

EXIMIUS: EXPORT ADVANTAGE



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Among the changes that occurred were the decentralization of operations, the reorganization of production, and the reinforcement of scientific management and strategic planning. The combined effect of such changes has resulted in a significant increase in production and foreign investment and, consequently, a rise in the gross national product (GNP) of these countries.

Economic Performance of LAC Region

In 2009, the LAC region experienced its worst recession since 1983. As a result of the global slowdown, a collapse of commodity prices, reduced exports, deterioration of confidence and labour market condition, coupled with a substantial decline in capital inflows, the real gross domestic product (GDP) of the LAC region contracted by 2.3 percent in 2009. The decline in GDP was most severe in Mexico (6.8 percent), reflecting the tight linkages between the US and Mexican manufacturing sectors and a moderate counter-cyclical stimulus that was overwhelmed by the sharp decline in domestic demand. Peru was the only major Latin American country where the economy expanded in 2009, albeit by 1.5 percent, due to countercyclical macroeconomic policies and a rapid recovery in global demand for its key exports.

Significant export revenue losses were experienced by the energy-intensive economies of Bolivia, Ecuador, and Trinidad and Tobago. For many economies in the region, the intensity of these shocks has been mitigated by an enhanced ability to

implement countercyclical monetary and fiscal policies, more resilient financial sectors, and a willingness to use the exchange rate as shock absorber. Declining domestic demand, a large negative output gap and softer international prices for food articles and energy helped to bring inflation down across the region from 7.9 percent in 2008 to 6.1 percent in 2009 (Table 1). Inflation targeting in countries such as Brazil, Chile, Colombia, Mexico and Peru has proven particularly effective in building institutional strength.

Substantial and broad-based policy support and a relatively closed economy allowed Brazil to rebound quickly from a recession brought on by the global downturn. Following a drop of 11.2 percent in the fourth quarter of 2008 and 3.5 percent in the first quarter of 2009, Brazil returned to positive economic growth at a brisk pace, due to substantial policy stimulus and a recovery in external demand. Domestic demand and net exports have been the major drivers of growth.

The International Monetary Fund (IMF) has projected an overall growth rate of 3.7 percent and 3.8 percent, respectively, in 2010 and 2011, helped by recovering commodities prices and growth in exports. Further, structural reforms have also contributed to the resilience of the region, resulting thereby in moderate inflation in many countries in the LAC region. According to IMF, inflation in the LAC region is projected to fall further from 6.1 percent in 2009 to 5.2 percent in 2010, before increasing moderately to 5.3 percent in 2011.

Recent Economic Developments in the LAC Region

Introduction

The Latin America and Caribbean (LAC) region occupies a significant position in the global economy, collectively a large market and a strong entity through the formation of regional trade blocs. The opening up of the LAC economies from closed economy in the past decades has led to dramatic changes in the internal structures of these countries.

Table 1: Real GDP Growth of Select LAC Countries

	Real GDP Growth (percent)			
	2008	2009	2010 ^P	2011 ^P
Latin America & Caribbean Region	4.2	-2.3	3.7	3.8
Argentina	6.8	-2.5	1.5	2.5
Bolivia	6.1	2.8	3.4	3.7
Brazil	5.1	-0.4	4.7	3.7
Chile	3.2	-1.7	4.0	4.5
Colombia	2.5	-0.3	2.5	4.0
Costa Rica	2.6	-1.5	2.3	3.5
Dominican Republic	5.3	0.5	2.0	6.0
Ecuador	6.5	-1.0	1.5	1.8
El Salvador	2.5	-2.5	0.5	2.0
Guatemala	4.0	0.4	1.3	3.5
Guyana	3.0	2.0	4.0	5.0
Haiti	1.2	2.0	2.7	3.5
Honduras	4.0	-2.0	2.0	2.2
Mexico	1.3	-6.8	4.0	4.7
Nicaragua	3.2	-1.0	1.0	2.0
Panama	9.2	1.8	3.7	6.1
Paraguay	5.8	-4.5	3.9	4.7
Peru	9.8	1.5	5.8	5.5
Suriname	6.0	1.5	3.5	4.5
Trinidad and Tobago	2.3	-0.8	2.0	3.0
Uruguay	8.9	0.6	3.5	3.6
Venezuela	4.8	-2.0	-0.4	0.4

Source: IMF, *World Economic Outlook Database 2009 and January 2010 updates*, ^P-Projections

Regional Trade Agreements in the LAC Region

The underlying objective of most trade blocs in the LAC region was to form a common market through coordination and harmonization of fiscal, monetary and exchange rate policies, and accelerating economic development.

Latin American Integration Association (LAIA) or (Asociación Latinoamericana de Integración) (ALADI Group) is the largest Latin-American group of integration comprising Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The ALADI promotes the creation of an area of economic preferences in the region, aiming at a Latin-American common market, through three

mechanisms: regional tariff preference, regional scope agreements and partial scope agreements.

Southern Common Market (MERCOSUR) was established in March 1991 with the Treaty of Asuncion. Argentina, Brazil, Paraguay, Uruguay and Venezuela are members in the bloc. MERCOSUR became a customs union on January 1, 1995. Subsequently, Bolivia, Chile, Colombia, Ecuador and Chile have also become associate members.

The Caribbean Community (CARICOM), originally the Caribbean Community and Common Market, was established by the Treaty of Chaguaramas, which came into effect on August 1, 1973. The first four signatories were Barbados, Jamaica, Guyana and Trinidad and Tobago. A Revised Treaty of Chaguaramas establishing the Caribbean

Community including the CARICOM Single Market and Economy (CSME) was signed by the CARICOM Heads of Government of the Caribbean Community on July 05, 2001 at their Twenty-Second Meeting of the Conference in Nassau, The Bahamas.

The Andean Community (Comunidad Andina, CAN) is a trade bloc comprising the South American countries of Bolivia, Colombia, Ecuador and Peru. The trade bloc was called the Andean Pact until 1996 and came into existence with the signing of the Cartagena Agreement in 1969.

The original Andean Pact was founded in 1969 by Bolivia, Chile, Colombia, Ecuador and Peru. In 1973, the pact gained its sixth member, Venezuela. In 1976, however, its membership was again reduced to five when Chile withdrew. Venezuela announced its withdrawal in 2006, reducing the Andean Community to four

member states. Recently, with the new cooperation agreement with MERCOSUR, the Andean Community gained four new associate members: Argentina, Brazil, Paraguay and Uruguay.

The Central American Common Market, commonly referred to as CACM, established in December 1960, is an economic trade organization formed by four nations of Central America, namely Guatemala, Nicaragua, Honduras and El Salvador. Costa Rica joined the organization in 1963.

The Free Trade Area of the Americas (FTAA) endeavoured to unite the economies of the Americas into a single free trade area. The FTAA negotiations were formally launched in April 1998 at the Second Summit of the Americas in Santiago, Chile. It aimed at promoting prosperity through increased economic integration and free trade among the member countries, maximizing market openness and integration of the smaller economies in the FTAA process in order to promote their development.

The Organisation of Eastern Caribbean States (OECS), created in 1981, is an inter-governmental organisation dedicated to economic harmonisation and integration, protection of human and legal rights, and the encouragement of good governance between countries and dependencies in the Eastern Caribbean. It also performs the role of spreading responsibility and liability in the event of natural disaster, such as a hurricane.

These trading arrangements are envisaged to foster trade and investment relations amongst member countries by removal of tariffs and other impediments to intra-regional trade flows. The success of these arrangements in fostering intra-regional trade has been diverse, with LAIA (ALADI), MERCOSUR, CACM and Andean Community being the more successful ones. India has signed Preferential Trade Agreements (PTAs) with MERCOSUR on January 25, 2004 and with Chile on March 8, 2006.



Table 2: Regional Trade Blocs in LAC region

A. Merchandise Exports within Blocs (US\$ mn)

	Year of Creation	1990	2000	2005	2006	2007
Andean Community	1969	788	2,046	4,572	5,011	5,509
CACM	1961	779	2,586	4,324	4,697	5,562
CARICOM	1973	445	1,078	2,090	2,429	3,759
LAIA (ALADI)	1980	15,769	44,253	71,720	90,357	109,130
MERCOSUR	1991	6,166	20,082	24,211	31,197	39,486
OECS	1981	29	38	68	84	104

B. Merchandise Exports within Blocs (percent of total bloc exports)

	Year of Creation	1990	2000	2005	2006	2007
Andean Community	1969	5.6	7.7	9.0	7.8	7.4
CACM	1961	17.6	19.1	20.1	15.8	17.0
CARICOM	1973	8.2	14.4	11.6	11.3	15.7
LAIA (ALADI)	1980	12.2	13.2	13.6	14.3	15.1
MERCOSUR	1991	9.9	16.4	11.0	12.2	12.8
OECS	1981	9.0	10.0	11.4	8.2	8.1

Source: World Development Indicators 2009, World Bank

LAIA, MERCOSUR, CACM and the Andean Community have shown decent growth in intra-bloc exports in recent period (Table 2). In the case of LAIA, intra-bloc exports have risen from US\$ 15.8 billion in 1990 to as high as US\$ 109.1 billion in 2007, accounting for 15.1 percent of the total bloc's exports. In the case of MERCOSUR, intra-bloc exports have risen from US\$ 6.2 billion in 1990 to US\$ 39.5 billion in 2007, accounting for 12.8 percent of the bloc's total exports in 2007. CACM's intra-bloc exports have also risen from US\$ 779 million in 1990 to as high as US\$ 5.6 billion in 2007, accounting for 17.0 percent of the bloc's total exports. In Andean Community, intra-bloc exports rose from US\$ 788 million in 1990 to US\$ 5.5 billion in 2007, accounting for 7.4 percent of the bloc's total exports. In the case of CARICOM, intra-regional exports have increased more than four-fold during the same period, accounting for 15.7 percent of the bloc's total exports 2007.

Trends in Indo-LAC Trade Relations

The total trade between India and the LAC region grew seven-fold from US\$ 2.3 billion in 2003-04 to US\$ 16.1 billion in 2008-09, representing an impressive CAGR of 47.2 percent (Chart).

Chart : India's Trade with LAC Region (US\$ billion)



Source: Ministry of Commerce and Industry, Government of India.

The total merchandise exports of India to the LAC region increased from US\$ 1.1 billion in 2003-04 to US\$ 6.2 billion in 2008-09. Accordingly, the share of the LAC region in India's total exports rose from 1.8 percent in 2003-04 to 3.3 percent in 2008-09. India's import from the LAC region also rose from US\$ 1.2 billion in 2003-04 to US\$ 10.0 billion in 2008-09, with 3.3 percent share in India's total imports, up from 1.7 percent in share in 2003-04.

As regards major trading partners in LAC region, Brazil remains the leading destination for India's exports during 2008-09, accounting for 43.0 percent of total exports to the LAC region. Other major export destinations include Mexico (10.7 percent of India's total exports to the LAC region), Chile (6.4 percent), Colombia (6.0 percent) and Argentina (5.7 percent). In terms of India's imports from LAC region, Venezuela dominates with a share of 42.3 percent of India's total imports from the LAC region during 2008-09. Other major import sources include Mexico (17.3 percent of India's total imports from LAC region), Chile (15.1 percent), Brazil (11.8 percent) and Argentina (5.0 percent).

Challenges

Over the last five years, LAC region grew at an average of 5.0 percent annually, which played an important role in reducing poverty and improving development indicators in the region. Growth in LAC region is expected to regain momentum as the global recovery gets underway. Overall, the region's contraction has been mild

compared to other parts of the world, and countries such as Brazil, Chile, Columbia, Mexico, Paraguay, and Peru are already experiencing a recovery spurred by increased economic activity in Asia, which has strong trade ties with the South American giant.

As a response to the crisis, LAC countries are implementing a variety of countercyclical measures including increasing subsidies, lowering taxes and raising public spending, particularly in infrastructure. At first, most policy initiatives sought to ensure the liquidity of local financial markets, but the focus has gradually shifted to fiscal policy and generating employment. Critical reforms in education standards, logistics and infrastructure will make the region more competitive globally.

Export-Import Bank of India in the LAC Region

Export-Import Bank of India (Exim Bank) operates a range of lending, advisory and support programmes to facilitate and promote India's trade and investment relations with the Latin America & Caribbean (LAC) region. Exim Bank has currently 16 operative LOCs amounting US\$ 173.65 mn covering 16 countries in the LAC region. Exim Bank has also signed MOCs with a number of institutions in LAC region, which include: Banco Nacional de Comercio Exterior, S.N.C. (Bancomext), Mexico, Banco de Inversion Y Comercio Exterior S.A. (BICE), Argentina, Caribbean Association of Industry & Commerce (CAIC), Trinidad & Tobago; Banco Mercantil, Venezuela; Central American Bank for Economic Integration (CABEI), Honduras; and Corporacion Andina De Fomento, Venezuela. Further, the Bank has supported several Indian project exporters to execute projects, in the LAC region, in countries such as Colombia, Brazil, Mexico, Guyana and Barbados, covering diverse sectors like energy, pharmaceuticals, power and constructions.

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
State Social Protection Fund of the Republic of Azerbaijan (SSPF) Pension and Social Assistance Project 80, Zardabi Avenue Baku AZ1122 Azerbaijan Contact: Mr. Ogtay Ibrahimov PIU Director Phone: +994 12 4346590 Fax: +994 12 4343862 E-mail: ioktay@pensionreform.az	Monitoring of MIS use efficiency in SSPF branch offices The project will be undertaken by consultant and services include the following: <ul style="list-style-type: none"> ❑ inspection of functionality and operability of the computer infrastructure and MIS; ❑ assessment of performance of the branch office in terms of efficient use of MIS; ❑ revealing the major problems and limitations preventing branch offices from performance improvement; and ❑ preparation of proposals for overall improvement of performance in the branch offices. 	World Bank US\$ 10.0 mn
Egyptian Natural Gas Holding Company (EGAS) Materials Department Cornish El Nile – Warrak elarab- Embaba – Giza., P.O. Box:1231 Ataba Egypt Contact: Materials General Manager Tel: +202 35300908 Fax: +202 35444494 E-mail: town.gas@hotmail.com	Natural Gas Connection Project The development objective of the project is to- <ul style="list-style-type: none"> ❑ contribute to the Government of Egypt (GOE)'s program of switching consumption of liquefied petroleum gas (LPG) for natural gas through investment in new connections; and ❑ exploit the scale economies in transportation of natural gas relative to LPG in very densely populated areas, thereby reducing the cost of gas provision. 	World Bank US\$ 153.7 mn
Port of Sibenik Authority Vladimira Nazora 53 22000 Sibenik Croatia Contact: Mr. Marijan Petkovic Executive Director Tel: +385 22 218-001 Fax: +385 22 200-362 E-mail: lucka-uprava-sibenik@si.htnet.hr	Civil works for extension and reconfiguration at Sibenik Port The object of the project is to reconstruct the Vrulje quay in the Port of Sibenik and require procurement of civil work related to the extension and reconfiguration of the passenger wharves at quay vrulje.	European Bank for Reconstruction and Development Euro (€) 12.0 mn
Gaziantep Metropolitan Municipality Incilipmar Mahallesi 3 nolu cadde, Sehitkamil Gaziantep Turkey Contact: Mr. Hasan Yilmaz Deputy Manager Tel: +342 211-1200, 211-1293 E-mail: ihale@gaziantep-bld.gov.tr	Gaziantep Light Rail Transit Project The scope of work includes construction of Rail system depot, access road, and procurement of maintenance equipments, electromechanical and electrical superstructures.	European Bank for Reconstruction and Development Euro (€) 20.0 mn



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
The Electric Power Corporation (EPC) EPC Project Management Unit 2 nd Floor, John Williams Building, Tamaligi ZIP Code: 685 Apia, Samoa Contact: Mr. Tile Tuimalealiifano Project Manager Tel: + 685 65-407 Fax: +685 65-439 E-mail: leiat@epc.ws	Upolu low voltage network improvement program The supply comprises:- <ul style="list-style-type: none"> ❑ power poles and cross arms; ❑ galvanised line hardware, insulators, electrical ducts/conduits and other materials; ❑ bare conductor, underground cables and other materials; and ❑ concrete stay blocks. 	Asian Development Bank US\$ 2.56 mn
Ministry of Finance Road Fund, 29 Istiklol Street Tashkent 100017 Uzbekistan Contact: Mr. Jamol Shukurov Director Tel: +998 71 239-4908 Fax: +998 71 239-4908 E-mail: mff-pmu-uz@inbox.ru	CAREC corridor 2 road investment program The project includes reconstruction of A380 Guzar-Bukhara-Nukus-Beyneu road section from 440kms to 490kms (50kms), four-lanes cement concrete pavement at Khorezm Region.	Asian Development Bank US\$ 75.3 mn
Ministry of Water Resources Solar and Wind Energy for Water Supply Project Office P.O.Box 5744 Addis Ababa, Ethiopia Contact: Tel: +251 116 627 394 Fax: +251 116 610 885 E-mail: zew_yilma@yahoo.com	Utilization of solar and wind energy for rural water supply project The principal objective of this project is to promote and pilot the use of solar and wind energy for water pumping in rural areas of Ethiopia. The project includes: <ul style="list-style-type: none"> ❑ design and implementation of pilot works (Stage 1 and 2); and ❑ development of a framework for the incorporation of solar and wind pumping into the Universal Access Plan. 	African Development Bank US\$ 3.8 mn
Sierra Leone Roads Authority PMB 1324 Blackhall Road Kissy, Freetown Contact: Director General Tel: +232 22 222322 Fax: +232 22 222346 E-mail: slra_mis@sierratel.sl	Lungi-Port Loko road upgrading project The project includes upgrading of 62 km of the Lungi to Port Loko road to bituminous pavement standards. The works also include the rehabilitation of 6.5 km of Lungi township roads to bitumen pavement standards and gravelling of 30 km of earth feeder roads abutting the project road and the construction of minor structures such as markets, and grain concrete slabs.	African Development Bank US\$ 40.65 mn

CONTRACT AWARDS

Select contracts secured by Indian companies/consultants:

HLL Lifecare Ltd., Thiruvananthapuram Contract for supply of pharmaceutical products for Argentina's essential public health functions project, funded by the **World Bank**.


Famy Care Ltd., Mumbai (i) Contract for supply of pharmaceutical products for Argentina's essential public health functions project, funded by the **World Bank**.

(ii) Contract for supply of pharmaceutical products for Bangladesh's population, health and nutrition sector programme, funded by the **World Bank**.

Intercontinental Consultants and Technocrats Pvt.Ltd. (ICT), New Delhi Contract for providing detailed engineering design review in phase-I and to provide construction supervision services in phase-II of the Ethiopian road sector development stage-III, funded by the **World Bank**.

Kalpataru Power Transmission Ltd., Gandhinagar Contract for development of transmission network and electrification of border towns in Ethiopia and Djibouti, funded by the **African Development Bank Group**.

Techfab International, New Delhi Contract for supply of agricultural science equipments for Ghana's senior secondary project, funded by the **African Development Bank Group**.



Union Budget (2010-11): Implications for Select Indian Manufacturing Sectors

The Union Budget (2010-11) proposals have given way to optimism and confidence to various stakeholders including the manufacturing sector. The Government's skill development programme for the Indian **textile** industry is expected to address the man-power shortage of this industry. Though the hike in excise duty on man-made fibres and yarns may lead to increase in polyester prices, man-made fibers would still be cheaper than cotton. The hike in weighted tax deduction on in-house Research and Development (R&D) expenditure is expected to favour the R&D intensive Indian **pharmaceutical** units, who would focus more on new drug discovery. Besides the move would also encourage R&D in other knowledge oriented manufacturing sectors like **automotive** industry. The automotive industry has received further boost, especially in the energy efficiency segment, with the reduction in duty in the sale of electric vehicles, and provision of concessional excise duty of 4 percent to

'Soleckshaw', a product developed by Council of Scientific and Industrial Research. In contrast, increase in price of vehicles is expected with the increase in ad valorem component of excise duty on large cars, multi-purpose vehicles and sports utility vehicles. With the increase in central excise duty from 8 percent to 10 percent, the prices of **steel** products are expected to rise by Rs. 500 to Rs. 750 per tonne; the prices of **aluminium** products by around Rs. 2000 to Rs. 2500 per tonne; and the prices of **zinc and lead** by around Rs. 7000 to Rs. 8000 per tonne. The cost of production of metal products would also increase with increase in cess on coal (by Rs. 50 per tonne).

The prices of **gold and jewellery** may go up with the increase in customs duty from Rs.200 per 10 grams to Rs.300 per 10 grams of gold and platinum; and on silver from Rs.1,000 per kg to Rs.1,500 per kg. The reduction in customs duty on rhodium from 10 percent to 2 percent may lead to a reduction in costs of making jewellery. The domestic refining capacity of gold may get further stimulus with reduction in basic customs and excise duty on gold ore from 2 percent ad valorem to a specific duty of Rs.140 per 10 grams of gold content with full exemption from special additional duty, followed by an excise duty reduction on refined gold made from such ore or concentrate.

The **electronics** industry (especially microwave ovens) is expected to receive a boost following the reduction in basic customs duty on magnetrons, and the reduction in basic, CVD and additional duties on certain electronic accessories used in mobile phones. For the benefit of **food processing** industry, it has been proposed to set up 5 more additional mega food parks. Encouraging mobilization of resources

through the ECB route would help establish cold storage infrastructure for agriculture and allied products, such as marine products and meat. Project import status has been extended for setting up of mechanized handling systems and pallet racking systems in 'mandis', with concessional import duty, and full exemption from service tax for installation and commissioning of such equipments. Further, full exemption from customs duty is also provided to refrigeration units required for manufacture of refrigerated vans and trucks, besides providing concessional customs duty on agricultural machinery not manufactured in India.

There has been an increased allocation the MSME ministry which will help revive the **MSME sector** from the impact of recession. To further the cause of financing the MSMEs, the corpus for Micro-Finance Development and Equity Fund has been doubled to Rs.4 billion in 2010-11. A High Level Council on Micro and Small Enterprises has been established to monitor and implement the recommendations of High-Level Task Force constituted by the Hon'ble Prime Minister of India. Extension of interest subvention of 2 percent would facilitate smooth recovery and increase in exports, especially from the MSME sector, and other identified export oriented sectors.

With the retail prices of **petroleum** products being adjusted to reflect the increase in custom duties of Re 1 per litre (on petrol and diesel), a cascading effect is expected on other sectors as well.

In a nutshell, with the objective of sustaining the ongoing recovery with medium term fiscal correction, the budget has begun the rollback of certain fiscal stimulus measures, though some stimulus measures have been retained.

Climate Change and Agriculture

Potentially, the greatest environmental threat is climate change, having serious repercussions on agriculture and directly impacting food safety and security. The IPCC Fourth Assessment Report on Climate Change (2007) concluded that climate change impact include increased frequency of heat stress, drought and flooding events reduce crop yields and livestock productivity. Climate change and variability also modify the risks of fires, pest, and pathogen outbreaks, with negative consequences for food, fibre and forestry. It has been estimated that agriculture is a major source of green house gases (GHG), contributing 14 percent of global emissions. When combined with related land use changes, including deforestation (for which agriculture is a major driver), this share becomes more than one third of GHG emissions.

There are also research studies which show that agriculture has potential for crucial early action on mitigation. Reducing and removing emissions from this sector, as well as ensuring food security and enabling economic growth, became an urgent component of global effort to achieve the ultimate objective of the UN Framework Convention on Climate Change (UNFCCC). Accordingly, a draft agreement forming an international working group to reduce global warming emissions from agriculture, emerged from the talks in Climate Change Conference in Copenhagen, held in December 2009, a sign of the growing importance of agriculture in climate change debate.

The Copenhagen Accord endorses the decisions of the Ad hoc Working Group on Long-term Cooperative Action that opens the door for agriculture and recognises the impact of climate change on food security, the need for adaptation and mitigation in agriculture, and requests the Subsidiary Body for Scientific and Technological Advice (which provides advice to the UN Climate Change Conference on scientific, technological and methodological matters) to establish a programme of work on agriculture.

Implications for Indian Agriculture

Indian climate is dominated by the South-West monsoon, which accounts for nearly 75 percent of India's rainfall, and is critical for Indian agriculture as over 60 percent net sown area in India is under rainfed agriculture. Climate change is likely to intensify the variability of summer monsoon dynamics, leading to a rise in extreme events such as increased precipitation and heightened flood risks in some parts of the country and reduced rainfall and prolonged drought in other areas. A World Bank report on climate change impact based on case studies in India has highlighted drought-prone regions of Andhra Pradesh and Maharashtra, and flood-prone districts in Orissa on the edge of climate tolerance limits. Research studies also reveal that

economic impacts of climate change on Indian agriculture would be significant even after accounting for farm-level adaptation. The loss in net revenue at the farm level is estimated to range between 9 percent and 25 per cent for a temperature rise of 2°C–3.5°C. Further, a 2°C rise in mean temperature and a 7 per cent increase in mean precipitation may reduce net revenues by 12.3 percent for the country as a whole. The **Table** below, which depict the current water levels of 81 major reservoirs in India, show distinct impact of reduced rainfall in the country.

In Sum

The challenge of climate change on agriculture is daunting. Agricultural practices that improve land use and management, through increasing and maintaining soil carbon stocks can, if properly implemented, generate multiple benefits: climate change mitigation, increased agricultural and food production, pro-poor income generation, environmental services and improved resilience/adaptive capacity of farming systems. The challenge is to ensure that the enabling means embodied in the new climate change agreement encourages the agriculture sector and farmers to generate these benefits under increasingly adverse conditions shaped by global financial, food and fuel insecurity.

Table : Water Level in 81 Major Reservoirs in India as on October 2009

Name of River Basin	Storage (2009-10)	Deviation from FRL*	Deviation from 2008-09	Deviation from 10 year Average
	<i>in Mn Cubic Metres</i>		<i>Percent</i>	
Ganga	11118	-60	-29	-20
Indus	7328	-50	-46	-33
Narmada	10943	-26	-24	-32
Tapi	3964	-46	-30	-32
Mahi	2257	-44	-3	-7
Sabarmati	230	-69	-12	-28
Rivers of Kutch	253	-71	-51	-36
Godavari	4064	-72	-58	-58
Krishna	25641	-19	-15	-6
Mahanadi & neighbouring rivers	9020	-32	-25	-18
Kaveri & neighbouring rivers	5085	-38	-8	-20
West flowing rivers of South	10573	-22	-8	-8
Total	90476	-40	-20	-10

Note: *FRL denotes Full Reservoir Level

Source: Economic Outlook 2009-10, Government of India

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. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters.

Exim Bank has now in place 136 LOC, covering over 94 countries in Africa, Asia, Latin America and Caribbean, Europe and the CIS, with credit commitments of over US\$ 4.49 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, LOC are being extended for financing Indian project exports, which create, in the recipient countries, a greater visibility for Indian expertise and project execution capabilities, with downstream linkages. Exim Bank, at the behest and

with the support of Government of India, has extended the following nine LOCs during the quarter January-March 2010:

- An LOC of US\$ 50 mn to Government of Zambia for part-financing 120 MW Itezhi-Tezhi hydro power project in Zambia. Zambia has been the recipient of an earlier LOC of US\$ 10 mn, which was utilized for import of buses, trucks and vocational tool kits from India.
- An LOC of US\$ 60 mn (as 2nd and final tranche out of US\$ 80 mn) to Government of Rwanda for financing construction of Nyabarongo Hydro Power project in Rwanda, which will be executed by Bharat Heavy Electricals Ltd.
- An LOC of US\$ 21.8 million to Government of Mauritania for financing potable water project and agriculture development project.
- An LOC of US\$ 30 mn to Government of Sierra Leone for financing rehabilitation of existing facilities and addition of new infrastructure to supply potable water to six districts in Sierra Leone. Exim Bank, in the past, had extended an LOC of US\$ 15 mn, which has been utilized for development of commercial agriculture.
- An LOC of US\$ 4.7 mn to the Government of Lesotho for financing setting up of a vocational training centre for empowerment of youth and women, in Lesotho. Exim Bank had earlier extended an LOC of US\$ 5 mn to Lesotho, which has been utilized for financing supply of tractors, irrigation equipment, pump sets, generator sets and portable diesel engines from India.
- An LOC of US\$ 5 mn to Government of Senegal for financing supply of medical equipments, furniture and other accessories to four hospitals in Senegal. Exim Bank has extended seven LOCs amounting to US\$ 112.95 million to Government of Senegal. Earlier LOCs to Senegal were utilized for projects for development of urban transport infrastructure, irrigation systems, information & communication technology (ICT), women poverty alleviation, rural administration, railway infrastructure, agriculture, rural electrification and fishing industry.
- An LOC of US\$ 30 mn to Government of Cote d'Ivoire for financing Rice Production Programme in Cote d'Ivoire. Earlier LOCs to Cote d'Ivoire were/are being utilized for renewal of urban transport system in Abidjan, vegetable oil extraction plant, cashew nut extraction plant, cassava starch making plant, Mahatma Gandhi IT & Biotechnology Park, fisheries processing plant, coconut fibre processing plant and an electricity interconnection project between Cote d'Ivoire and Mali.
- An LOC of US\$ 15 mn to the Government of Cambodia for financing strengthening of the capacity of transmission line project between Kratie and Stung Treng in Cambodia. Earlier LOCs to Government of Cambodia were extended for financing Stung Tasal Development Project, purchase of water pumps and construction of electric transmission line between Kratie and Stung Treng provinces.
- An LOC of US\$ 67.4 mn to Government of Sri Lanka, to finance upgradation of the Southern Railway Corridor from Colombo to Matara in Sri Lanka. The proceeds of the US\$ 67.4 million credit line will be used to implement the second phase of the Railway Corridor project. The first phase of the project is being financed under an LOC of US\$ 100 mn extended to Government of Sri Lanka through Exim Bank in July 2008.

For further information, please contact
Mrs. Geeta Poojary
Deputy General Manager
Export-Import Bank of India
Centre One Building, Floor 21
World Trade Centre Complex
Cuffe Parade
Mumbai 400 005
Telephone: (022) 22162073/22172308
Fax: (022) 22182460
E-mail: eximloc@eximbankindia.in



Success Story – DQ Entertainment

DQ Entertainment (International) Limited (DQE) is a well established entertainment and animation production company engaged in 2-dimensional (2D) traditional animation, digital animation, 3-dimensional (3D) CGI animation, 3D game art and full motion videos. DQE has delivered more than 60 global projects to entertainment giants, including Walt Disney, Nickelodeon, Sony, Pixar and MoonScoop. DQE has the largest animation production capacity in India for Television, Feature Films, Home Video, Online Game Art, mobile and next generation console games across all formats as well as Visual Effects. DQE has also forayed into live-action and feature films production and distribution.

DQE was founded by Tapaas Chakravarti, a qualified and successful entrepreneur with global management experience, and was co-promoted by Rusi Brij, a highly experienced management professional. It was incorporated in the year 2007 as “Animation and Multimedia Private Limited”. On April 19, 2007, DQ Entertainment Plc (DQplc) was incorporated at Isle of Man and was listed to Alternative Investment Market of London Stock Exchange on December 18, 2007. After incorporation, DQplc was made the holding company of the group and DQE became a step-down subsidiary of DQplc. DQplc raised approximately US\$ 54 mn at listing and has become the holding company. DQE also has the distinction of being the first animation production, distribution & licensing company in India, to be supported by 5 major venture equity partners.

DQE has its production, sales, licensing and distribution centres in Hyderabad, Chennai, Mumbai, Kolkata, Manila, Ireland, Paris, Los Angeles and Japan, and is supported by a highly trained and creative work force of 3500. The Company provides service to over 90 clients, which include global animation and gaming leaders like Walt Disney, Nickelodeon, Cartoon Network, Universal, Turner, BBC and MoonScoop, among others.

DQE has produced/co-produced and distributed iconic brands such as Iron Man - the first 3D animated TV series, Twisted Whiskers, Mikido, Casper, Pinky & Perky, second season of Large Family, third season of Mickey Mouse Club House, First and Second Season of Madagascar TV Series and now in Second Season and Fanboy for Nickelodeon, USA and is now co-producing animation series like Little Prince and Little Nick with major international broadcasters and producers.

DQE’s 100 percent home grown production in hi-end 3D, ‘The Jungle Book’ is in production as a 52 episode animated series and a 60 minute TV feature in co-production with international majors including TF1 and MoonScoop, France, ZDF Group, Germany and is to be released world-wide in 2010. Toomai-The Elephant Boy, which is a live action TV series, is in development in co-operation with international broadcasters, while several Indian Intellectual Properties (IPs) like Mysteries & Feluda, Omkar, Balkand I, II and III with international broadcasters have had a successful run.

Among the prominent nominations and wins for DQE are: The Daytime EMMY Award, Pulicenella Award at Cartoons on the Bay, Red Herring top 100 Private Companies Asia 2005, BAF Awards, London Manga festival, The Accolade Film Award, The Asia-Pacific Deloitte Touche Tohmatsu Technology Fast 500 program - ranking as one of the fastest growing technology companies across the Asia-Pacific Region and several others. Some of its recent recognitions have been at the Ernst & Young, Entrepreneur of the Year - 2009 India Awards, The UK Broadcast Awards 2010 and the Sichuan TV Festival International “Gold Panda” Awards. It is

also perhaps one of the first companies in this domain to be ISO 9001:2000 certified by M/s. Det Norske Veritas, Norway.

Exim Bank has been supporting efforts of DQE to become a global leader in animation and gaming multimedia company since the year 2007. Exim Bank’s support to DQE includes working capital facilities, term loan facilities and non-fund based support to fund DQE’s requirement for running its operations and also to support its co-production deals with overseas producers of animation content. With the financial assistance from Exim Bank, company has been able to achieve sales of Rs 1.4 trillion in FY2009 and export orientation of over 94 percent of its annual turnover.

The equity shares of DQE were listed on the Bombay Stock Exchange (BSE) on March 29, 2010. The opening price of the DQE equity shares was Rs 135 per share, representing a premium of around 68.8 percent to the issue price of Rs 80 per share including premium of Rs. 70 per share. The DQE equity shares closed at Rs. 108.6 per share, at which price, DQE’s 75 percent interest in DQE is valued at approximately Rs. 6.5 trillion. Exim Bank as an institution has also invested a sum of Rs. 1 million in DQE through IPO.

DQE has gradually but strategically moved along the animation value chain, gaining greater exposure to IP ownership and distribution. The company has adopted a low-risk approach, entering into co-productions with a select number of existing clients. Within these co-production agreements, DQE continues to receive production revenues generating its usual production margin, but it also gains equity participations, which provide annuity from license revenues. With the evolution of business, DQE has been able to shift from low margin contract animation assignments to high margin co-production/distribution projects. With its successful Initial Public Offer and the current pipeline of animation projects in hand, coupled with positive global outlook of animation industry, DQE is on its way to become a global multimedia company in the animation industry.

Automotive Sector : Sectoral Performance and Outlook

Indian automotive industry, which includes both the automobile and the auto-components sector, has emerged as one of the key manufacturing sectors. The growth potential of the automotive industry in the domestic market could be gauged from the fact that the world's top automobile companies are vying to be a part of the Indian automotive industry with a very strong backward linkage, the automotive industry has assumed a pivotal status in the Indian economy. In fact, the post-2000 period witnessed growth of Indian automobile production consistently above that of the global production (Chart).

Overview of the Industry

The volume of production of Indian automobile industry has increased at a CAGR of over 10 percent during the period 2002-03 to 2008-09 with a production of over 11 million vehicles in 2008-09. During the period 2001-02 to 2008-09, automobile exports from India witnessed a CAGR of over 30 percent, with exports of over 1.5 million vehicles in 2008-09. During the period April – February 2009-10, the production of vehicles grew by 24 percent to 12.6 million vehicles, and the exports have grown by 16 percent to 1.6 million vehicles,

The auto-components sector in India witnessed an estimated turnover of US\$ 19.1 billion in 2008-09; export of auto-components amounted to US\$ 3.8 billion, with an export orientation of around 20 percent. India is estimated to have the potential to become one of the

top five auto component economies by 2025, and the turnover is likely to touch US\$ 40 billion, increasing India's share in the global auto component market from 1 percent to 3 percent by 2015-16. Exports of auto components are estimated to be around US\$ 20 - 22 billion by 2015-16. Majority of Indian auto-component exports are directed towards Europe and North America. As far as imports are concerned, imports have increased from US\$ 1.43 billion in 2003-04 to US\$ 6.80 billion in 2008-09. Investments in the auto component industry too have more than doubled from US\$ 3.1 billion in 2003-04 to US \$ 7.70 billion in 2008-09.

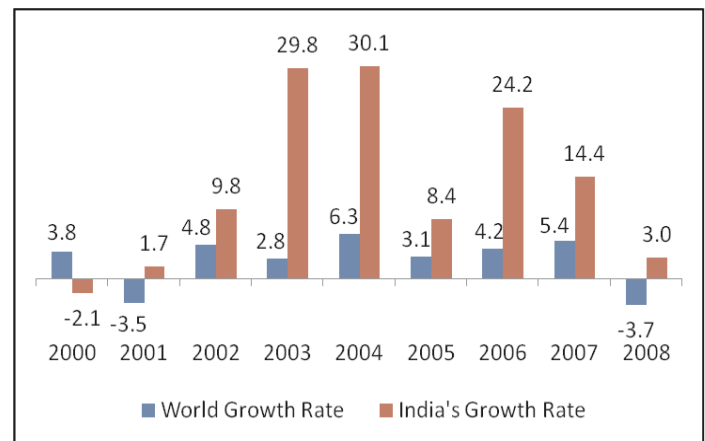
Impact of Union Budget 2010-11

The Union Budget 2010-11 has proposed to encourage energy efficiency in vehicles sector, with the reduction in duty in the sale of electric vehicles, and provision of concessional excise duty of 4 percent to 'Soleckshaw', a product developed by Council of Scientific and Industrial Research. In contrast, increase in price of vehicles is expected with the increase in ad valorem component of excise duty on large cars, multi-purpose vehicles and sports utility vehicles. Besides, R&D has also been proposed to be encouraged through increase in weighted deduction for in-house R&D expenditure, from 150 percent to 200 percent; and outsourced R&D from 125 percent to 175 percent.

Future Prospects

The Indian automotive industry is poised to make an indelible mark in the world market. India has already attracted significant global attention with almost all the global auto majors vying for a share of the Indian vehicles market. Several automajors have already announced the launch of new vehicles, viz., German car major Audi which plans to start assembling its sports utility vehicle; Ford India making

Chart: Growth Comparison of Indian Automobile with Global Production (Percent)



Source: OICA, SIAM, Exim Bank Research

India as an export hub to Asian countries and South Africa for its new car Figgo; Japanese major Nissan deciding to shift its production of its small car Micra, from the UK to India; Suzuki Motorcycle India planning to double production capacity of its two-wheelers; and Volkswagen set to localise production in India to about 80 percent in 2-3 years from the current levels of almost 50 percent, as it seeks to offer cars at more competitive prices.

India's auto-component industry has the capability to manufacture the entire range of products, such as engine parts, drive, transmission parts, suspension and braking parts, electrical parts, and body and chassis parts. Engine parts is the largest sub-segment of the auto-component sector in terms of exports. The composition of exports in terms of the proportion of original equipment manufacturer (OEM) and aftermarket sales has also undergone a sweeping change since the past decade. The ratio of OEM to aftermarket sales has changed from 35:65 in the 1990s to 80:20 in 2008.

Though the manufacturing costs in India are 25-30 percent lower than its western counterparts, India's competitive advantage comes from its full service supply capability as well, which together make India as a favourable source country by OEMs. Besides, the quality consciousness of the industry matches global standards, which is corroborated by the fact that nine Indian companies in the automotive sector have received the coveted Deming Prize, which is the largest number outside Japan.

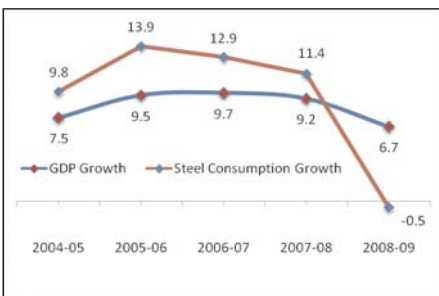


Steel Sector : Sectoral Performance and Outlook

Introduction

Global crude steel production stood at 1.21 billion tonnes in 2009, a decline of 8.3 percent over 2008. China was the largest crude steel producer in the world with production reaching 567 million tonnes, a growth of 13 percent over 2008. Japan, Russia and USA are behind China in crude steel production. In 2009, India was the fifth largest crude steel producing country in the world. If the proposed expansions plans are implemented as per schedule, India may become the second largest crude steel producer in the world by 2015-16. In fact it has been found that the growth in consumption of steel in India has a high degree of correlation with the GDP growth of the country (Chart).

Chart: Trends in GDP growth and Steel Consumption Growth in India



Source: CSO, JPC, Exim Bank Research

Production and Consumption

In 2009, the steel production capacity in the country stood at 62 million tonnes per annum (MTPA), including public and private sector units with a capacity utilization level of 90.3 percent. The Ministry of Steel, Government of India had earlier envisioned doubling the production capacity to 124 MTPA by 2011-12 and for this purpose, a number of brownfield and greenfield expansion projects has begun. However, following the global economic meltdown, the Ministry of Steel, Government of India, has postponed the achievement of the production target to 2012-13.

Crude steel production has been witnessing growth since 2003-04, driven by capacity expansion from 43.91 MTPA in 2003-04 to 64.4 MTPA in 2008-09. Production of finished steel grew from 40.71 million tonnes in 2003-04 to 56.39 million tonnes in 2008-09 (Table). With growth in indigenous production lagging behind the domestic consumption growth, India has turned into a net importer of finished steel in 2008-09.

Table: Total finished steel (alloy + non-alloy) ('000 tonnes)

Year	Production	Import	Export	Consumption
2003-04	40709	1753	5207	33119
2004-05	43513	2293	4705	36377
2005-06	46566	4305	4801	41433
2006-07	52529	4927	5242	46783
2007-08	56075	7029	5077	52125
2008-09	56393	5775	3750	51850

Source: JPC

The growing performance of the steel industry has largely been contributed by the strong trends in growth of the Basic Oxygen Process route (52.5 percent) and Electric Furnace route (45 percent) which accounts for over 97 percent steel production in the country and the contribution of other route (Twin Hearth Furnace) is negligible at 2.5 percent only. Further, some of the Basic Oxygen Furnaces are being equipped with the latest technological innovations which have led to higher productivity and lesser consumptions of costly inputs and refractories.

Investments

The demand for steel is expected to pick up further with the rise in India's GDP growth in the years to come. Of late, a number of steel companies, both in India and from abroad, have evinced their interest in setting up steel units in the country, either on their own or through a joint venture. According to the Investment Commission of India, investments of over US\$ 30 billion in steel are in the pipeline to be invested over the next 5 years. Another new trend has been that there has been interest from many mining companies for diversification into steel business.

Future Prospects

India accounts for around 5 percent of the global steel consumption. India's steel consumption rose by 6.8 percent during April-November 2009, over the same period a year ago on account of improved demand from sectors like automobile and consumer durables. A Credit Suisse Group study states that India's steel consumption would grow by 16 percent, annually till 2012, fuelled by demand for construction projects worth US\$ 1 trillion. India has immense scope for growth in consumption of steel, as the current per capita consumption is around 40 kg, which is relatively low as compared with 100 kg in Brazil, 250 kg in China and a global average of 198 kg.

Amidst concerns for raw material availability, demand for steel is expected to grow in traditional sectors such as infrastructure, construction, housing, packaging, and manufacturing sectors. Consumption of specialized steel would also be increasingly used in hi-tech engineering industries such as power generation, petrochemicals, fertilizers, etc. India's growing status as a global small-car hub is drawing global steel makers, especially Japanese firms, to the country. World's second largest steelmaker Nippon Steel (Japan) is in talks with Tata Steel for an automotive steel joint venture, JFE Steel (Japan) has tied-up with India's JSW Steel, while Sumitomo Metal Industries Ltd (Japan) has tied up with Bhushan Steel.

Recent Economic Developments in the SADC Region

Introduction

The Southern African Development Community (SADC) has been in existence since 1980, when it was formed as an alliance of nine states in Southern Africa known as the Southern African Development Coordination Conference (SADCC), later transformed into SADC in 1992 with the signing of a Treaty. The main objectives of SADC include, among others, achieving development and economic growth; alleviating poverty; enhancing the standard and quality of life and supporting the socially disadvantaged through regional integration; promoting self-sustaining development on the basis of collective self-reliance, and the interdependence of member states; and promoting and maximising productive employment and utilisation of resources of the region.

Economic Profile of Select SADC Member Countries

In spite of the recent global financial countries, except Zimbabwe and Seychelles, all the SADC countries recorded a positive real GDP growth rate in 2008, and more than half of the countries in the region continued to record positive growth in 2009.

Foreign Trade in SADC Region

During the past five years, total exports of SADC increased more than two-fold from US\$ 73.1 billion in 2004 to US\$ 165.8 billion in 2008, primarily as a result of higher exports of South Africa and Angola. Higher exports during the period were mainly supported by the exports of mineral fuel, and pearls and precious stones. SADC's total imports also increased from US\$ 78 billion in 2004 to US\$ 144.5 billion in 2008. South Africa and Angola were the major importing countries in the region, accounting for 60.6 percent and 12.6 percent, respectively, of total imports of the region in 2008. Total trade balance of the region, which stood at a deficit of US\$ 4.9 billion in 2004, turned into a surplus of US\$ 0.9 billion in 2005, and increased further to US\$ 21.3 billion in 2008.

Foreign Direct Investment in SADC Region

The foreign direct investment (FDI) inflows in SADC countries witnessed a significant increase in recent years, with the total FDI inflows in the region increasing by more than seven-fold to US\$ 31.1 billion in 2008 from US\$ 4.1 billion in 2004. Angola accounted for the largest share (50.0 percent) of FDI inflows to the region in 2008, followed by South Africa (29.0 percent), Madagascar (4.8 percent) and D R Congo (3.2 percent).

India's Bilateral Trade and Investment Relations with the SADC Countries

India's total trade with the SADC region has risen more than three-folds from US\$ 4.4 billion in 2004-05 to US\$ 13.6 billion in 2008-09, with India's exports to the region amounting to US\$ 5.7 billion, and India's imports from the region aggregating US\$ 7.9 billion in 2008-09. The SADC region accounted for 39.3 percent of India's total exports to Africa during 2008-09.

India's exports to SADC increased by a robust compound annual growth rate (CAGR) of 31.6 percent during the period 2004-05 to 2008-09. India's imports from SADC region increased by more than three-fold from US\$ 2.5 billion in 2004-05

to US\$ 7.9 billion in 2008-09. India's trade balance with SADC has turned into a deficit of US\$ 2.2 billion in 2008-09 from a surplus of US\$ 0.5 billion in 2007-08.

South Africa is India's leading export market among the SADC members, with a share of 34 percent in India's total exports to SADC in 2008-09, followed by Tanzania (18 percent of total exports), Mauritius (17 percent), Mozambique (7 percent) and Angola (7 percent). As regards imports, South Africa is again the largest supplier to India among the SADC countries, accounting for 69 percent of India's total imports from the region in 2008-09, followed by Angola (18 percent of total imports) and D R Congo (6 percent).

Sixth CII-Exim Bank Conclave on India – Africa Project Partnership

Exim Bank partnered the Confederation of Indian Industry (CII) in organizing the Sixth CII-Exim Bank Conclave on India – Africa Project Partnership during March 14-16, 2010 at New Delhi. The theme for the Conclave was 'Developing Synergies: Creating A Vision'. Over 400 delegates from 34 African countries, comprising senior ministers, business heads, bankers and development specialists, and large number of Indian participants attended the Conclave. Shri S M Krishna, Hon'ble Union Minister of External Affairs; Shri Anand Sharma, Hon'ble Union Minister of Commerce and Industry; Shri Shashi Tharoor, Hon'ble Minister of State for External Affairs, were some of the dignitaries who addressed the Conclave.

Over 145 projects worth over US\$ 9 billion were discussed and numerous agreements have been concluded during the Conclave. Exim Bank signed a Line of Credit for US\$ 5 million with the Government of Senegal for financing supply of medical equipments, furniture and other accessories to four hospitals in Senegal. Exim Bank's publication on 'SADC: A Study of India's Trade and Investment Potential' was also released in the Conclave.

EXIMIUS CENTRE

Eximius Centre Activities:

January-March, 2010

Micro, Small & Medium Enterprises (MSMEs) contribute substantially to international trade of India. One of the important factors for successful exports is proper compliance with export procedure and documentation requirements in conformity with the regulatory framework and guidelines, as also the uniform customs and practices relating to international trade.

To provide information on various initiatives taken by Government of India and financial and other institutions to promote exports under MSME sector, a three one-day seminar on “**Institutional Initiatives for MSMEs**” was organized at **Dehradun (January 23), Kanpur (February 20) and Bhubaneswar (March 9)**. Senior officials from SIDBI, SMERA, ECGC, B2B Portal and Exim Bank discussed in details the various aspects of SME financing, SME rating, Exim Bank’s financing products and services, and export credit insurance.

2. E-Marketing is a cost effective and efficient way of marketing the products in particular reference to MSMEs who with their scarce resources cannot afford expensive marketing and advertisement budgets. In order to educate the benefits of e-marketing, two seminars on “**Global Entry Opportunities through E-Marketing**” were organized at **Bangalore** in association with Federation of Karnataka Chamber of Commerce and Industry (FKCCI).

3. In order to educate on the export awareness procedures and documentation for existing and potential exporters in MSME sector, a seminar on “**Export**

Procedures and Opportunities” was organized in association with Federation of Indian Export Organisations (FIEO) and ECGC at **Jamshedpur (February 4)**. The Joint Director General of Foreign Trade, GOI, senior officials from ECGC, FIEO and Exim Bank made presentations. Exim Bank’s financing products and services were highlighted in the presentations.

4. Programmes in the pipeline include seminars/workshops focusing on Investment agencies / SMEs/ Handicrafts / Entrepreneurship Development at Ranchi, Agartala, Aizawl, Jaipur, Kolkata, Madurai, Mysore, Nagapattinam and Salem during April – June 2010.

Tenth Commonwealth-India Small Business Competitiveness Development Programme

Exim Bank, in association with the Commonwealth Secretariat, Industree Crafts Foundations and Central Bank of India, organized the Tenth Commonwealth-India Small Business competitiveness Development Programme during February 21-26, 2010, at Jaipur. Shri Namo Narain Meena, Hon’ble Minister of State for Finance, Government of India, who was the Chief Guest inaugurated the Programme. Exim Bank’s publication on ‘Indian Gems and Jewellery: A Sector Study’ was released at the hands of the Hon’ble Minister in the inaugural session. The event was attended by over 60 participants, with large number of them representing Commonwealth Countries.

For details on future programmes contact:

Mr. T.V. Rao

Director-Eximius Centre, Bangalore

Tel : (080) 25589106

E-mail: eximius@eximbankindia.in

BOOK REVIEW

Trade and Environment Review 2009/2010

The UN Conference on Trade and Development (UNCTAD) has published : UNCTAD Trade and Environment Review 2009/2010, which contains essays on the topic "Promoting Poles of Clean Growth to Foster the Transition to a More Sustainable Economy." The document focuses on over 140 low-income and least developed countries, which have to bear the full brunt of these crises.

The publication advocates the need for new mitigation and adaptation technologies on a massive scale. The publication analyzes how developing countries can take hold of opportunities for cleaner growth, including low-carbon growth. The publication identifies three most promising "clean growth poles", viz., enhancing energy efficiency, mainstreaming sustainable agricultural practices, including organic agriculture; and harnessing the use of off-grid renewable energy technologies for sustainable rural development. It emphasizes the importance of implementing urgent and immediate adaptation actions to reduce vulnerability and build resilience of developing countries to impacts that are already occurring, in priority sectors such as: water, agriculture, food security, health, biodiversity, disaster management and coastal management.

The publication cites the example of the Grameen Bank in Bangladesh, which has helped more than two million people in 40,000 rural villages access renewable energy, while the Employment and Power Partnership Programme of Decentralized Energy Systems of India has proven that self-sustained growth is possible through rural electrification supporting micro-enterprises.

COUNTRY SCAN

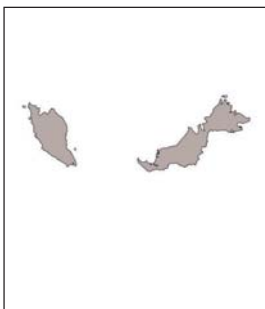
Bolivia



The Bolivian economy recorded real GDP growth of 3.5% in 2009, supported by fiscal spending, continued growth of

mining production and monetary easing. The economy is expected to remain bolstered by substantial public spending financed by commodities revenue. The economy is forecast to grow at 3.4% in 2010, before slowing down to 3.2% in 2011, as commodity production and consumption growth weakens. Annual consumer price inflation of Bolivia is expected to average 2.5% in 2010, before rising to 5.2% in 2011. On the external front, much weaker trade and current transfer surpluses, which fell sharply in 2009 owing to weaker external dynamics, is expected to limit the size of the current-account surplus in 2010-11. The current-account surplus shrunk from an average of 11.9% of GDP in 2006-08 to an estimated 4.8% in 2009 and is expected to remain at this level in 2010-11, as the trade surplus rises only moderately.

Malaysia

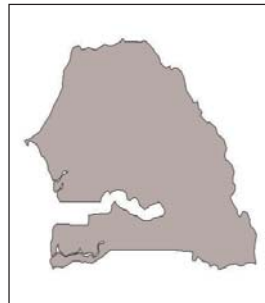


After suffering its worst economic recession since the 1997-98 Asian financial crisis in 2009, when real GDP contracted by 1.7%, the

Malaysian economy is expected to rebound in 2010, with real GDP forecasted to grow by 5.4%. Consumer price pressures are expected to build gradually during 2010, averaging 1.7% in 2010 and 2.4% in 2011, as domestic demand strengthens and global commodity prices stay on an upward trend.

Merchandise exports of Malaysia are expected to increase to US\$ 177.1 bn in 2010 from US\$ 157.6 bn in 2009. Stronger domestic demand could lead to a slight deterioration in the trade balance in 2010, but Malaysia is expected to continue to post substantial trade and current-account surpluses in 2010-11. During 2010-11, services sector is expected to be not only the largest sector of the economy but also the most dynamic.

Senegal



Senegal registered an estimated real GDP growth rate of 1.7% in 2009, compared to 2.4% in the previous year. Following the sluggish growth

in 2009, the economy is expected to pick up, with real GDP growth forecast at 2.7% in 2010. Global commodity prices are expected to rise on average in 2010-11, but the inflationary impact of this is expected to be offset, to some extent, by higher domestic food production. Mali was Senegal's main export market in 2008 accounting for 19.6% of Senegal's total exports. India was the second largest export destination of Senegal with 5.9% share in its total exports. During the same year, 20.0% of total imports originated from France. Other important sources of Senegal's imports included UK, China, and Belgium.

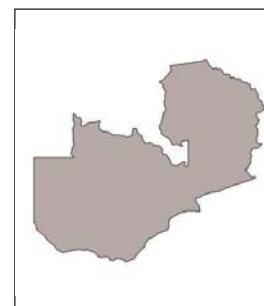
Ukraine



Due to excessive dependence on commodity exports such as steel, and on external financing, the Ukrainian economy was severely affected by the global

economic crisis. After an estimated contraction of 15% in 2009, Ukraine is expected to recover with a modest GDP growth of 2.5% in 2010. Consumer price inflation is expected to average 10.5% in 2010 and 9.5% in 2011. Ukraine's merchandise exports in 2009 amounted to US\$ 40.4 bn, while imports during the same year amounted to US\$ 45.0 bn. With regard to composition of trade basket, non-precious metals accounted for 41.2% of total exports of Ukraine in 2008, followed by machinery and equipment (16.3%). Machinery and equipment (accounting for 31.2% of total imports) and food and energy (accounting for 29.7%) were the main items of imports into Ukraine during 2008.

Zambia



Zambia's economy maintained real GDP growth rate of an estimated 4.5 percent in 2009 as against 5.8 percent recorded in

2008. Transport, storage and communication sector was the fastest-growing sector in 2008 with communications expanding at a rate of 21 percent and air transport at 14 percent. Manufacturing, wholesale and retail, as well as finance and insurance, grew faster in 2008 than in 2007. The annual average inflation for 2008 was 12.4 percent. Inflation was mostly driven by rising food prices, especially towards the end of the year when a 20 percent increase in food prices was recorded. By 2009, however, inflation moderated to 12.2 percent. In 2008, Zambia entered into a new low-access, three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF for the amount of Special Drawing Rights (SDR) 48.9 mn, which aims at ensuring fiscal prudence, at reducing poverty, as well as at preserving macroeconomic stability and debt sustainability.



Currency Currents

Chinese Yuan

China had followed a dual exchange rate policy since 1979. In 1994, it unified the rate to create a crawling Yuan peg. The peg allowed the Yuan to move in a band centered on a rate of 8.28 per US\$. The Yuan moved in a band of 8.7 per dollar to 8.3 per dollar till the Asian financial crisis and after that remained virtually fixed at 8.28 per dollar.

To maintain the exchange rate, the People's Bank of China, the Chinese Central Bank, had resorted to massive intervention in the foreign currency market, which created huge liquidity in the Chinese economy. These operations, because of their scale and cost, became unsustainable and China ultimately had to revalue its currency.

China revalued its currency by 2.1 percent on July 21, 2005 to 8.11 per dollar, changing from a fixed rate regime to a floating rate regime. Under this regime, the Central Bank allows the Yuan to rise and fall each day by 0.3 percent from the Central Bank's middle rate reset each day based on previous day's close.

China had allowed its currency to slowly appreciate against the dollar until late 2008, when world economies sagged under the weight of the US banking and securities collapse. The Beijing government acted to maintain the price advantage of Chinese manufactured goods, at a time when exports were drying up. A slowdown in exports did shave roughly 4 percent points

off the growth rate of China's gross domestic product last year. But the currency stabilization and a large stimulus program kept China's economy on track, so that it exceeded the 8 percent target that the government had set for economic growth in 2009.

Chinese Central Bank governor has indicated that the government is unlikely to detach the value of China's currency from that of the dollar anytime soon and the exchange rates would remain "basically stable" for now. The CNY was trading at 1US\$ = 6.8258 CNY as on March 31, 2010.

Brazilian Real

The Real was Brazil's official currency from 1690 till 1942 and was reintroduced on July 1, 1994, as part of a broader plan to stabilize the Brazilian economy. It replaced the short-lived Cruzeiro real. The Brazilian Real (BRL), floating independently against the US\$ since January 18, 1999, is viewed as one of the strongest currencies in emerging Latin American markets.

The Brazilian real is weaker against the US\$ on continued concerns about Greece's fiscal health and on account of the Brazilian Central Bank holding interest rates steady. A slide in the euro weighed heavily on emerging-market currencies, including the real. The European Union continued to struggle with efforts to resolve Greece's debt and deficit troubles, which has combined with a sluggish economic recovery to weaken the bloc.

Market players unwound positions built ahead of March 17, 2010 meeting of the Brazilian Central Bank's Copom rate-setting panel, which held the benchmark Selic base interest rate at 8.75 percent. Many economists and analysts had expected a 50-basis-point hike. Interest rates abroad also affected currency trade, where India decided to boost interest rates and questions abound about the future direction of monetary policy in China. However, the central bank took a more cautious approach, saying it will continue to monitor inflation and other indicators until its next meeting in April.

Brazil's real has tumbled 18 percent this year, along with other Latin American currencies. The Mexican peso, for instance, is down 15 percent. Government intervention has helped slow the decline, however. With over US\$ 200 billion in foreign currency reserves, Brazil's central bank can continue to keep selling dollars for a while. The BRL was trading at 1 US\$ = 1.7847 BRL as on March 31, 2010.

United States dollar

The United States dollar (US\$) is the official currency of the United States. It is also widely used as a reserve currency outside of the United States. Currently, the issuance of currency is controlled by the Federal Reserve Banking system.

Recent fluctuations in EUR/USD exchange rate have a lot to do with different growth and interest rate expectations for the US and Euro Area. First, while the United States economy grew by 5.7 percent quarter-over-quarter in the fourth quarter of 2009, the Euro Area expanded only by 0.1 percent. Second, in December, the Federal Reserve signaled an exit strategy from quantitative easing. Third, in February the Fed surprised financial markets with a hike in the discount rate by 25bp to 75bp increasing the possibility of an overnight interest rate hike within the next few months. Eventually, making foreign investors more optimistic about gains in US dollar holdings.

The risk remains of a full-blown run on the dollar that could force the Federal Reserve to suddenly raise interest rates, dealing a potentially severe blow to the US recovery. That could happen if major holders of dollars, such as China and Japan, begin to sell off their holdings. There are also rising concerns that the US policy of flooding the economy with cheap money could drive up inflation, as it has already begun to do in Britain, where the pound sterling has been tumbling against the euro as well as the dollar. The US\$ was trading at 1EUR = 1.3500 US\$ and 1GBP = 1.5167 US\$ as on March 31, 2010.

Exim Bank Commencement Day Annual Lecture 2010

Exim Bank instituted the Commencement Day Lecture series in 1986 to mark the Bank's commencement day. Over the years, with the encouragement and support from the distinguished members of the business community, academia and other sections of the society, Exim Bank's Annual Lecture series has earned recognition as an important milestone in contributing to the debate and discussions on contemporary trade and development issues impacting global economy. Dr. Supachai Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development (UNCTAD), delivered Exim Bank's Twenty-Fifth Commencement Day Annual Lecture, on March 18, 2010 in Mumbai. Dr. Supachai reflected upon the need for global economic governance reform for achieving sustainable growth and development. Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India, presided over the function.

Dr. Supachai highlighted the need for change in economic policy and governance in the light of the recent global financial crisis, and the need to refocus on economic activity, growth opportunities, building productive capacities and hence sustainable employment. In order to achieve sustained economic growth in an interdependent world, Dr. Supachai suggested that a strong profit-investment nexus has to be supported by availability of markets to absorb the potential expansion in output. Thus, while building

robust domestic markets is a key to long-term growth and development, exporting is also an essential feature of any balanced economy.

Dr. Supachai also noted that a well-designed global financial system has to create equal conditions for all parties involved and help to avoid unfair competition. He stressed the growing importance of avoiding competitive currency depreciations and other monetary distortions that have negative effects on the functioning of the international trading system in today's highly interdependent world as compared to any other time in history. Dr. Supachai asserted that in order to ensure the long-term sustainability and stability of countries' economic development, there is a need to adopt new measures at the national and international levels and for which a new agenda in required that may draw on some old ideas. He advocated that the new agenda should be based on improved regulation of financial markets, which should be based on a careful evaluation of the social costs and benefits of financial innovation.

Dr. Supachai stressed that financial sophistication with no social returns must be weeded out, and regulatory arbitrage avoided. He also opined that incentive structures in the financial industry must be overhauled to put an end to excessive risk-taking and added that developing countries must increase their resilience to external shocks by maintaining a competitive exchange rate and limiting currency and maturity mismatches in private and public balance sheets. Dr. Supachai stressed the need for reshaping international monetary arrangements that help avoid the build-up of large current-account imbalances and their counterpart, large unbalanced asset positions across countries that could address the current potential for regulatory arbitrage.

Dr. Supachai further suggested that regulators based in different countries should share information, aim at setting similar standards, and avoid races to the bottom in financial regulation. He highlighted the need to rely more on a multilateral approach, and opined that the

same rules and regulatory discipline that apply to international trade should also apply to international finance. In this respect, he pointed out the long overdue requirement of a set of multilaterally agreed rules on exchange rates, and a mechanism to correct long-term misalignment in exchange rates.

Dr. Supachai opined that open-minded, tolerant and pragmatic approaches to the development challenge, consistent with today's increasingly interdependent world, are urgently needed to place economic policy and governance once again at the service of financial stability and economic prosperity for all.

Exim Bank Commencement Day Annual Lecture Series

Exim Bank's Annual Commencement lecture has been delivered by a series of distinguished speakers. Previous speakers include Mr. Justin Yifu Lin, Chief Economist and Senior Vice President, World Bank, Mr. Kemal Dervis, then Administrator of United Nations Development Programme; Dr. David Hulme, Professor of Development Studies and Associate Director of the Chronic Poverty Research Centre, University of Manchester, UK; Sir Suma Chakrabarti, then Permanent Secretary of the Department for International Development, UK; Mr. Rubens Ricupero, former Secretary General of UNCTAD; and Dr. Eduardo Aninat, former Deputy Managing Director of the IMF.

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

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai-400 005.
Tel: (022) 2217 2600 Fax: (022) 2218 2572
E-Mail: cag@eximbankindia.in
Website: www.eximbankindia.in