Development Bank in 2010

Asian Development Bank (ADB), a multilateral development finance institution established in 1966, is dedicated to reducing poverty in Asia and the Pacific. It is owned by 67 members, of which 48 are from Asia and the Pacific and 19 non-regional members.

ADB extends loans and equity investments to its developing member countries for their economic and social development, provides technical assistance for the planning and execution of development projects and programmes and for advisory services, promotes and facilitates investment of public and private capital for development, and responds to requests for assistance in coordinating development policies and plans of its developing members.

In 2010, ADB's operations totaled US\$ 17.51 billion (US\$ 13.84 billion financed by ADB and Special Funds and US\$ 3.67 billion by cofinancing partners). The total US\$ 13.84 billion consists of (i) US\$ 11.46 billion loans, (ii) US\$ 243.0 million in equity investments, (iii) US\$ 981.7 million in grants, (iv) US\$ 982.3 million in guarantees, and (v) US\$ 175.5 million in technical assistance. The top three recipients, including cofinancing, were Bangladesh (US\$ 2.97 billion), India (US\$ 2.40 billion), and P.R. China (US\$ 1.95 billion).

In 2010, ADB raised US\$ 14.9 billion in medium- and long-term funds through public bond issues and private placements. ADB also issued thematic bonds for the first time, raising US\$ 638 million in water bonds and US\$ 244 million through clean energy bonds.

ADB also facilitated the Asian Exim Banks (AEB) Forum training programme on risk management. This was aimed at helping the AEBs including Exim Bank of India to take a harmonized approach to credit risk assessments and to gain a common understanding on the underlying transaction risk and risk pricing.

ADB is continuing efforts to upgrade and widen its menu of financing instruments, including support to help develop local-currency bond markets as an alternative source of funding to bank loans.

Performance Highlights of the African Development Bank in 2010

The African Development Bank (AfDB) was established in 1964 and started operations in 1967. AfDB temporarily relocated to Tunis Belvedere, Tunisia and has completed its seventh full year of operations there, at the end of the financial year 2010. Its shareholders are the 53 countries in Africa, which are its regional members, as well as 24 countries in the Americas, Europe, and Asia, which constitute the non-regional members.

The African Development Bank Group comprises of three institutions- the AfDB; the African Development Fund (ADF) and the Nigerian Trust Fund (NTF). Of the three institutions, the African Development Bank is the largest and its mission is to promote sustainable economic growth and reduce poverty in the African region. The ADF provides development finance on concessional terms to low-income Regional Member Countries, which are unable to borrow on the non-concessional terms of the Bank.

As at financial year ended December 31, 2010, the AfDB Group earned a net income of UA 213.66 million (US\$ 329.04 million), compared to UA 231.16 million (US\$ 356.0 million) in 2009. The decrease was primarily due to a higher level of fair valuation losses on derivatives and the borrowings on which fair value options were elected as well as a higher level of administrative expenses incurred in 2010 compared to 2009.

Bank Group total approvals in 2010 reached UA 4.10 billion (US\$ 6.31 billion). In terms of the financing from the Bank Group windows, the AfDB approved UA 2.58 billion (US\$ 3.97 billion) (63 percent of total [of which UA 1.21 bn (US\$ 1.86 billion) was for private sector operations], the ADF approved UA 1.46 billion (US\$ 2.19 billion) (35.5 percent), and the NTF approved UA 29.5 million (US\$ 45.43 million) (0.7 percent). The Special Funds accounted for UA 32.4 million (US\$ 49.89 million) (0.8 percent) of the approvals.

The Bank Group continued to implement its Medium-Term Strategy (2008–2012) by focusing on the operational priority areas of infrastructure, private sector development, governance, higher education, technology and vocational training.

Performance Highlights of the European Bank for Reconstruction and Development in 2010

The European Bank for Reconstruction and Development (EBRD) was established in 1991, to help build new private sector in a democratic environment, from Central Europe to Central Asia. The EBRD is the largest single investor in the region and mobilises significant foreign direct investment beyond its own financing. It is owned by 61 countries and two inter-governmental institutions, that aim to foster the transition from centrally planned to market economies in 30 countries from Central Europe to Central Asia.

During 2010, the Bank recorded a net profit of € 1.3 billion, compared with a net loss of € 746 million for 2009. During the year, a new accounting standard International Financing Reporting Standards 9 (IFRS 9) Financial Instruments was adopted by the Bank. The main impact to the Bank's financial results was a net gain to the income statement of € 302 million (resulting from the re-classification of available-for-sale share investments and certain Banking loans to fair value through profit loss) and a net increase to reserves of € 233 million.

During 2010, EBRD committed an unprecedented level of financing of € 9.0 billion, compared with € 7.9 billion in 2009. The Bank also achieved a record number of projects, with 386 operations, an increase of 24 percent compared with 2009. The Bank also managed to reach a new record level of disbursement, with € 6.0 billion paid out during 2010, a 10 percent increase from the 2009 level of € 5.5 billion.

Total turnover in EBRD trade financing in 2010 was € 774 million with 1,274 transactions; a healthy increase over the total volume of € 573 million and 886 transactions in 2009.

The sector breakdown of the 2010 investments was 25 percent in the corporate sector; 22 percent in the financial sector; 21 percent in the energy sector; 20 percent in the infrastructure sector; and 12 percent in financing micro and small enterprises.



Exim Bank's Lines of Credit

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 Lines of Credit extended at the behest of Government of India, Exim Bank reimburses 100 percent of contract value to the 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 now in place 140 Lines of Credit, covering over 72 countries in Africa, Asia, Latin America, Europe, Oceania and the CIS, with credit commitments of over US\$ 6.76 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, Lines of Credit 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. Established primarily to enhance Indian exports to developing countries, Lines of Credit, today, have become an effective tool for market penetration and a stepping stone to the unchartered territories of Africa and Latin America.

Exim Bank, at the behest and with the support of Government of India, has extended eight LOCs as given below during the period January-June 2011:

- An LOC of US\$ 36.56 million to the Government of Tanzania, for financing purchase of 723 vehicles from India to Tanzania. Exim Bank earlier extended an LOC of US\$ 40 million for financing export of tractors, pumps and equipments to Tanzania.
- An LOC of US\$ 20 million to the Government of the Republic of Mozambique, for enhancing Productivity of Rice-Wheat-Maize Cultivation in Mozambique. Exim Bank had earlier extended six LOCs to Mozambique. The first LOC of US\$ 20 million has been utilised to finance export of items like electricity equipment, water drilling machinery equipments, agro-inputs and drip irrigation, vegetable oil refining plant & machinery and oil storage tank. The second LOC of US\$ 20 million was dedicated for financing an electrification project. The third LOC of US\$ 20 million was used for transfer of water drilling technology and associated equipment. The fourth LOC of US\$ 25 million was extended for financing an IT Park project. The fifth LOC of US\$ 30 million is being utilised for financing Rural Electrification Projects in the provinces of Inhambane, Gaza, Zambezia and Nampula. The sixth LOC of US\$ 25 million is being utilised to finance rural electrification projects in the provinces of Cabo Delgado, Manica and Niassa Provinces, in Mozambique.
- An LOC of US\$ 91 million to the Government of the Federal Democratic Republic of Ethiopia, which is the fourth tranche of the total credit commitment of US\$ 640 million for financing sugar industry rehabilitation in Ethiopia. Exim Bank had earlier extended two LOCs of US\$ 122 million as first tranche, US\$ 166.23 million as second tranche and US\$ 213.31 million as third tranche to finance sugar industry rehabilitation in Ethiopia.
- An LOC of US\$ 48.50 million to the Government of Mauritius, for financing an Offshore Patrol Vessel to be built by Garden Reach Shipbuilders & Engineers Ltd., Kolkata.
- An LOC of US\$ 50 million to the Government of the Republic of Malawi, for the purpose of financing [i] Cotton Processing Facilities, [ii] Green Belt Initiative, and [iii] One Village One Product Project in Malawi
- An LOC of US\$ 14 million has been extended as an additional amount to the Government of Djibouti for completing a cement plant project in Djibouti. Exim Bank earlier extended two LOCs of US\$ 10 million each for financing cement plant project in Djibouti.
- An LOC of US\$ 20 million to the Government of the Kingdom of Swaziland, for the purpose of financing setting up of an Information Technology Park in Swaziland.
- An LOC of US\$ 80 million to the Government of Burundi, for financing the Kabu Hydro Electric Project in Burundi.

For further information, please contact

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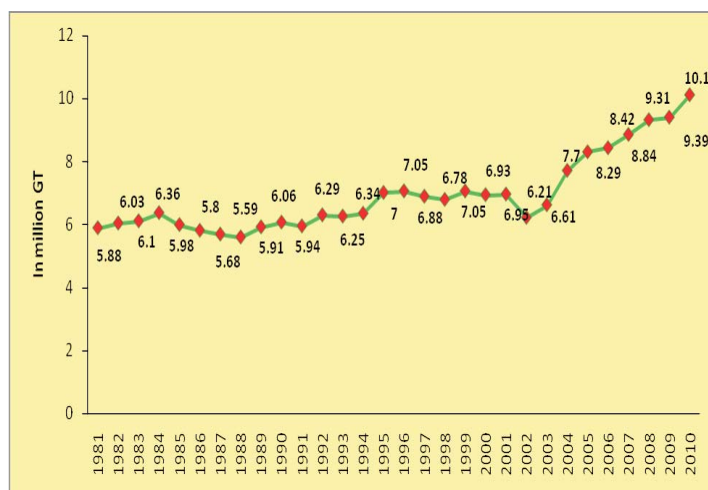
Indian Shipping Industry : Sectoral Performance and Outlook

Maritime transport, which plays a vital role in the development of a country, comprises ports, shipping, shipbuilding and ship repair, and inland water transport systems. According to the Ministry of Shipping, Government of India, approximately 95 percent of India's trade by volume, and 70 percent by value, is moved through maritime transport. India is among the top 20 leading countries having large number of merchant fleets in the world. The Gross Tonnage (GT) under the Indian flag was 10.1 million as of January 1, 2011, with as much as 1040 ships in operation (**Chart**). Shipping Corporation of India, with 85 ships, hold a share of 35 percent in total Indian shipping tonnage as on end-December 2010. Other major players are Great Eastern Shipping Company (37 ships and 14.7 percent of GT), Mercator Lines Ltd. (18 ships and 5.6 percent of GT) and Essar Shipping and Logistics Ltd. (21 ships and 4 percent of GT).

Ports act as an interface between ocean transport and land transport. India has 12 major ports viz. Kolkata (including Dock complex at Haldia), Paradip, Vishakhapatnam, Chennai, Ennore, Tuticorin, Cochin, New Mangalore, Mormugao, Mumbai, Kandla and Jawaharlal Nehru at Nhava, and 187 minor ports.

Despite recessionary conditions, traffic handled at major ports has grown on an average by 5.8 percent in the year 2009-10, over the year 2008-09 (**Table**). However, ports like Haldia (-20.1 percent), Ennore (-6.9 percent) and New Mangalore (-3.2 percent) are few of the main ports that witnessed negative growth in 2009-10.

Chart: Growth of Indian Fleet



Note: data for 2010 as on 1.01.2011

Source: Indian National Shipowners Association (INSA), Annual Report 2009-10, Department of Shipping, Government of India

During 2010-11, traffic handled at major ports had grown on an average by 1.6 percent compared to the previous year. It has been the endeavor of Government of India to consistently enhance the cargo handling capacity of the major ports keeping in view the projected traffic for the country. The aggregate capacity in major ports as on March 31, 2009 was 574.8 MTPA. Major cargoes handled at Indian ports include: petroleum products, iron ore, fertilisers & raw materials, coal and containerised cargo. In case of POL, fertiliser and other cargo, Kandla handled the highest traffic

While the Indian shipping industry has

been growing steadily in the last two decades, the competitive position of the Indian shipping industry needs to be strengthened. Government of India has been supporting the growth of the industry through various measures. Government has a role to develop Indian port sector which would contribute to the growth of the Indian shipping.

The players in the shipping and associated sectors also have a role to play for the development of the industry, for it to carve a niche in the world shipping map. Indian shipping industry needs to team up with foreign consortium of fleet owners to tap the growing LNG transportation business. Further, Indian shipbuilders must focus on benchmarking their own processes to international standards to improve the efficiency, delivery time, price and quality. Innovative financing measures such as German KG Model may be adopted to encourage fund flows into this sector. It is, therefore, essential for India to put together all such strategies that would lead to optimal and effective contribution towards developing the shipping industry.

Table: Traffic Handled at Major Ports

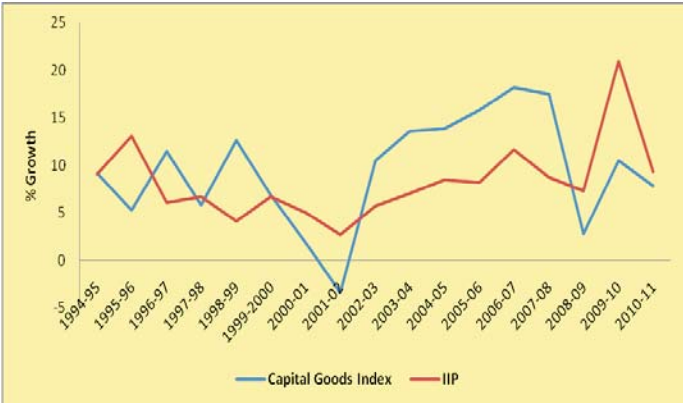
Ports	Target for 2010-11 (in million tonnes)	Traffic			Percent variation against previous year traffic	
		2008-09	2009-10	2010-11	2009-10 vs 2008-09	2009-10 vs 2010-11
Kolkata	14100	12428	13045	12540	5.0	-3.9
Haldia	34500	41791	33378	34892	-20.1	4.5
Paradip	63000	46412	57011	56030	22.8	-1.7
Visakhapatnam	70000	63908	65501	68041	2.5	3.9
Ennore	13200	11500	10703	11009	-6.9	2.9
Chennai	65500	57491	61057	61460	6.2	0.7
Tuticorin	25130	22011	23787	25727	8.1	8.2
Cochin	19100	15228	17429	17873	14.5	2.5
New Mangalore	38740	36691	35528	31550	-3.2	-11.2
Mormugao	50000	41681	48847	50022	17.2	2.4
Mumbai	58000	51876	54541	54585	5.1	0.1
JNPT	62000	57291	60763	64299	6.1	5.8
Kandla	85000	72225	79500	81880	10.1	3.0
Total	598280	530533	561090	569908	5.8	1.6

Source: Department of Shipping, GOI



Indian Capital Goods Industry : Sectoral Performance and Outlook

Chart : Movement of Index of Capital Goods industry vis-a-vis IIP in India



Source: Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India.

The capital goods industry is the backbone of India's manufacturing sector. Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration and industrial furnaces.

The Index of Industrial Production (IIP), compiled by the Central Statistical Organisation (CSO), Government of India, has classified capital goods under use-based classification having a weight of 9.2 percent in IIP. From 1994-95, the Indian capital goods industry has witnessed a cyclical phase till 1998-99, and thereafter the sector witnessed a recessionary phase till 2001-02, mainly reflecting deceleration in production of transport equipments. However, since 2002-03, the sector has been witnessing buoyancy in the production trends. After a sharp contraction during 2008-09 owing to the economic slowdown, capital goods industry recovered strongly during 2009-10 growing by a healthy 20.9 percent, before moderating to 9.3 percent in 2010-11 (Chart).

Production of machine tools in the country reached the level of around ₹ 13.1 billion by the end of 2009, showing a negative growth rate of 26.2 percent, over the previous year's figure of ₹ 17.7 billion. Notwithstanding this, export of machine tools has shown a steady increase in the last few years, with exports aggregating US\$ 278.3 million in 2009-10. However, during the period April-December 2010-11, export of machine tools, witnessed a negative year-on-year growth of 7.9 percent to amount to US\$ 212.6 million.

As far as textile machinery is concerned, India's production was more than ₹ 40 billion in 2009-10, while exports aggregated US\$ 123.2 million and imports were valued at US\$ 1.4 billion. During the period April-September 2010-11, exports of textile machinery were valued at US\$ 82.4 million and imports were US\$ 784.9 million.

India produces a wide range of construction and mining machinery. However, being a large and growing economy, domestic demand is greater than the production capacity and thus, a major portion of the demand is met through imports. During the period 2009-10, India's export of construction machinery was valued at US\$ 479.2 million and imports stood at US\$ 2 billion. During the period April-September 2010-11, exports of construction and mining machinery were valued at US\$ 117.8 million while imports aggregated US\$ 887.8 million.

The process plant machinery and components sector in India is a heterogeneous segment of capital goods industry. During the period 2009-10, India exported process plant / machinery worth US\$ 1.3 billion, while its imports were valued at over US\$ 3 billion. During the period April-September 2010-11, exports

of process plant machinery and components sector were worth US\$ 655.6 million and imports amounted to US\$ 1.5 billion.

The electrical equipment and machinery sector comprises a range of products, such as transformers, switchgears, motors, generators and control equipment. India exported electrical equipments

and machinery worth US\$ 1.9 billion during the period 2009-10 while imports aggregated to US\$ 2.7 billion. During the period April-September 2010-11, exports of electrical equipments and machinery were valued at US\$ 852.8 million while imports were worth US\$ 1.4 billion.

It is being viewed that economies of scale would position India further as a cost-effective manufacturing base for capital goods. Strategies such as transformation of the shop-floors to be flexible to produce different types of machinery, redesigning the machining process to accommodate usage of common components / parts in various types of machinery, and leveraging of India's IT strengths in developing new generation machines, would contribute to the scale economies significantly. In addition, technology sourcing from countries such as Germany, Switzerland, Italy and Spain need to be encouraged, especially in the context of shift in manufacturing base from developed to developing countries. Indian players should also effectively adapt the strengths of machining technologies in other developing countries such as China and Taiwan.

On the whole, the outlook for the capital goods industry in India remains bright, particularly over the medium and long-term. The Union Budget 2011-12 has announced a number of initiatives to increase public investments in the infrastructure sector. Allocation to major infrastructure sectors, including power, road transport, shipping, urban infrastructure and railways, has been raised. This is expected to give an added impetus to the industry by resulting in more orders for the capital goods companies.



MERCOSUR: A Gateway to Latin American Countries

The Southern Common Market (MERCOSUR - *Mercado Común del Sur* in Spanish; *MERCOSUL - Mercado Comum do Sul* in Portuguese), the second-largest trading bloc in South America, was established under the *Treaty of Asunción* on March 26, 1991. MERCOSUR is a union between four sovereign governments, namely, Argentina, Brazil, Uruguay and Paraguay, which are the core members of the bloc. Venezuela, which was an active observer, now enjoys a special member status. The decision to incorporate Venezuela into the bloc was formally agreed by the founding members, however, only Argentina, Brazil, and Uruguay approved of the incorporation. Bolivia, Chile, Colombia, Ecuador, and Peru are associate members of the bloc.

Macroeconomic Scenario

In 2010, MERCOSUR accounted for 52 percent (US\$ 2.5 trillion) of the GDP of the LAC region, with Brazil and Argentina accounting for a major share. As per IMF, in 2010, Paraguayan economy grew by 15.2 percent, followed by Argentina at 9.2 percent, Uruguay at 8.5 percent, and Brazil at 7.5 percent. The high growth rates demonstrate the strong macroeconomic fundamentals of the region. The declining trend in Government debt is also one of the factors that have insulated the MERCOSUR economies, especially during the recent financial crisis.

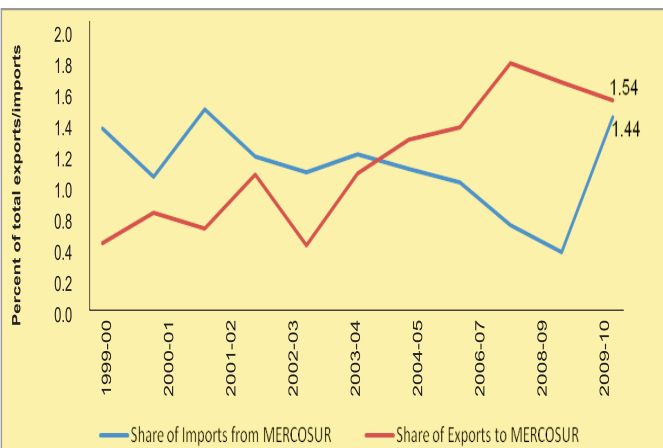
Current account deficit of Brazil is estimated to widen to US\$ 47.5 billion in 2010 from US\$ 24.3 billion in 2009. Weakening of the trade balance in Argentina, pulled down the current account surplus to US\$ 3.3 billion in 2010 from US\$ 5.5 billion recorded a year ago. In Paraguay, the sharp fall in the re-export earnings and the low soya export earnings led to a reversal in current account balance from a surplus of US\$ 0.1 billion in 2009 to a deficit of US\$ 0.6 billion in 2010. Uruguay's current account moved into a surplus of US\$ 0.2 billion in 2009 and continued being in surplus in 2010 as well, after being in a deficit for three consecutive years since 2006.

MERCOSUR – India Trade and Investment Relations

Trade Relations

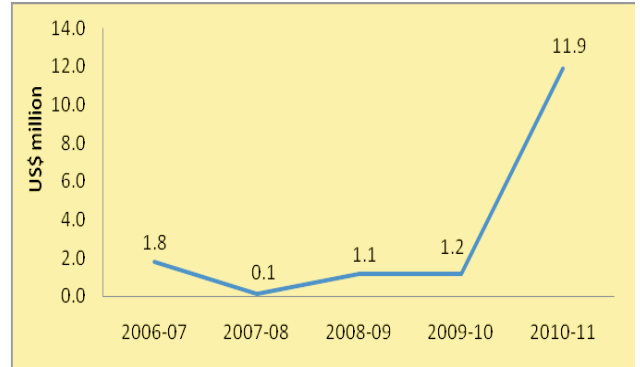
The huge markets in both regions provide a vast potential for expansion of bilateral trade. Among MERCOSUR members, Brazil is the main export market and export basket mainly include chemical and its related products, petroleum products, and machinery and instruments. MERCOSUR's share in India's total exports peaked at 1.8 percent in 2007-08, and then moderated to 1.5 percent during 2009-10. India's imports from MERCOSUR accounted for 1.4 percent of

Chart 1: Share of India's trade with MERCOSUR to India's total trade



Source : Directorate General of Commercial Intelligence and Statistics (DGCI&S), and Exim Bank Research

Chart 2: India's Overall FDI inflow from MERCOSUR



Source : Department of Industrial Policy and Promotion (DIPP), and Exim Bank Research

India's total imports in 2009-10 (Chart 1).

In 2009-10, the overall bilateral trade was marked by an increase, primarily due to the India-MERCOSUR Preferential Trade Agreement (PTA) that came into effect from June 1, 2009. Currently, according to the PTA, a preferential trade access ranging from 10 percent to 100 percent is given for 452 Indian products and 450 MERCOSUR products. The two regions are expected to further enhance their relations by expanding this PTA and by entering into a Trilateral Trade Agreement between MERCOSUR, South African Customs Union (SACU) and India, which is under negotiation.

Investment Relations

The FDI inflow from MERCOSUR (core members) nations to India, which was US\$ 1.8 million in 2006-07, surged to US\$ 11.9 million in 2010-11 (Chart 2). Brazil and Uruguay were the major source of FDI till 2009-10. However, in 2010-11, the investment inflows from Argentina jumped to US\$ 10.2 million in 2010-11.

India's net FDI outflow into MERCOSUR has increased significantly from a marginal US\$ 26.8 million during April 1996 - March 2004 to US\$ 606.1 million in during April 2004 - March 2011. In 2010-11 India's outward FDI in the MERCOSUR region stood at US\$ 21.1 million compared to US\$ 12.5 million recorded a year ago.

The two regions could focus upon enhancing cooperation in the areas of agricultural development, new renewable energy, pharmaceutical industry, human resource development, IT and ITeS industry, oil and gas (extractive sector), natural resources, and tourism.



Recent Trends in South - South Investment

Foreign Direct Investment (FDI) has seen a vibrant expansion across the world over the last few decades. Total inflow of world FDI has increased more than twenty-folds, from US\$ 54.1 billion in 1980 to US\$ 1.1 trillion in 2009. Likewise, Outward Direct Investment (ODI) flows also increased by twenty-one-folds from US\$ 51.6 billion in 1980 to US\$ 1.1 trillion in 2009. The recent global economic crisis has resulted in a substantial reduction in global capital flows; but decline was more in the case of developed economies as compared to developing South. For instance, global ODI has declined by 42.9 percent in 2009, with ODI flows from developed countries declining by 47.8 percent and that of developing countries by 22.7 percent.

In the recent years, high saving developing countries have emerged as important sources of foreign investment. Many developing country firms are now actively looking for investment opportunities in other developing countries. The main reasons behind these trends are the expansion in operations of Southern multinational corporations aiming to achieve efficiency gains and diversification of markets, and the search for resources abroad by finance abundant state owned enterprises and sovereign funds.

Investment interest in developing and emerging economies like Africa from other

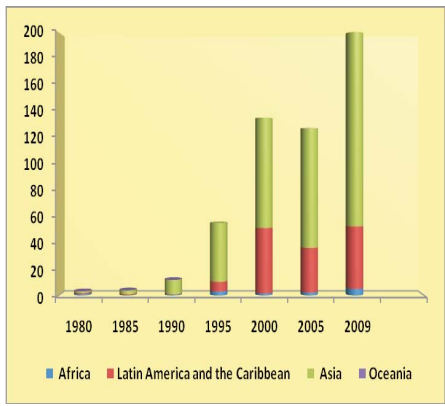
large emerging economies like Brazil, India and China has grown sharply in the recent years propelled by the booming economies and the growing need for resources. The Governments in developing countries are also responding to the recent trend by developing various policies for promoting outward FDI along with the policies attracting inward FDI. A large number of international investment agreements are being concluded between developing economies, with developing Asia having the maximum number of double taxation treaties with other developing countries.

FDI in South has proved resilient and stable compared to that in North to the global economic crisis of 2009. The volume of FDI is a better indicator of financial integration of southern economies. FDI inflows to developing countries increased from US\$ 7.5 billion in the 1980 to US\$ 478.4 billion in 2009, with an annual average of over US\$ 356 billion in 2000-09 decade. ODI from developing countries rose from US\$ 3.2 billion in 1980 to over US\$ 229 billion in 2009, with the average outflow from developing economies being US\$ 160.7 billion during 2000-09. Developing countries accounted for 20.8 percent of global ODI in 2009, compared with 6.1 percent in 1980. Among the developing countries, countries in Asia remain by far the largest ODI sources, followed by Latin America and Caribbean countries (**Chart**). China alone accounted for around 21 percent of ODI in 2009. Another trend in the South-South investment is that along with acceleration in investment, the number of developing countries contributing to it has also seen to be increasing.

The World Bank's latest Global Economic Prospects highlights that the main reason behind rebound in global FDI in 2010 is increase in South-South flows, particularly from Asia. ODI from developing nations are already on the verge of surpassing their pre-crisis peaks, where as foreign direct investment outflows remain depressed in developed countries. More than 60 percent of ODI from developing countries originated in Brazil, Russia, India and

China. Around 60 percent of their investment goes to other developing nations mostly in the form of greenfield investment, whereas South-North investment is mainly in the form of mergers and acquisitions.

Chart: ODI flows by Developing Regions, 1980–2009 (US\$ billion)



Source: UNCTAD, World Investment Report 2010

Strengthening South–South cooperation through investment relations could enhance the growth potential of the South and contribute to the stability of the global economy by promoting global rebalancing. In many poor countries, South-South flows account for more than half of total FDI. Also, it has helped in offsetting the significant decline in FDI flows to developing countries from the developed countries. The expansion of South-South investment will result in greater resources and opportunities for the least developed countries, a more efficient allocation of capital by investors familiar with developing-country conditions, and easier transmission of technology and know-how to the host developing countries in addition to the general benefits of FDI. The fact that South-South FDI are generally less capital intensive than the North's and hence more suited to conditions of South further supports the growing investment cooperation among developing economies.





EXIMIUS CENTRE

Exim Bank, Bangalore and Pune

Eximius Centre Activities: April - June, 2011

Projects funded by Multilateral Funding Agencies, such as the African Development Bank (AfDB), present attractive business opportunities for suppliers, contractors and consultants. Exim Bank actively promotes effective participation by Indian companies in such opportunities by providing a range of information, advisory and support services.

A series of Seminars on “Business Opportunities in African Development Bank Funded Projects” was organised at Bangalore on April 18, in Mumbai on April 21 and in New Delhi on April 23. Experts from AfDB provided detailed information on business opportunities in AfDB funded projects on Infrastructure, Renewable energy, private sector, water & sanitation projects and broad overview of AfDB procurement framework.

Exim Bank, in collaboration with Punjab, Haryana and Delhi Chamber of Commerce and Industry (PHDCCI), organised one day seminar on “Business Opportunities in Africa: Focus East Africa” in Chandigarh on May 20, 2011. Diplomatic Representatives from Embassies of five African Countries viz., Nigeria, Ethiopia, Mozambique, Tanzania and Uganda made presentations on the opportunities and Government policies of their respective countries.

The Twelfth Commonwealth – India Small Business Competitiveness Development Programme, on the theme ‘ Women as Agents of Change in enterprise Development and Export Competitiveness’, was jointly organised by Commonwealth Secretariat, Exim Bank, Corporation Bank and Central Bank of India, from May 29 to June 2, 2011 in Bangalore. Leading and successful women entrepreneurs served as faculty for this programme, and shared their insights and valuable experiences. About 70 delegates

from Commonwealth countries participated in the programme. The programme was inaugurated by Hon. Murugesh Rudrappa Nirani, Minister for Large & Medium Scale Industries, Government of Karnataka. This international programme aims at empowering and uplifting women through enterprise activities by providing a forum for exchange of views and experiences and regional cooperation. As part of the programme, field visits were conducted for the delegates to enable them to acquire a deeper understanding of the activities of successful Indian corporates.

Eximius Centre, Pune conducted one day seminar on ‘Marketing Challenges in the 21st Century’, with faculty support from MITCON institute of Management, Pune.

Exim Bank, in association with Ministry of Finance, Government of India, organised workshops on “Indian Economy and Economic Survey”, on June 2, 2011, in Chandigarh and on June 6, 2011 in Kohima, Nagaland. Dr. H.A.C. Prasad, Senior Economic Adviser & Additional Secretary, Ministry of Finance (MoF), Government of India (GoI) delivered Keynote Address. In Kohima, Keynote Address was delivered by Dr. Kaushik Basu, Chief Economic Adviser, MoF, GoI, while Shri Lalthara, IAS, Chief Secretary of Nagaland, gave a Special Address.

Programmes in the pipeline include ‘Project Exports’ in association with PEPC at New Delhi. Other seminars/ workshops include those focusing on Country Investment/ SMEs/ handicrafts/ Entrepreneurship Development, Export Awareness programmes, Export procedure and documentation at Cochin, Visakhapatnam, Jaipur, Coimbatore, Kolkata, Mysore and other North Eastern States.

For details on future programmes contact:
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BOOK REVIEW

“Border Management Modernization” by the World Bank

Trade performance is a key determinant of economic growth and prosperity. As countries have come to realise the importance of international trade in achieving sustainable economic growth they have gradually lowered tariffs, established regimes to encourage foreign investment, and pursued opportunities for greater regional integration. This progress has, however, been hampered by high costs and administrative difficulties associated with outdated and complex border clearance processes, which are now often cited as more important barriers to trade than tariffs. Cumbersome documentation procedures and poor infrastructure both increase transaction costs and lengthen delays to the clearance of imports, exports, and transit goods.

Governments around the world are therefore placing increased emphasis on border management reform designed to remove unnecessary barriers to the flow of legitimate trade across their borders. With its 20 chapters and associated tools, this book identifies a range of strategies that will help officials meet their traditional control responsibilities while at the same time facilitating legitimate trade.

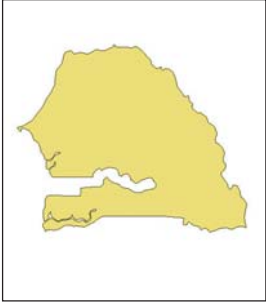
To help officials meet their traditional control responsibilities while facilitating legitimate trade, the contributors to this book discussed three broad themes: the need for more investment in border management reform, the development of a new approach to border management, and the implications of institutional and political-economic factors for border management reform.

The keen interest of many developing countries in harmonising, streamlining, and simplifying border management systems and procedures has led to such initiatives as information sharing, delegation of administrative authority, cross-designation of officials, one stop border post, and single window electronic gateway for regulatory agencies and various Government entities. Effective and efficient border management regimes are therefore critical to ensuring speedy and reliable delivery of goods to foreign markets.



COUNTRY SCAN

Senegal



With its well-developed physical and social infrastructure and relatively well-diversified industrial base, Senegal is one of the economic

hubs in West Africa. On the basis of the first review of Senegal's economic performance under the Policy Support Instrument (PSI), IMF found the performance of the economy satisfactory and has approved a waiver for the nonobservance of the quantitative assessment criterion related to the fiscal deficit target. In its recently published 2011 Africa attractiveness survey, Ernst & Young identified Senegal among African countries with good potential for foreign direct investment (FDI) over the next five years. Senegal has recently completed the sale of a US\$ 500 million dollar-denominated bond and the proceedings will be used for the extension of a highway between Dakar and a new international airport under construction, and to rectify the country's energy shortage. According to a report by World Bank, energy blackouts are costing as much as 1.5 percentage points of Senegal's GDP every year. To resolve this Government has introduced in March a five-year Plan Takkal energy programme. To reduce the inflationary pressures in the economy, the Government has also recently cut the prices of food products and launched agricultural input subsidies.

Tanzania

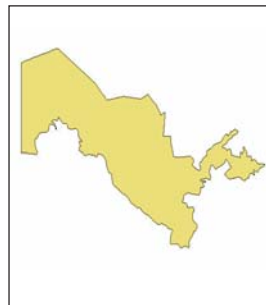


Tanzania, a vibrant East African economy is the fourth-biggest global gold producer and is the world's only known source of the blue gemstone

tanzanite. The five-year national development plan of Tanzania aims to transform the country from a low-

middle-income economy by 2025. Tanzania is planning to introduce various mining reforms which will improve the economic development of the country. In 2010, Tanzania passed a mining law that increases royalties paid on minerals to 4 percent from 3 percent and gave the government a stake in all future projects. The Government has proposed to introduce a super-profit tax on minerals to boost the country's earning from mining sector. Also, the latest budget opened the door for the private sector to enter into partnership with the state in electric power generation. In his recent visit to Tanzania, the Indian Prime Minister announced a US\$ 180 million aid for water supply projects in Tanzania and other credits to help Tanzania to become the industrial and technological hub of East Africa and its engine of growth.

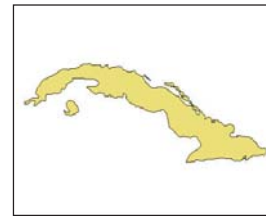
Uzbekistan



Uzbekistan is a resource rich country with proven natural gas reserves of 1.6 trillion cubic metres and 594 million barrels of oil reserves.

The cautious attitude of Government regarding active involvement with international fiscal institution, together with it being a landlocked country with a less than fully convertible currency, has secured it from recent world financial turbulence. The Uzbekistan Government is aiming to attract over US\$ 50 billion of foreign investment in the next five years in over 500 projects. Uzbekneftegaz, the monopoly producer of the gas and petrochemicals in Uzbekistan which is fully protected from imports, has recently announced various potential projects with Chinese state-owned enterprises and ONGC Videsh Ltd. During the visit of Uzbekistan President Islam Abduganievich Karimov to India in March 2011, both countries signed 34 pacts in various sectors including IT, pharmaceuticals, textiles, small and medium enterprises, coal gasification, oil & gas, science & technology and banking and tourism.

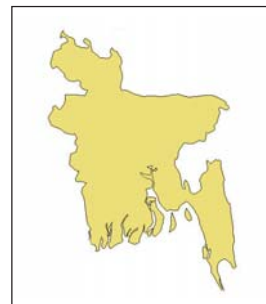
Cuba



Cuba is on a path of reform to rectify the various constraints affecting the progress of different sectors

of the country's economy. The Government has taken several important steps in the last few months to re-integrate country's free market economy including opening up for the free sale of properties and cars, opening up to foreign investment, authorising more people to get access to private business permits and cutting subsidies and providing 1.5 million jobs from bloated state companies. The recent discovery of oil in Gulf of Mexico is also expected to help the recovery of Cuban economy. Cuba's exclusive economic zone in the Gulf of Mexico hold huge oil potentials, with reserves estimated at 20 billion barrels. The US embargo on Cuba is expected to be removed on the basis of recent reforms and oil discovery, which if happen will boost Cuban economic development.

Bangladesh



The economy of Bangladesh has grown by 6.7 percent, driven by resurgent exports and a strong performance by the usually sluggish farm sector. The

Government is planning to have major spending boosts in energy and infrastructure sectors to attract more foreign direct investment into the country. Recently Bangladesh and India started trade through Bangalabardha port, which shortened the trade gap between both country. Further, to enhance this relationship, Assam-based Numaligarh Refinery Ltd. (NRL) has decided to construct 100-km long pipeline from India to Bangladesh for exporting high speed diesel (HSD). The pipeline will connect Siliguri in West Bengal to Parbatipur in Bangladesh, and will entail an investment of ₹ 150 crore.



Currency Currents

Australian Dollar (AUD)

The Australian dollar is currently the sixth-most-traded currency in the world foreign exchange markets, (behind the US dollar, the Euro, the Yen, the Pound Sterling and the Swiss Franc), accounting for over 6 percent of worldwide foreign-exchange transactions. Since commodities account for a large proportion of Australia's exports, there is a close link between commodity prices and the Australian dollar. When world prices of commodities rise, the Australian dollar tends to appreciate and vice versa. As a result, the Australian dollar is sometimes described as a 'Commodity Currency'.

The Royal Bank of Australia (RBA) announced on June 7, 2011 that it will keep its key interest rate unchanged at 4.75 percent as was widely expected. Investors were focusing on the statement after the policy meeting to look out for any key words that would signal any future rate hikes. However the RBA seemed in no hurry to increase what are already the highest rates in the developed world. The news sent the Aussie Dollar lower.

The Australian economy has had its share of challenges this year, starting with the severe flooding in the first few months of 2011. While market thinks that this will prove to be a temporary setback as production recovers, policy makers appear concerned that the impact will be more long-lasting. China's growth has moderated, and while its demand for Australia's raw-material exports will remain robust, there may be some soft performance

in coming weeks. The RBA had signalled a more hawkish bias in recent statements, but this factor may also be waning. Prices of key commodities, such as industrial metals, energy, and gold have stabilised but flattened out; equity markets have also turned lower. The AUD was trading at 1AUD = 1.0731 USD on June 30, 2011.

Japanese Yen (JPY)

The yen is the official national currency of Japan, and is denoted by JPY. It was named the "yen" because of the direct translation to "round object." In April of 1949, the yen was pegged at US\$ 1 = ¥360, where it stayed until 1971. At this time, however, the Bretton Woods system collapsed. This international monetary system, based on stable and adjustable exchange rates, was switched to a regime of floating exchange rates and the value of the yen started to float as it still does today.

After a sharp plunge in services-sector activity in March owing to radiation-leakage scares, the market expects the tertiary industry index to have risen modestly reflecting the gradual normalisation of operating conditions in the services sector and improved market sentiment. The market also expects the diffusion index (both current and future), to have picked up, further confirming the recovery of business and household confidence.

Following the first supplementary budget approved this month, the Government is likely to propose additional supplementary budget(s) this summer, probably amounting to ¥15 trillion or so (3 percent of GDP) in order to secure the earthquake related budgets. However, debate on future tax hikes to fund reconstruction has not progressed much, making consumption tax hikes in the near future quite unlikely. Increases in tax revenues would likely be very modest, falling well short of the size of the additional supplementary budget(s). As a result, upward pressures on the Japanese Government Bond (JGB) yields will probably materialise in coming months. In that case, the Bank of Japan (BoJ) might expand the asset purchase programme again to keep interest rates stable.

As a result of all above fundamentals, JPY is expected to appreciate against all major currencies. The JPY was trading at 1USD = 80.38 JPY on June 30, 2011.

Euro (EUR)

On January 1, 1999, eleven of the countries in the European Economic and Monetary Union (EMU) decided to give up their own currencies and adopt the euro (EUR) currency: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. The Vatican City also participated in that changeover. Greece followed suit on January 1, 2001, Slovenia on January 1 2007, Malta and Cyprus on January 1, 2008, and Slovakia on January 1, 2009.

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 contrast to many core countries, the ECB is against any form of sovereign debt restructuring or re-profiling because it fears that this would lead to additional problems in the banking sector. This would probably require a widening of the ECB's non-standard measures. However, even without any debt re-profiling, the market expects that the ECB will keep its non-standard measures in place for the time being because of the strained situation of the periphery-country banks.

The ECB kept its key interest rate unchanged at 1.25 percent in its June meeting against the market expectation of 25 bps hike. The market expected ECB to go ahead with interest rate hike considering the rising inflationary pressure in the euro zone. Even with somewhat reduced near-term inflationary pressure from the commodity side, the market expects the ECB to use the "strong vigilance" phrase in June in order to prepare for an increase in all three official rates by 25bp in July.

According to the latest update of the stability and growth programmes, fiscal tightening in all three large core countries is likely to be much smaller than in the fiscally strained periphery countries. However, tighter fiscal policy is likely to have some dampening impact on the overall economic performance.

The euro was trading at 1EUR = 1.4500 USD on June 30, 2011.

India-Africa Forum Summit 2011

The second India-Africa Forum Summit was held during May 24-25, 2011, in Addis Ababa, Ethiopia under the theme "Enhancing Partnership: Shared Vision". Fifteen African Countries participated in the summit on behalf of African continent, selected on the basis of "Banjul formula" of the African Union. The second Summit was a follow up of first India-Africa Summit Forum which took place in New Delhi in 2008 during which the New Delhi Declaration and Framework for Cooperation were adopted. The summit was aimed at carrying forward the institutionalised interaction with Africa started in the first Summit.

In the summit, both India and Africa decided to enhance their partnership with new initiatives for the mutual benefit of Africa and India. India and Africa recognised that the world is going through a period of change and, therefore, close coordination on political and related issues has become necessary and is beneficial to both sides.

During the Plenary Session of the Summit, India's Prime Minister addressed the forum and announced new supports for the development of African region. The announcements included funding for additional commitments, including US\$ 5 billion for the next three years under lines of credit to help Africa achieve its development goals, US\$ 700 million to establish new institutions and training programmes in consultation with the African Union and its institutions, US\$ 300 million for the development of Ethiopia-Djibouti railway line and US\$ 2 million for the African Union Mission in Somalia.

The Prime Minister also proposed to establish an India-Africa Virtual University, with 10,000 new scholarships to meet the demand in Africa for higher studies in Indian institutions. The Prime Minister clarified that capacity building would receive priority in its endeavour to deepen links with Africa at the continental, regional and bilateral levels. In this respect, he proposed the establishment of the following new institutions at the pan African level: an India-Africa Food Processing Cluster for the creation of regional and export markets; an India-Africa Integrated Textiles Cluster to support the cotton industry and its processing and conversion into high value products; an India-Africa Centre for Medium Range Weather Forecasting for harnessing satellite technology for the agriculture and fisheries sectors as well as contributing towards disaster preparedness and management of natural resources; an India-Africa University for Life and Earth Sciences; and an India-Africa Institute of Agriculture and Rural Development. He also proposed the establishment of an India-Africa Business Council to bring together business leaders from both sides to fully involve the participation of private sector in the efforts of integrating India and African economies.

To solve the problem of insufficient air connectivity between India and Africa, the Prime minister assured to increase the access of African airlines to Indian cities in a significant manner over the next three years. India will support the development activities of African regional economic communities to establish at the regional level, Soil, Water and Tissue Testing Laboratories, Regional Farm Science Centres, Seed Production-cum-Demonstration Centres, and Material Testing Laboratories for Highways. Also, at the bilateral level India proposed to establish institutes for English language training, information technology, entrepreneurship development and vocational training. India will also establish Rural Technology Parks, Food Testing Laboratories, Food Processing Business Incubation Centres and Centres on Geo-Informatics Applications and Rural Development as part of new initiatives in the social and economic sectors.

The summit culminated with the Addis Ababa Declaration and the Africa-India Framework for Enhanced Cooperation. The eight page Addis Ababa declaration brought

out a striking convergence of views between India and Africa not only on bilateral matters but also on a whole range of issues including UN reforms and Millennium Development Goals, Africa's place in world affairs, climate change, countering terrorism, global crisis, drug and human trafficking, the Doha Round and South-South cooperation. The declaration also mentioned that the third India-Africa Forum Summit will be held in 2014.

The Africa-India Framework for Enhanced Cooperation was aimed at strengthening the cooperation in the areas of economics (agriculture, trade, industry and investment, small and medium enterprises, finance and regional integration); politics (peace and security, and civil society and governance); science, technology, research and development; social development and capacity building; health, culture and sports; tourism; infrastructure, energy and environment; and media and communications. India and Africa has agreed to jointly revive, within a period of six months, the Joint Plan of Action to fully reflect the Africa-India Framework for Enhanced Cooperation. This Joint Plan of Action will also incorporate a follow-up mechanism which will ensure the effective implementation of programmes and activities agreed in the Plan.

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 authenticity or accuracy of such items.

Note: Indian Rupees are referred in crores and lakhs:

1 crore : 10 million

1 lakh : 100 thousand

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