एक्ज़िम बैंक
EXIM BANK
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Big Push to Indian Exports Post Reforms

The economic liberalisation programme initiated in the early 1990s placed the Indian economy on a higher growth path compared to the three decades of relatively low growth rates prior to liberalisation. Opening up the economy resulted in increased flow of foreign direct investments (FDI) as well as significant improvements in merchandise exports. The policy reforms provided free and conducive environment for trade and also included various measures which helped to achieve high export growth rates especially in the recent years. In fact, decadal analysis of real gross domestic product (GDP) growth, FDI, and export growth reveals that higher real GDP growth was accompanied by impressive growth in FDI and jump in export growth indicating the increasing importance of exports in maintaining India's growth story.

Growth in India's merchandise exports have also been accompanied by increasing share in the global export market, along with certain shifts in composition as well as direction of trade. There are several reasons attributed to such changes, which would include, among others, emergence of newer markets, liberalisation policies, increased adaptability of Indian exporting companies to meet the changing patterns of global demand, and the availability of financing mechanism for such activities.

Recent Trends in India's Merchandise Trade

During the period 2002-03 to 2011-12, India's global merchandise trade increased seven-fold, recording a compound annual growth rate (CAGR) of 24 percent, supported by significant rise in both exports and imports (**Chart 1**). The CAGR of India's exports jumped from 8.5 percent in the decade preceeding economic reforms to 10 percent in the first decade following the reforms, and further to 21.5 percent during the following decade (2002-03 to 2011-12) notwithstanding the global economic crisis witnessed during the second half of the decade (**Table 1**). Similarly, imports have also increased significantly (eight-fold), with a CAGR of 26 percent during the same period, reflecting the rise in imports of oil. Accordingly, trade deficit also increased substantially from US$ 9 billion in 2002-03 to US$ 185 billion in 2011-12.

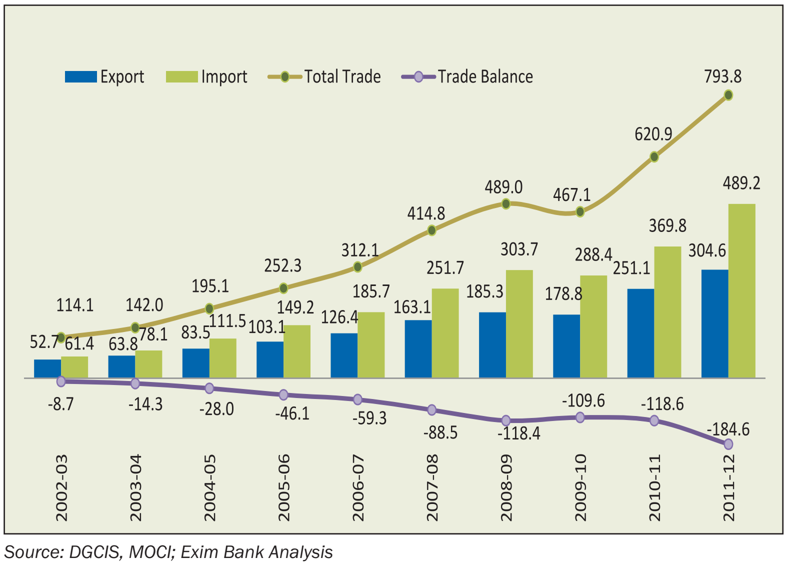
Table 1: Growth of Exports, FDI and Real GDP and India's Global Exports share – Decadal Analysis

Period/Decade	CAGR of Exports (%)	Annual Real GDP Growth (%)	CAGR of FDI Stock (%)	Average share of India in Global exports (%)
1981-82 to 1990-91	8.5	5.4	13.2	0.5
1991-92 (Crisis year)	-1.5	1.4	4.5	0.5
1992-93 to 2001-02	10.0	6.0	29.0	0.6
2002-03 to 2011-12	21.5	7.8	25.7	1.1

Source: DGCIS, MOCI; CSO; UNCTAD; WTO; Exim Bank Analysis

While merchandise exports contracted in 2009-10 as a result of the global economic crisis emanating from the housing bubble in 2008, it quickly

Chart 1: India's Global Merchandise Trade – Trends Over Last Decade (US$ bn)



Source: DGCIS, MOCI; Exim Bank Analysis rebounded in 2010-11, surpassing its pre-crisis level with impressive growth rates. According to the World Trade Organisation (WTO), India's share in global merchandise exports increased from 0.8 percent in 2002 to 1.6 percent in 2011, thus becoming the 19th largest global exporter, up from 31st rank in 2001.

Sectoral Composition of India's Exports

The composition of India's merchandise export basket has also witnessed a marked change. There has been consistent increase in the shares of engineering goods and electronic goods in the past two decades, along with petroleum products. The compositional shift in the exports basket towards technology-intensive commodities during the past few years has been reflected in their increased contribution to growth (**Table 2**).

The share of engineering goods, petroleum products, and electronic goods in India's total exports, which stood at 14.6 percent, 4.9 percent, and 2.5 percent, respectively, in 2002-03 increased to 19.1 percent, 18.3 percent, and 3 percent, respectively, in 2011-12. Exports of petroleum products have witnessed a CAGR of 40.7 percent over the period 2002-03 to 2011-12, followed by engineering goods and electronic goods with growth of 25.2 percent and 24.1 percent, respectively, during the same period. Other principal exports items including chemicals and related products, agriculture and allied products, ores & minerals and gems & jewellery have witnessed growth of over 15 percent or more during the same period. However, their shares in India's global exports fell during the decade.

Inter-sectoral composition changes within manufactured exports, also highlights the declining shares of labour-intensive manufactures. Textile sector has witnessed a drastic fall in its shares at 8.9 percent of India's total exports in 2011-12, as compared to 21 percent of India's total exports during 2002-03. The shares of leather and leather manufactures,

Table 2: Composition of India's Merchandise Exports (Select Principal Commodity Groupings)

	Total Exports (US$ mn)			Share in Total Exports (%)			CAGR (%)	
	1992-93	2002-03	2011-12	1992-93	2002-03	2011-12	1992-93 to 2002-03	2002-03 to 2011-12
TOTAL EXPORTS	**18,537.2**	**52,719.4**	**304,623.5**	**100.0**	**100.0**	**100.0**	**11.0**	**21.5**
Engineering Goods	**2,268.5**	**7,689.0**	**58,226.0**	**12.2**	**14.6**	**19.1**	**13.0**	**25.2**
Machinery	541.6	3,463.1	35,867.9	2.9	6.6	11.8	20.4	29.7
Iron & Steel	306.1	1,856.0	6,458.1	1.7	3.5	2.1	19.7	14.9
Petroleum Products	**476.2**	**2,576.5**	**55,603.5**	**2.6**	**4.9**	**18.3**	**18.4**	**40.7**
Gems & Jewellery	**3,071.7**	**9,029.9**	**46,957.0**	**16.6**	**17.1**	**15.4**	**11.4**	**20.1**
Chemicals & Related Products	**1,786.1**	**7,858.3**	**39,494.4**	**9.6**	**14.9**	**13.0**	**16.0**	**19.6**
Agri. & Allied Products	**2,004.0**	**4,721.3**	**27,364.8**	**10.8**	**9.0**	**9.0**	**8.9**	**21.6**
Textiles	**4,469.2**	**11,081.1**	**27,184.2**	**24.1**	**21.0**	**8.9**	**9.5**	**10.5**
Readymade garments	2,393.0	5,689.9	13,709.0	12.9	10.8	4.5	9.0	10.3
Cotton, yarn, fabrics, made-ups etc	1,350.5	3,351.1	6,811.1	7.3	6.4	2.2	9.5	8.2
Manmade textiles & made-ups etc	21.5	1,417.5	5,643.6	0.1	2.7	1.9	52.0	16.6
Electronic Goods	**212.3**	**1,294.6**	**9,010.4**	**1.1**	**2.5**	**3.0**	**19.8**	**24.1**
Ores & Minerals	**737.8**	**1,996.0**	**8,123.9**	**4.0**	**3.8**	**2.7**	**10.5**	**16.9**
Leather & Mnfrs.	**1,277.5**	**1,848.3**	**4,798.3**	**6.9**	**3.5**	**1.6**	**3.8**	**11.2**
Cotton incl. Waste	**62.8**	**10.4**	**4,328.1**	**0.3**	**0.0**	**1.4**	**-16.5**	**95.4**
Marine Products	**601.9**	**1,431.6**	**3,444.3**	**3.2**	**2.7**	**1.1**	**9.1**	**10.2**
Plantation	**467.1**	**546.8**	**1812.3**	**2.5**	**1.0**	**0.6**	**1.6**	**14.2**
Carpets	**538.2**	**532.6**	**843.7**	**2.9**	**1.0**	**0.3**	**-0.1**	**5.2**
Handicrafts	**275.9**	**785.3**	**237.4**	**1.5**	**1.5**	**0.1**	**11.0**	**-12.4**
Sports Goods	**-**	**72.6**	**208.5**	**-**	**0.1**	**0.1**	**-**	**12.4**
Project Goods	**-**	**49.5**	**45.4**	**-**	**0.1**	**0.01**	**-**	**-1.0**
Others	**287.9**	**1,195.6**	**16,941.5**	**1.6**	**2.3**	**5.6**	**15.3**	**34.3**

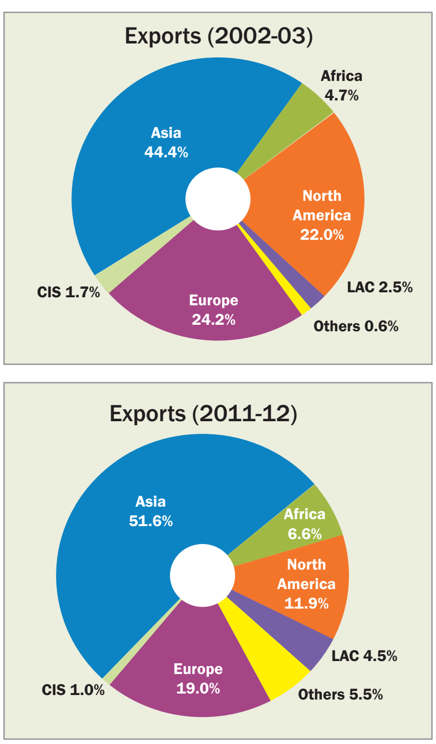
- Data not available separately.

Source: DGCIS, MOCI; RBI; Exim Bank Analysis handicrafts, and carpets have also declined from 3.5 percent, 1.5 percent and 1 percent, respectively, in 2002-03, to 1.6 percent, 0.1 percent, and 0.3 percent, respectively, in 2011-12. The biggest gainer during the decade among manufacturing goods was engineering goods, followed by electronic goods. The shares of chemicals and related products, however, fell from 14.9 percent in 2002-03 to 13 percent in 2011-12, and that of gems and jewellery fell from 17.1 percent to 15.4 percent during the same period.

Direction of Exports

The direction of Indian merchandise exports has been shifting towards Asia, Africa and LAC region. Share of Asia region has increased sharply from 44 percent in 2002-03 to 52 percent in 2011-12 (**Chart 2**); of this, share of ASEAN region rose from 8.8 percent to 12 percent during this period. Further trade flows are likely to be geared towards developing nations, buttressed by Government of India's policies.

Chart 2: Direction of India's Exports

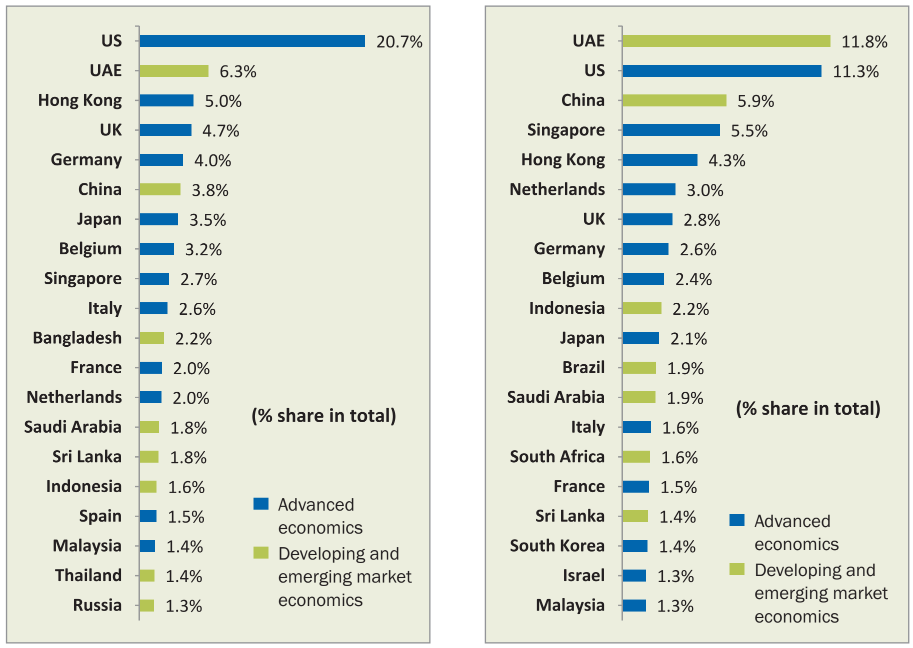


Source: DGCIS, MOCI

The share of developing countries in India's top 20 export markets have increased from 19 percent in 2002-03 to 27 percent in 2011-12 (**Chart 3**). USA, which was the largest export destination accounting for 20.7 percent of India's exports in 2002-03, now accounts for just 11.3 percent of India's total export. The share of UAE in India's total exports, on the other hand, increased from 6.3 percent of India's total exports in 2002-03 to 11.8 percent in 2011-12, thus becoming the largest export market for India. It is interesting to see that China, which was the sixth-largest export destination of India in 2002-03, emerged as the third-largest export destination in 2011-12, while increasing its share in India's total exports from 3.8 percent to 5.9 percent during the same period.

Chart 3: Destinations of India's Exports

India's Export Market in 2002-03 (US$ 53 bn) | **Export Market in 2011-12 (US$ 305 bn)**



Source: DGCIS, MOCI

In Sum

Robust performance of India's international trade reflects India's increasing integration with the global economy. India is expected to open further in the coming years as reflected in the Foreign Trade Policy (2009-14), which targets to achieve exports of US$ 500 billion by 2013-14 helped by market diversification and incentives. Continued market diversification towards developing countries based on the changing dynamics of growth in the world economy would assume importance to ensure sustained and accelerated growth of India's exports.

Business Opportunities (Upcoming Projects as on June 2012)

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Crnogorski Elektroprenosni Sistem AD Bulevar Sv. Petra Cetinjskog 18 Third Floor Office No. 307 Podgorica, ZIP Code: 81000 Republic of Montenegro **Contact:** Mr. Slavka Markovic Email: slavka.markovic@cges.me	**ECSEE – APL3 Montenegro Project / Development of Telecommunications System** The project requires procurement of telecommunication equipment and related services for telecommunication network extension.	**World Bank** US$ 16 mn
Hanoi Power Corporation Tender Department No. 69 Dinh Tien Hoang, Hoan Kiem District Hanoi City Vietnam **Contact:** Tel. : +844 22200852/22205262 Fax : +844 22200853 Email : dauthau.evnhanoi@gmail.com	**Distribution Efficiency Project** The project includes supply of substation equipment and material for sub-project 110 kv Gia Lam 2 substation and overhead line.	**World Bank** US$ 449 mn
Joint Stock Company 'Serbian Railways' Nemanjina 6, Belgrade Serbia **Contact:** Mr. Nikola Tojagic, B.Sc. Eng. Assistant Director, Operations Directorate Tel. : +381 11 3616 789 Fax : +381 11 3616 826 E-mail : nikola.tojagic@srbrail.rs	**Corridor X Project** The project consist of track renewal along key sections of Corridor X with a total length of approximately 112 km, including the purchase of track maintenance machines, and to procure 15 multi-system electric locomotives.	**European Bank for Reconstruction and Development** € 100 mn
Airport "Alexandar the Great" – Skopje P.O. Box 9, 1043 Petrovec Macedonia **Contact:** Mr. Nikolet Tagarinski Tel. : +389 2 3148 100 +389 2 3251 800 Email : nikolet.tagarinski@mnavigation.mk	**Air Navigation Service (ANS) System Upgrade** Procurement, installation and commissioning of New Air Traffic Management (ATM) System including technical operating room; Upgrade on several communication facilities, and Consultancy services for procurement preparation and project implementation.	**European Bank for Reconstruction and Development** € 13.35 mn
Department of Public Works and Highways The BAC Secretariat Ground Floor Supply and Property Management Division DPWH Main Office, Bonifacio Drive Port Area Manila 1018 Philippines **Contact:** Mr. Roy L. Manao Asst. Secretary Tel. : +63 02 304 3530	**Road Improvement and Institutional Development Project (RIIDP)** Installation of a voice and data communication network in approximately 47 offices and upgrading of network equipment (data switch and UPS) for the existing 60 offices.	**Asian Development Bank** US$ 62 mn

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Da Afghanistan Breshna Sherkat (DABS) 2nd Floor, Room No. 313, PMO Office Chaman Houzouri Kabul, Afghanistan **Contact:** Dr. Waheedullah Popalzai Director, PMO E-mail: waheedullah.popalzai@pmo.dabs.af	**MFF Energy Sector Development Investment Program – Tranche 2** Contract for design, supply and installation of distribution plant for Kabul South West (Dasht-e-Barchi).	**Asian Development Bank** US$ 81.5 mn
Crown Agents St Nicholas House St Nicholas Road Sutton Surrey SM1 1 EL United Kingdom **Contact:** Mr. Karen Harries Project Manager Tel. : +44 20 8643 3311 Fax : +44 20 8643 4502 Email : scstenderbox@crownagents.co.uk	**Emergency Power Infrastructure Rehabilitation Project** The works will comprise the design, supply, construction and commissioning of the replacement of: slurry pumps, ash pumps, sluicing water pumps, booster pumps, sealing water pumps, bilge pumps and overflow sump pumps; etc. for rehabilitation of the Ash Handling Plant of the Hwange Power Station, Zimbabwe.	**African Development Bank** US$ 36 mn
Kenya Electricity Transmission Co. Ltd. Capitol Hill Square, 2nd Floor Chyulu Road, Upper Hill P. O. Box: 34942-00100, Nairobi Republic of Kenya **Contact:** Dr. (Eng.) John M. Mativo Head of Technical Services Tel. : +254 20 4956000 Fax : +254 20 4956010 Email : jmativo@ketraco.co.ke	**Interconnection of Electric Grids of Nile Equatorial Lakes Countries (Kenya's part)** The function of this transmission line as part of Kenya-Uganda Power Interconnection Project will be to transmit power from Tororo substation to Lessos substation and deliver power to the Kenyan power grid. The major works to be carried out are 127 km long, 220 kV, double circuit transmission line from Lessos substation to Ugandan Border.	**African Development Bank** US$ 245 mn

Contract Awards (Select contracts secured by Indian companies/consultants)

Global Procurement Consultants Ltd. (GPCL), Mumbai	Procurement and financial management consultancy services for Bihar Kosi Flood Recovery Project, funded by the **World Bank** Consultancy assignment for providing services as a procurement monitoring agency for Kenya's Total War Against HIV / AIDS (TOWA) Project, funded by the **World Bank**. This assignment for the national AIDS Control Council, Kenya, has been secured following an extension of the duration of the project. GPCL has successfully completed the earlier phase of the assignment.
Asian Consulting Engineers Pvt. Ltd., New Delhi	Consultancy assignment for Georgia's Regional & Municipal Infrastructure Development Project, funded by the **World Bank**.
APAR Industries Ltd., Mumbai	Contract for supply of AAAC 95mm^2, stranded bare copper wire 35 mm^2 and galvanised wire conductors for Ethiopia's Accelerated Electricity Access (Rural) Expansion project, funded by the **World Bank**.
Olive Healthcare Ltd., Mumbai	Supply of medicine and pharmaceuticals for Bangladesh's Health Sector Development Programme, funded by the **World Bank**.
Laborate Pharmaceuticals India Ltd., Panipat	Supply of medicine and pharmaceuticals for Nepal's Second HNP and HIV/AIDS Project, funded by the **World Bank**.
WAPCOS Ltd., New Delhi	Consultancy assignment for Angola's Sumbe Water Supply, Sanitation and Institutional Support Project, funded by the **African Development Bank Group**.

Indian Investments in LAC Crosses US$ 10 bn

The synergy in commercial relations between India and Latin America and Caribbean (LAC) region and the potential thereof, can be accessed from the recent trends in bilateral trade and investment relations.

Approved cumulative Indian investments in LAC region was US$ 10.6 billion during April 1996-March 2012, accounting for 6.6 percent of the overall FDI outflow. British Virgin Islands, Panama, Bermuda, Brazil, and Cayman Islands were the major destinations for India's FDI Outflow (**Table**). It has been observed that most Indian investments in the LAC region are skewed towards the Caribbean, the tax haven countries. As per an ECLAC study, productive investment in the region as a whole has therefore been quite limited.

Indian investments in LAC region more than doubled to US$ 3.8 billion in 2011-12, as compared to US$ 1.6 billion in 2010-11. Nearly half of India's total FDI outflow to LAC region in 2011-12 was to Panama (49.4 percent), followed by British Virgin Islands (41.4 percent), and Cayman Islands (5.7 percent). The share of LAC in India's total FDI outflow reached its all-time high of 12.4 percent in 2010-11.

Traditionally, majority of India's investments into the LAC region were into manufacturing, financial, insurance, real estate and business services; and wholesale, retail trade, restaurants and hotels. However, in 2010-11, investments were mainly in agriculture, hunting, forestry and fishing, which accounted for 27.6 percent of India's investments in the region. In 2011-12, agriculture and mining accounted for 51 percent of India's total investments in the region, followed by wholesale, retail trade, restaurants and hotels (22.7 percent), and manufacturing (20 percent).

Some of the major indian companies operating in LAC region include TCS, United Phosphorus Ltd (UPL), ONGC (OVL), HCL, Jindal Steel & Power Ltd. (JSPL), Infosys, and Ranbaxy.

Policy Initiatives by Government of India

Some of the major policy initiatives and institutional frameworks to foster and enhance bilateral trade and investment relations with the LAC region include, among others, Focus LAC Programme, Joint Commissions / Trade Committees, Joint Business Councils, India-LAC Business Summit, India-LAC Project Partnership Conclaves, Preferential Trade Agreements with Chile and MERCOSUR, as also the India-Brazil-South Africa (IBSA) Initiative.

India has entered into 10-year Bilateral Investment Promotion And Protection Agreements (BIPAs) with Mexico (effective since February 23, 2008), Trinidad and Tobago (effective since September 07, 2007), and Argentina (effective since August 12, 2002). It has also entered into BIPAs with Colombia (2009) and Uruguay (2008), but they are yet to come into force. India has entered into Double Taxation Avoidance Agreements (DTAA) with Brazil, Mexico, and Trinidad and Tobago. Among other agreements, India also has a bilateral Trade Monitoring Mechanism (TMM) with Brazil, and MoUs with Colombia and Argentina on cooperation in trade and commerce.

Table : Approved Indian Investments in Joint Ventures & Wholly Owned Subsidiaries in LAC Region (US$ mn)

Country	April 1996 to March 2007	2007-08	2008-09	2009-10	2010-11	2011-12	Total
British Virgin Island	1008.4	935.6	512.7	502.5	855.8	1582.7	5397.7
Bermuda	628.0	0.1	219.4	104.2	---	61.0	1012.7
Brazil	487.1	10.1	11.8	11.0	7.1	21.1	548.2
Cayman Island	103.9	75.9	51.9	98.2	446.3	218.9	995.1
Uruguay	36.0	42.8	12.5	---	---	---	91.3
Mexico	63.0	7.6	10.7	10.1	13.1	4.1	108.6
Panama	23.9	23.2	29.4	41.9	220.6	1889.9	2228.9
Cuba	17.0	24.5	31.4	0.1	24.7	---	97.7
Other LAC Countries	20.2	1.6	5.7	19.3	66.5	49.6	162.9
Total	**2387.5**	**1121.4**	**885.5**	**787.2**	**1634.1**	**3827.3**	**10643.1**
Share of LAC in India's Overall ODI (%)	7.6	5.4	5.2	4.4	3.7	12.4	6.6

-- not available

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

Exim Bank of India in the LAC Region

In line with the Government's strategy and as the Apex Financial Institution in India for financing, promoting and facilitating India's international trade and investments, Export-Import Bank of Inida (Exim Bank) operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in LAC region. Exim Bank has currently (as on June 30, 2012) 14 operative LOCs amounting US$ 147.7 million covering 11 countries in the LAC region for varied projects. Exim Bank has also supported several Indian project exporters to execute contracts, in the LAC region such as Ethanol plant projects in Colombia; Pharmaceuticals in Mexico; El Nino Emergency Assistance Project in Guyana; Power Transmission in Brazil; and large-scale Construction projects in Barbados. Exim Bank has also supported companies in setting up JVs in LAC region in sectors such as electronics, steel, oil and gas exploration, and pharmaceuticals. Exim Bank has also signed MOCs with a number of institutions in LAC region. With a view to facilitate South-South trade and investment, at the joint initiative of Exim Bank and UNCTAD, a Global Network of Exim Banks & Development Financial Institutions (G-NEXID) was launched in March 2006, in Geneva.

Exim Bank's Lines of Credit

Export-Import Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible 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 154 Lines of Credit, covering over 74 countries in Africa, Asia, Latin America, Europe, Oceania and the CIS, with credit commitments of over US$ 8.12 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 unchartered territories of Africa and Latin America.

Exim Bank, at the behest and with the support of Government of India, has extended one LOC as given below during the quarter April-June 2012:

- An LOC of US$ 47 million extended to the Government of the Federal Democratic Republic of Ethiopia, which is the fifth tranche of the total credit commitment of US$ 640 million for financing sugar industry rehabilitation in Ethiopia. Exim Bank has earlier extended four LOCs of US$ 122 million as first tranche, US$ 166.23 million as second tranche, US$ 213.31 million as third tranche, and US$ 91 million as fourth tranche to finance sugar industry rehabilitation in Ethiopia.

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Buyer's Credit under NEIA

Exim Bank, in April 2011, in conjunction with Export Credit Guarantee Corporation of India Ltd. (ECGC), introduced a new product /initiative viz. Buyer's Credit under Government of India (GOI)'s National Export Insurance Account (NEIA). Under this programme the Bank finances and facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of 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.

In the very first year, the Bank approved four projects valued at US$ 405.08 million (approx. ₹ 2,135 crore). Of these, agreements for two projects have recently been concluded, viz.,

- Project valued at US$ 81.69 million for the supply, erection, and commissioning of 30 MLD (Million Litres a day) water treatment plant and distribution to nine reservoirs across Dambulla region in Central Sri Lanka for National Water Supply & Drainage Board, a Government of Sri Lanka undertaking, and
- Project valued at US$ 63.39 million for the setting up 187 km 132 kv transmission line from Lusaka to Luangwa along with distribution network and three 132 kv substations for ZESCO Ltd., Zambia.

In addition, the Bank has given in-principle commitments for supporting 15 projects aggregating US$ 1,611.25 million (eqivalent ₹ 8,056 crore).

SEBI cuts deadline for transfer of shares to 15 days

The stock market regulator, Securities and Exchange Board of India (SEBI), has reduced the deadline for transfer of equity shares from one month to 15 days. In addition, SEBI has also prescribed 15 days for registering transfer of debt securities.

Financial support for developing electronics sector approved

The Union Cabinet has approved a proposal to offer financial assistance for the development of Electronics Manufacturing Clusters (EMCs), to aid the growth of the Electronics Systems Design and Manufacturing (ESDM) sector in India. The scheme is expected to help flow of investment for development of the ESDM sector. Under the scheme, financial support would be provided to a Special Purpose Vehicle (SPV) registered for this purpose. The assistance would be restricted to 50 percent of the project cost for green-field EMCs and 75 percent of the project cost for brown-field EMCs. The scheme is expected to help flow of investment for development of in the ESDM sector. India's draft National Policy on Electronics (NPE) proposes to achieve domestic production of around US$ 400 billion by 2020 in the ESDM sector by creating an industry friendly policy framework.

RBI announces liberalisation measures for Capital Account Transactions

The Reserve Bank of India (RBI), in consultation with the Government of India has decided to introduce measures for Capital Account Transactions with immediate effect.

It has been decided to allow Indian companies in manufacturing and infrastructure sector, having foreign exchange earnings, to avail of external commercial borrowing (ECB) for repayment of outstanding Rupee loans towards capital expenditure and/or fresh Rupee capital expenditure under the approval route. The overall ceiling for such ECBs would be US$ 10 billion.

The existing limit for investment by SEBI registered foreign institutional investors (FIIs) in Government securities (G-Secs) has been enhanced further by US$ 5 billion. This would take the overall limit for FII investment in G-Secs from US$ 15 billion to US$ 20 billion. In order to broaden the non-resident investor base for G-Secs, it has also been decided to allow long-term investors like Sovereign Wealth Funds (SWFs), multilateral agencies, endowment funds, insurance funds, pension funds and foreign central banks to be registered with SEBI, to also invest in G-Secs for the entire limit of US$ 20 billion. The sub-limit of US$ 10 billion (existing US$ 5 billion with residual maturity of 5 years and additional limit of US$ 5 billion) would have the residual maturity of three years.

The terms and conditions for the scheme for FII investment in infrastructure debt and the scheme for non-resident investment in Infrastructure Development Funds (IDFs) have been further rationalised in terms of lock-in period and residual maturity.

Further, Qualified Foreign Investors (QFIs) can now invest in those mutual funds (MF) schemes that hold at least 25 percent of their assets (either in debt or in equity or both) in infrastructure sector.

Finance Ministry clears advance pricing scheme

The Advance Pricing Agreement (APA) scheme, pertaining to transfer pricing regulations has been cleared by Finance Ministry. APA is signed between a taxpayer and a taxing authority on an appropriate transfer pricing methodology for a set of transactions over a fixed period of time in future.

Govt to promote IT SEZ in smaller towns

The Government of India plans to announce incentives to promote information technology (IT) related export hubs in small towns to attract investors towards special economic zones (SEZs). The Government is also expected to allow broadbanding of sectors, which will allow ancillary units to come up in sector-specific SEZs.

RBI raises limit on inward remittances

The Reserve Bank of India (RBI) has raised the limit on the number of foreign remittances an individual can receive per calendar year from 12 to 30. This relaxation is mainly to cater to those employed in blue-collar jobs and have a multiple pay calendar.

Trade policy boost for e-commerce biz

The Government of India has agreed to provide fiscal incentives for exports shipped through e-commerce platforms. This initiative is expected to boost India's export of handicrafts, gems & jewellery, carpets, music CDs, and electronic items.

RBI eases norms for Export Credit Refinance Facility (ECR)

RBI has increased the eligible limit of the Export Credit Refinance (ECR) facility for scheduled banks (excluding RRBs) from 15 percent of the outstanding export credit eligible for refinance to 50 percent, effective from the fortnight beginning June 30, 2012. This is expected to provide additional liquidity support to banks of over ₹ 300 billion, thus enhancing credit flow to the export sector.

First Indian entity to issue Uridashi bonds

Exim Bank became the first Indian entity to enter the Japanese retail bond market by issuing Uridashi Bonds. The Bank issued the bond in three different currencies viz., Australian Dollar, Japanese Yen and South African Rand aggregating US$ 124 million equivalent, thereby achieving diversification of investor base.

Uridashi Bonds are denominated in a foreign currency and sold directly to Japanese household investors who are very selective. The bonds offer Japanese household investors a combination of yield and safety benefits.

Success with Project Exports

Exim Bank supported a number of Indian project exporters. Some of the noteworthy financial assistances were towards design and construction of the Salallah International Airport in the Sultanate of Oman; design, construction, testing, commissioning and maintenance of an electrified double track link in Malaysia; engineering, procurement, installation and commissioning of a 36-inch diameter twin gas pipeline in Qatar; and a high voltage sub-stations in Qatar.

Exim Bank's LOC helps in getting Sri Lanka Railways back on track

Two LOCs aggregating US$ 167.4 million were extended to the Government of Sri Lanka for upgradation of the Tsunami-damaged Southern Railway Corridor from Colombo to Matara. The modernised line is Sri Lanka's first high speed line and is expected to enable trains to run at speeds of 100 kmph. Union Minister of External Affairs, H.E. Shri S. M. Krishna inaugurated the line in January 2012.

LOC to Tanzania increases farm productivity

An LOC of US$ 40 million was extended to the Government of Tanzania for supply of tractors, pumps, spare parts, training, assembly operations, after sales service support and assembly line equipment. The project has contributed to Tanzania's "Food Sufficiency Programs" towards making it a food surplus country through a major thrust to farm mechanisation and agricultural productivity.

LOC to Benin to improve transport linkages

An LOC of US$ 15 million was extended to the Government of Benin, which included contracts valued at US$ 10.25 million for supply and commissioning of railway equipments, aimed to promote regional transport linkages with neighbouring landlocked countries.

First Indian Co.'s Dim Sum issue succeeds with Exim's guarantee

Exim Bank provided credit enhancement to the first ever corporate bond issued by an Indian company in the Chinese (overseas Renminbi) market. The issue was also the largest-ever CNH bond (Dim Sum Bond) issue from India. The Bond received an investment grade rating based on Exim Bank's guarantee, leading to it being oversubscribed by 200 percent. The Bond issue proceeds will be used by issuer to acquire and manage infrastructure assets in China.

Success in R&D finance with pharma and auto cos

During the year, the Bank sanctioned R&D loan to a bio-pharmaceutical company for research activities in the areas of biotech R&D and Novel Drug Delivery Systems. The company has now licensed its generic product for select overseas markets in Europe, South Africa, Turkey and Australia.

Mahindra Reva Electric Vehicle Pvt. Ltd. was also supported under this programme for R&D needs for its electric cars. Product development has been completed and the new electric car model was launched recently. Commercial launch of the car is expected by Diwali this year.

Bank's grassroots initiatives help BPL families

Exim Bank supported an enterprise employing women from BPL families for manufacturing off-the-loom tasar silk products in Bhagalpur, Bihar. The loan facility from the Bank will enable these artisans for bulk purchase of tasar silk, their raw material. The company works on sustainable livelihood projects and helps generating income for poor families.

The Bank also supported an artisans' and farmers' cooperative society in Uttarakhand, which is into production of naturally dyed silk and wool textiles.

Financial support was also given to Traditional AYUSH Cluster in Tamil Nadu for setting up a common infrastructure facility for Indian systems of medicine.

Bank facilitates exports from Ahmedabad

The Bank sanctioned term loan of ₹ 70 crore for setting up of an exhibition-cum-convention centre in Gujarat International Finance Tec-City (GIFT) at Ahmedabad, Gujarat. The project, set-up at a cost of ₹ 190 crore, will be one of the largest industrial exhibition centre for holding international exhibitions, buyer-seller meets, new technology display, and business conferences. The exhibition-cum-convention centre will provide world class facilities and enable promotion of exports especially export of high value capital goods.

Higher Investment Cap Needed for MSME Development

Comparing the developmental strategies for MSME sector adopted in various countries with that of India, it could be observed that the cap on plant and machinery for the purpose of classifying the units as MSMEs does not encourage Indian MSMEs to move up the value chain. The MSME sector in India, with some exceptions, is characterised by low technology levels, which act as a handicap in the emerging global market. Although MSMEs play an important role in India's economic growth, be it in terms of its contribution to manufacturing value-added, exports, or employment generation, not many units have ability to access technological expertise or mobilise resources for in-house innovation.

In India, within the manufacturing sector, micro enterprises are classified as those with investment in plant and machinery not exceeding ₹ 25 lakhs. While investments in plant and machinery for a small enterprise has been kept in the range between ₹ 25 lakhs and ₹ 5 crores, a medium enterprise is defined with investment in plant and machinery in the range above ₹ 5 crores and ₹ 10 crores. With such low level of investment ceiling, Indian MSMEs are either expanding laterally or engaging themselves in low-tech/ low-value products. Since the manufacturing operations are capital intensive, investment ceiling for treatment of MSMEs may be raised at least in the capital intensive sectors, benchmarking with such ceiling on investment in other countries.

China defines medium enterprises as those having investment ceiling of Yuan 300 million (which is approximately US$ 64 million); Thailand has defined medium enterprises with a ceiling on investment capital of up to Thai Baht 200 million (which is approximately US$ 6.5 million); Singapore has defined with a ceiling on investment capital of up to S$ 15 million (which is approximately US$ 12 million); and EU defines medium enterprises as those of having asset size of € 43 million, which is approximately US$ 57.4 million. These countries (especially EU and China) have set the ceiling on investment for medium enterprises at high-level, encouraging capital intensiveness, technology upgradation, quality improvement, export orientation and employment generation. Considering the above, it is suggested that the ceiling on capital investment for medium enterprises in India may be increased, at least to an extent of US$ 10 million to US$ 12 million from the existing US$ 2 million (**Table**). The hike in investment ceiling for medium enterprises would encourage higher investments for technology absorption, quality upgradation, and export orientation.

Even though there are no tangible benefits to medium enterprises, psychologically, they wish to remain in the classification of MSMEs, probably to avoid inspection or paperwork. That may be the reason for MSMEs to grow laterally instead of building scale economies within a unit; this cross-verifiable feedback could be observed with a number of MSME entrepreneurs promoting group companies that are also small in size. In that sense, positive signals would help the medium enterprises to enhance their capital investments and undertake technological and quality upgradation.

Some of the other strategies that Indian MSMEs could follow are introduction of an exit policy for MSMEs; need for focused technology/R&D institution for MSMEs in India; adoption of successful cluster development approach; promoting entrepreneurship development; and increasing the support to enhance export competitiveness of MSMEs. There is also a felt need for increasing MSMEs access to export finance through mandatory export credit support, assessing non-financial parameters of MSMEs in the credit appraisal, developing mezzanine financing in India, and support MSMEs for accessing alternate sources of capital.

According to the Fourth All-India Census of Micro-Small and Medium Enterprises (reference period 2006-07), the size of the registered working enterprises were 15.52 lakh units; about 40,504 registered units were found to be exporting to a value of ₹ 76,337 crores, which works out to 13.4 percent of India's total exports.

Table: Definition of SMEs

Country	Ceiling on No. of employees (medium enterprises)	Ceiling on Turnover (medium enterprises) (US $ mn)	Ceiling on Investment (medium enterprises) (US $ mn)
India	-	-	2.00
Mexico	250	3.5	-
Brazil	250	-	-
Jamaica	50	1.73	-
Laos PDR	99	0.25	0.15
South Africa	200	6.67	2.50
Kenya	100	9.65	-
China	2000	47.67	63.56
Taiwan	200	-	2.70
Japan	300	-	3.62
Vietnam	300	-	0.50
Indonesia	100	-	-
Pakistan	250	2.75	0.30
South Korea	300	--	8.00
Malaysia	150	8.20	-
Philippines	200	-	2.30
Thailand	200	-	6.48
Singapore	200	-	12.00
Israel	100	-	-
Bangladesh	99	-	1.22
UAE	250	68.00	-
EU	250	66.76	57.40
MIGA	300	15.00	15.00
OECD	250	66.76	57.40

Source: Exim Research

Indian Chemical Industry: Imperatives to Attain Growth

The Chemical industry forms the backbone of industrial and agricultural development of India and also provides building blocks for downstream industries, making it a significant contributor to India's economic growth.

The size of the Indian chemical industry (here includes organic and inorganic chemicals, tanning, dye extracts, and insecticides and pesticides) is estimated to have reached around US$ 60.3 billion. In terms of total value added (at constant 2000 prices), the Indian chemical industry was the fifth-largest in the world, and second-largest in Asia after China.

The volume of major chemicals produced in India amounted to 8 million metric tonnes (MTs) in 2010-11, an increase of 6.7 percent over the previous year. Chemical production as on April – September 2011 stood at 401 million MTs. The share of overall chemicals and related products (including pharmaceuticals) in the country's total exports has been exhibiting an upward trend, indicating that the growth in exports during recent past has outperformed India's total exports. Exports of chemicals and related products (including pharmaceuticals) grew by 28 percent in 2011-12 – higher than growth in India's overall exports during the same period.

However, India has been a net importer of chemicals from the world - an indication of strong domestic demand for chemical products. It may be noted herein that there are chemical products which India is exporting as well as importing. Exporting a particular product in reasonable quantity corroborates that India does have the capabilities to produce the same, but due to some reasons India is unable to fulfill its domestic demand, for which it has to rely on imports. This would imply that with appropriate capacity expansion the country would not have to rely on imported chemicals.

In order to address the issue of capacity expansion and for creation of common infrastructure, the chemical industry, with support of Government could establish exclusive chemical parks. The chemical park model, producers share a site and become vertically integrated with other companies, sharing infrastructure, services and facilities, is becoming increasingly relevant against the backdrop of the current recession, fluctuating energy prices and wayward margins.

Leading chemical manufacturers in the world are entering emerging markets through joint ventures or acquisitions (mainly in the West Asia to gain access to feedstocks, and in China and India to develop a local market presence). In order to attain growth potential chemical firms should embrace the changing dynamics in the global chemical industry and effectively position themselves, both in nascent and mature markets, and simultaneously create innovative products.

For the industry to move ahead, due importance to SMEs in the industry needs to be given (SMEs in India's chemical industry production is around 40 percent). A suitable Fund may be constituted by the Government on the lines of the Technology Upgradation Fund as available to the textile industry, or other measures such as provision of accelerated depreciation as available to the wind energy sector, so that the industry access designs, patents, processes, and technology.

Though India's R&D intensity has seen an increase from 0.04 percent in 2000-01 to 0.46 percent in 2010-11, the figures are far below the global average. The industry needs to invest intensively in R&D to compete globally. At the same time, in order to be internationally competitive, the Indian chemical industry has to match global benchmarks including those concerning environmental sustainability.

Draft National Chemical Policy

The draft National Chemical Policy 2012 (NCP-2012), envisages transforming the existing scenario through accelerated economic growth. The thrust of this policy is to underscore the imperative that sustained adoption of technology upgradation would offer viable options in overcoming developmental challenges across multiple sectors. It seeks to create a conducive policy framework to address these issues and to touch lives of all citizens and transform the country. By formulating a clear policy regime, NCP-2012 visualise creating an investor friendly environment for attracting additional investments in the sector apart from generating manifold employment opportunities in various segments of the sector. NCP-2012 also provides a roadmap for India to play an important role in cutting-edge, state-of-the art technologies, through R&D and creation and incorporation of Indian IPRs in global standards. At the same time, establishment of processes and standards for protection of the environment will also be required. NCP-2012 recognises that rapid growth in the chemical sector requires to be supported by an enhanced pace of human capital formation and capacity building. It becomes imperative to put in place an integrated skill development strategy so that there is continuous upgradation of skills in tune with the technological developments. According to this draft, the cornerstone of this strategy is to derive maximal dividend from the young population and their creative abilities.

Reflecting primarily the pick-up in performance of the agriculture, mining, and manufacturing sectors, real GDP growth of Myanmar firmed up to 5.1 percent in 2009, a slowdown witnessed during the previous year due to the impact of Cyclone Nargis combined with weakness in demand from neighbouring economies. With improvements in the industrial and construction sectors and strong growth in the agriculture and services sectors, real GDP growth posted an estimated higher growth of 5.3 percent in 2010. Growth in GDP is estimated to pick up further to 5.5 percent in 2011 and is forecast at 6 percent in 2012 on account of recovery in demand from neighbouring countries. Nominal GDP has more than doubled from US$ 20.2 billion in 2007 to an estimated US$ 51.9 billion in 2011.

India - Myanmar: Enhancing Bilateral Cooperation

Trade relations between India and Myanmar have witnessed a robust trend in recent years. India's total trade with Myanmar has risen over the past decade from US$ 408 million in 2001 to more than US$ 1 billion in 2010. While India's exports to Myanmar have witnessed a four-fold rise from US$ 58 million to US$ 273 million during the period, India continued to run a huge trade deficit with Myanmar, on account of the steady increase in the magnitude of imports which increased from US$ 350 million in 2001 to US$ 793 million in 2010.

It is envisaged to surpass the bilateral trade target of US$ 3 billion by 2015 , which is feasible given the potential and the new links which are opening up.

India is the third-largest market for Myanmar's exports, with a share of 13 percent of Myanmar's global exports, after Thailand (47 percent) and China (16 percent). However, in the case of imports, India is the seventh-largest import source for Myanmar, with a share of 3 percent of Myanmar's global imports, behind China, Thailand, Singapore, Korea, Malaysia, and Indonesia.

While India's overall exports to Myanmar have depicted a robust trend in recent years, an analysis of the share of India's major exports to Myanmar vis-à-vis Myanmar's global imports of these items, would reveal the tremendous scope to further enhance India's exports to Myanmar. In the case of few items such as pharmaceuticals, meat and meat preparations, and sugar, India is a major source for Myanmar's imports, accounting for a significant share in Myanmar's global imports. However, in the case of other major imports of Myanmar, the share of India in Myanmar's import basket is low. In particular, India's share in Myanmar's top import items, which are primarily manufactured and related products is still marginal, which would serve to highlight the tremendous scope to enhance such exports to Myanmar.

For instance, in the case of Myanmar's top five import items such as machinery, petroleum products, transport vehicles, electrical and electronic equipment, and iron and steel, India's share in Myanmar's global imports are still marginal ranging from 0.3 percent to 3.7 percent, despite India's global export capability in these potential sectors.

In terms of FDI inflows into Myanmar, India is the thirteenth-largest investor in Myanmar with a modest share of 0.7 percent (US$ 262 million), way behind China (34 percent), Thailand (24 percent), Hong Kong (16 percent), Korea (7 percent) and Singapore (4 percent). According to Asian Development Bank (ADB), the investment needs in the infrastructure sector in Myanmar is estimated to be to the tune of US$ 22 billion during the period 2010-2020, with investment in new capacity accounting for 56 percent of these investment requirements into sectors such as energy, transportation, and water and sanitation.

Myanmar is a critical partner in India's "Look East" policy and is perfectly situated to play the role of an economic bridge between India and China and between South and South-East Asia. There is a growing consensus for the need to work together to create a regional economy that could become a hub for trade, investment and communication in the region.

Exim Bank of India's Recent Endeavours in Myanmar

Export-Import Bank of India (Exim Bank) and Myanma Foreign Trade Bank (MFTB) signed a Memorandum of Understanding (MOU) for extending over a period of time, a Line of Credit (LOC) of US$ 500 million for financing specific projects including irrigation projects.

Exim Bank has, at the behest of GOI, extended seven LOCs of value aggregating US$ 247.43 million to the Myanma Foreign Trade Bank. The above LOCs have been / are being used for projects / contracts in areas such as [i] upgradation of the Yangon - Mandalay railway system; [ii] upgradation and maintenance of workshops and railway tracks in Myanmar; [iii] setting up Moreh-Tamu OFC link with Cor-DECT system at Yangon and Mandalay urban centres; [iv] Thanlyin refinery projects; [v] railway projects; [vi] setting up an assembly/ manufacturing plant for assembly and manufacturing of Tata vehicles in Myanmar; [vii] setting up of three transmission lines in Myanmar; and [viii] upgradation of Thanbayakan Petrochemical Complex.

Design Sensitisation Workshop for Bidriware Artisans

Exim Bank in partnership with National Institution of Design (NID), Ahmedabad and Visvesvaraya Industrial Trade Centre (VITC), Govt. of Karnataka, organised a two-day Design Sensitisation Workshop on April 16 - 17, 2012, for Bidriware Artisans to enable them to adapt to new contemporary designs, which would have a wider appeal in both domestic as well as international markets.

Over 40 Bidriware artisans availed this learning opportunity, where the workshop provided awareness towards design sensitisation and motivated artisans in experimenting with new forms and techniques to keep pace with the changing times and market needs. The NID faculty and artisans jointly worked at the live-demo workshop to develop some new designs. Existing designs and patterns were analysed and improvisation was done upon them.

Exim Bank, through its Export Marketing Services would be assisting the artisans to promote the product and establish linkages, by studying the market trends and assisting the artisans in developing suitable products. The artisans were also encouraged to work in a cluster rather than individually, so as to meet economies of scale. The artisans appreciated Exim Bank's initiative and efforts to support them to gain international presence and also to keep the art alive as well as providing them livelihood. On seeing the response of the participants, Exim Bank is planning to conduct a detailed Phase II workshop for the interested artisans shortly.

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Eximius Centre Activities
April – June, 2012

Eximius Centre in collaboration with International Trade Centre (ITC), Geneva had organised two training workshops on "Market Development on Leather and Textiles Sector" on May 8, 2012 at Eximius Centre Bangalore and one at Le Meridian Cochin on "Market Development on Spices Sector" in association with Spices Board, Cochin on May 10, 2012. The main objective of the programme was to strengthen the capacity of producers, exporters, policy makers and buyers, to participate in more sustainable production and trade.

Eximius Centre had series of interactive programmes with the probationary officers of Indian Trade Service (ITS) who have joined DGFT as Assistant DGFT. These officials as a part of their training programmes are required to get familiarised with the export industry.

The programmes in Pipeline include Quality Control, Packaging and Branding for Jharcraft, Market Development on Pharma Companies at Hyderabad & Chennai in association with ITC, Geneva, and Export Procedure and Documentation at least two centres to be identified in consultation with Regional Heads in East and Northern region.

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BOOK REVIEW

The BRICS Report - A Study of Brazil, Russia, India, China, and South Africa with Special Focus on Synergies and Complementarities

The BRICS Countries (Brazil, Russia, India, China and South Africa), the leading emerging economies, have provided resilience and growth impetus to the overall growth, and trade and investment performance of developing countries. This study, which is supported by the Ministries of Finance and the Central Banks of BRICS, focuses on synergies and complementarities between the economies highlighted the role of BRICS as growth drivers of the world economy.

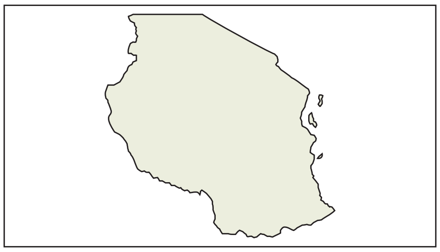
The study highlights the best practices, areas of cooperation, and strengthening economic linkages, so that the BRICS could collectively play a more central role in the 'new normal' of the post-crisis global economy.

Areas where greater cooperation among the BRICS economies could be explored to extend economic growth and development to the next level include Intra-BRICS trade and investment cooperation; cooperation in infrastructure financing and industrial development; cooperation in transportation, food security, technical education, energy security; cooperation in financial market development; and building effective institutions.

In order to safeguard against the emerging risks and uncertainties and to meet the challenges of development, the study also recommended the establishment of an international development bank for fostering investment among emerging markets and developing countries.

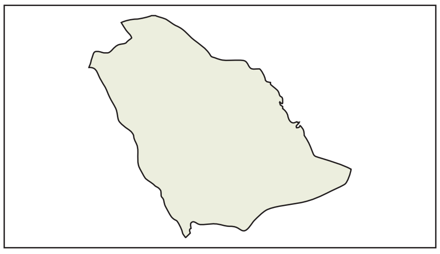
The opportunities for BRICS are many, however the challenges are equally big. The immediate thrust could be on enhancing intra-BRICS trade and investment, and setting up a formal BRICS platform through a secretariat, for playing a role for sustainable growth and development, and discussing macroeconomic and financial policies.

Tanzania



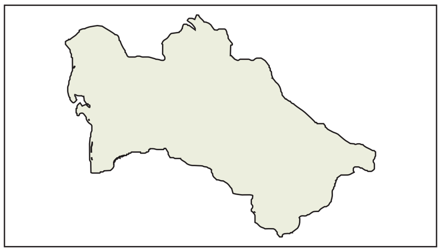
Tanzania serves as the gateway to East Africa and Central Africa. Tanzania's natural gas reserves are estimated at more than ten trillion cubic feet following major gas discoveries in the country's deep-water offshore region, which is the biggest oil or gas discovery ever made in the country. Power supply shortages and other infrastructure gaps are the major challenges faced by the country, affecting inflows of FDI. Hence, Tanzania has revived its plans for a Eurobond to support its infrastructure spending. Tanzania hosting AfDB annual meeting of 2012 is also expected to bring in more investments into the country.

Saudi Arabia



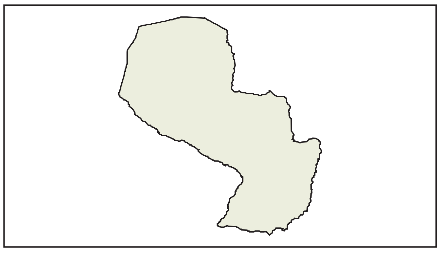
Saudi Arabia, the biggest economy in Middle East, is the world's largest exporter of oil. It is estimated to hold around 20 percent of the world's proven conventional oil reserves. The Government of Saudi Arabia has recently taken a number of steps to diversify country's economic base, thus reducing dependence on crude oil export. It is also the sole Arab country in the G20. Saudi Arabia is expected to grow by 6 percent in 2012 on the back of strong crude prices and prudent economic management. It is widely expected that Saudi Arabia could moderate the rising oil prices in the event of Iran sanctions by increasing its oil production. During 2011 the Government unveiled a series of new investment programmes valued at more than US$ 110 billion, most of which are being channelled into a wide range of infrastructure projects, particularly those aimed at boosting transport and logistics.

Turkmenistan



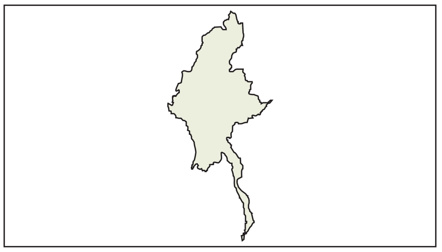
Turkmenistan has the world's fourth-largest natural gas reserves and hence, economic growth of the country is primarily driven by energy sector. The country is strategically located next to Iran, Afghanistan, and the other petroleum-rich countries in Central Asia. Turkmenistan in the recent past has conducted several monetary reforms including the national currency denomination, the unification of exchange rates, and the planned transition to international accounting standards by 2014. In May 2012, Turkmenistan signed the TAPI pipeline project (Turkmenistan-Afghanistan-Pakistan-India) with India and Pakistan, a 1700-kilometre pipeline through Afghanistan. According to the gas pact, Turkmenistan agreed to supply natural gas to India and Pakistan in deals that has powerful impetus to the social and economic development of all participant countries. The natural gas pipeline project is significant in the event of the US sanction on Iran and is expected to be operational by 2018 and supply gas over a period of 30 years.

Paraguay



Paraguay's economy grew by 15.3 percent in 2010, before slowing to 3.8 percent in 2011. The country is establishing its first futures market and the first foreign exchange contract trading is expected to start within eight months. The recent discovery of a major titanium deposit, and plans for an aluminium smelter using the country's cheap hydro-energy resources, exhibits Paraguay's natural resources potential. Paraguay is the world's largest net exporter of electricity. Paraguay is considered as a soya powerhouse and is the world's fourth-biggest exporter of the oilseed.

Myanmar



After being under the control of military junta for decades, the new government of Myanmar is introducing reforms in various sectors of the economy which resulted in easing of sanctions on Myanmar by the US. In April 2012, Myanmar's Central Bank adapted a managed float for its currency, removing a 35-year fixed exchange rate, which will abolish the multi-layered exchange rate regime that has been a key deterrent for foreign investors for decades. The recent visit of Indian Prime Minister to Myanmar is expected to improve bilateral relations between both countries. Myanmar's geographic location is perfectly suitable to act as an economic bridge between India and China as well as South, East and ASEAN contries. A joint trade venture between India and Myanmar, the Kaladan Multimodal Transit Transport Project envisages a direct trade corridor between a port in Myanmar and Indian ports on the eastern coast which will then pass through riverine transport and lastly by road to Mizoram is scheduled for completion in 2014. India is also planning to open a "trilateral highway" set to be completed by 2016, linking Guwahati in Assam to Myanmar's border with Thailand.

Japanese Yen

The Japanese Yen (JPY) continued to appreciate against its US counterparts, however, the recent strength in the low-yielding currency is likely to be short-lived as Bank of Japan is expected to carry its easing cycle into the second-half of the year. Indeed, the economic docket is expected to reinforce a weakened outlook for the region as the trade balance is expected to contract, and the weakening prospects for an export-led recovery should encourage the Bank of Japan to expand monetary policy further this year as it aims to meet the one percent target for inflation.

Although the Bank of Japan expanded its asset purchase program by another JPY 10 trillion in April 2012, government officials are certainly putting increased pressure to take a more aggressive approach pushing for a currency intervention. However, as the central bank continues to embark on quantitative easing, it seems as though the Bank of Japan will refrain from entering the foreign exchange market, and it is expected to continue to expand it monetary policy in 2012 in an effort to dampen the risk for deflation.

Among other G10 currency pairs, USD-JPY is expected to remain range-bound between 79 and 81 initially, given offsetting broad US Dollar weakness and some retracement of the Japanese Yen being a safe-haven declines. However, market believes that USD-JPY would eventually trade higher towards 82-83. The JPY was trading at US$ 1 = JPY 79.7700 on June 30, 2012.

South African Rand

The story of the South African Rand (ZAR) is nearly identical to that of other leading emerging market currencies: multi-year gains were completely undone by the 2008 credit crisis, only to be restored in 2009 and 2010.

The currency appeared unfazed by the news that South Africa had committed US$ 2 billion of its reserves towards a US$ 456 billion IMF fund to deal with the effects of the euro zone woes on the global economy. As per South Africa’s central bank, South African Reserve Bank's latest report net gold and foreign exchange reserves dipped to US$ 48.8 billion in April 2012 while gross reserves fell to US$ 49.9 billion, due to foreign repayments made on behalf of the government.

Despite repeated cuts, South Africa's benchmark interest rate still stands at 5.5 percent. The Bank of South Africa is trying to hold off on hiking rates for as long as possible, partly to avoid stimulating the Rand. Its decision to tighten will essentially be determined by the levels of unemployment and inflation. With more than 25 percent of South Africans unemployed, the Bank is understandably reluctant to take any steps that would ameliorate the problem.

The South African Reserve Bank Governor stated that the inflation trend suggests little room to cut interest rates, this should support the Rand by attracting offshore investors in search of yield. The ZAR was trading at US$ 1 = ZAR 8.1600 on June 30, 2012.

Singapore Dollar

The Monetary Authority of Singapore (MAS) surprised the market with its decision to slightly increase the slope of the Singapore dollar (SGD) nominal effective exchange rate (SGD NEER) policy band on April 13, 2012. The market now estimates the slope to be at +3.25 percent per annum. The MAS also narrowed the SGD NEER policy band to +/-2 percent from +/-3 percent. The MAS noted that the overall stance is a continuation of the modest and gradual appreciation of the SGD NEER policy band.

At the same time, the MAS also raised its headline and core inflation forecasts for 2012 to 3.5 - 4.5 percent and 2.5 - 3.0 percent from 2.5 - 3.5 percent and 1.5 - 2.0 percent, respectively. The Singapore economy is expected to grow at modest pace in 2012 and core inflationary pressures is likely to ease in the latter half of the year.

The decision to tighten is a clear signal that the central bank thinks that inflation may be more persistent than expected. But at the same time, they are noting that inflation will ease in the second half and growth remains modest, thereby suggesting that they see the new changes as sufficient for now. The SGD NEER has strengthened around 0.2 percent on the back of the MAS announcement. Over the coming months, the SGD is expected to strengthen further given Singapore' strong FX policy. The SGD was trading at US$ 1 = SGD 1.2650 on June 30, 2012.

Annual Supplement to India's FTP 2009-14

The Foreign Trade Policy (FTP) 2009-14 was announced in August 2009 with a short-term objective of arresting and reversing the declining trend of exports and to provide additional support especially to those sectors which had been severely impacted by recession in the developed world. The policy objective was to achieve an annual export growth of 15 percent with an annual export target of US$ 200 billion by March 2011. The following three years of this Policy, up to 2014, focused on bringing back the country on a high export growth path of around 25 percent per annum and thus double export of goods and services by the end of the policy period. The long term policy objective for the Government was to double India's share in global trade by 2020. In order to meet these objectives, the Government laid out policy measures including fiscal incentives, institutional changes, procedural rationalisation, enhanced market access across the world, and diversification of export markets. The three main pillars for achieving this target were improvement in infrastructure related to exports, bringing down transaction costs, and providing full refund of all indirect taxes and levies. In order to review the progress of the FTP, each year, the Ministry of Commerce and Industry announces the "Annual Supplement" to the FTP.

Major Highlights of the Annual Supplement 2012-13 to FTP 2009-14

- Interest Subvention Scheme of 2 percent has been extended up to March 31, 2013 and will also include labour intensive sectors.
- The Zero Duty Export Promotion Capital Goods (EPCG) Scheme has been extended up to March 31, 2013. The Scheme, which was initially not available to units availing the benefits of Technology Up-gradation Fund Scheme (TUFS), is now available for another line of business by the same applicant. Further, in the same line of business if the benefits of TUFS are surrendered or refunded, the Zero Duty EPCG Scheme could be availed. The Supplement also allows for the applicability of the EPCG Scheme for applicants who have duly surrendered the Status Holder Incentive Scrip (SHIS). A new post-export EPCG Scheme has been introduced to allow import of capital goods on payment of duty in cash and subsequently receive duty credit scrip on completion of export obligation, thus reducing transaction cost.
- To promote manufacturing activity and employment in the north-east region (NER) of the country, NER's export obligation under the EPCG Scheme will now be 25 percent of the normal export obligation. Export of specified products through notified Land Customs Stations of NER shall be provided additional incentive to the extent of one percent of FOB value of exports.
- To promote export of green technology products, export obligation for manufacturing of 16 products, has been reduced to 75 percent of the normal export obligation.
- To support infrastructure for agriculture sector, export products that fall under Chapters 1-24 of the ITC (HS) will be provided Duty Credit Scrip.
- Status holders will be provided Status Holders Incentive Scrip (SHIS) for importing capital goods for promoting investment in up-gradation of technology of some specified labour intensive sectors.
- To encourage the manufacturing sector in domestic market, scrips provided for importing goods as per the FTP can now be used for paying off excise duty applicable for domestic procurement.
- Import certified by Advance Authorisation (AA) will now on be permitted at all the Electronic Data Interchange (EDI) ports even if they are not AA registered. The Transfer Release Advice (TRA) will not be necessary. Exporters will also be allowed to issue one revolving bank guarantee for various deals.
- DGFT introduced a new programme called the e-BRC under which foreign exchange will be transmitted electronically from the banks to the DGFT server on a daily basis.
- The following markets have been added to the existing FTP schemes
  - Seven new markets in the Focus Market Scheme (FMS): Algeria, Aruba, Austria, Cambodia, Myanmar, Netherland Antilles, and Ukraine
  - Seven new markets in the Special Focus Market Scheme (Special FMS): Belize, Chile, El Salvador, Guatemala, Honduras, Morocco, and Uruguay.
  - Forty-six new items in the Market Linked Focus Product Scheme (MLFPS), thus including 12 new markets. The programme has also been extended up to March 31, 2013, for export of items classified in the Chapters 61 and 62 to EU and the US.
  - The FPS list will increase by 110 items and the VKGUY will have two new items – textured protein substances and protein concentrates, and roasted cashew kernel.

Note: Indian Rupees are referred in crore and lakh:

1 crore : 10 million

1 lakh : 100 thousand

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