

EXIMIUS: EXPORT ADVANTAGE



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Recent Economic Developments in the African Region

INTRODUCTION

The African region has witnessed an improved economic performance in the recent years, supported by a sustained demand for gas, oil, and other extractive industries viz. minerals and metals. Most countries in the region bounced back after the economic slowdown in 2009. The main drivers of the region are the oil exporting countries and the Low Income Countries (LICs). Sound and improved economic fundamentals, and

effective shift in the region's trading partners have supplemented the economies in the region during the crisis period.

ECONOMIC PERFORMANCE

The Sub-Saharan region rapidly recovered from the global financial crisis. Real GDP was estimated to grow at 5 percent in 2010, as against the 2.6 percent growth in the preceding year (Table 1). The region's strong domestic demand in 2010 is expected to be underpinned by the automatic stabilizers, expansion in public and private investment, and social support programmes.

Recoveries in the oil-exporting economies like Nigeria, Angola, Equatorial Guinea, Gabon and Chad in 2010, are an outcome of the strengthening of external demand and oil prices.

The five largest economies of the Sub-Saharan region (South Africa, Nigeria, Angola, Ethiopia and Kenya) are set to grow at an average of 5.6 percent in 2010. Improved oil output continued to better Nigeria's performance but the strong growth in the non-oil sector, particularly agriculture, pushed up its real GDP by 7.4 percent in 2010. The Government's adjustment programme, supported by the IMF stand-by arrangement in 2009, and the growing oil production accelerated the Angolan economy by 5.7 percent in 2010. The increased output of the industrial and the services sector and the tight monetary and fiscal policies moderated the Ethiopian economy in 2010. Kenya is on its path to recovery in 2010 owing to the revival in agriculture, expansion in the country's telecom sector and global recovery that

boosted inflows through tourism and exports. South Africa is estimated to have a subdued growth in 2010, and is expected to accelerate marginally in 2011, on the back of the anticipated favourable global environment.

Table 1: Real GDP Growth of Select African Countries (% change)

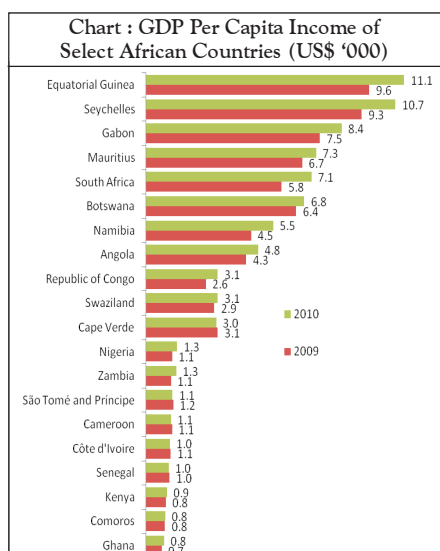
Country	2008	2009	2010 ^e	2011 ^f
Sub-Saharan Africa	5.5	2.6	5.0	5.5
South Africa	3.7	-1.8	3.0	3.5
Nigeria	6.0	7.0	7.4	7.4
Angola	13.3	0.7	5.9	7.1
Kenya	1.3	2.4	4.1	5.8
Ethiopia	11.2	9.9	8.0	8.5
Tanzania	7.4	6.0	6.5	6.7
Côte d'Ivoire	2.3	3.8	3.0	4.0
Ghana	7.2	4.1	5.0	9.9
Cameroon	2.9	2.0	2.6	2.9
Uganda	8.7	7.2	5.8	6.1
Zambia	5.7	6.3	6.6	6.4
Equatorial Guinea	10.7	5.3	0.9	2.1
DR Congo	6.2	2.8	5.4	7.0
Republic of Congo	5.6	7.5	10.6	8.7
Gabon	2.7	-1.4	4.5	5.0
Senegal	3.2	2.2	4.0	4.4
Botswana	3.1	-3.7	8.4	4.8
Namibia	4.3	-0.8	4.4	4.8
Mozambique	6.7	6.3	6.5	7.5
Mauritius	5.0	2.5	3.6	4.1
Mali	5.0	4.4	5.1	5.4
Burkina Faso	5.2	3.2	4.4	4.7
Madagascar	7.1	-3.7	-2.0	2.8
Chad	-0.4	-1.6	4.3	3.9
Benin	5.0	2.5	2.8	3.6

Source: WEO, IMF, October 2010 and January 2011 updates

^e-Estimates, ^f-Forecast



Average inflation in the region has had a declining trend since 2009, and is estimated to be at 7.5 percent in 2010. Per capita GDP of most of the economies in the region are also estimated to show improvements in 2010. The top five economies that are estimated to have a high GDP per capita in 2010 are Equatorial Guinea, Seychelles, Gabon, Mauritius and South Africa (Chart). Further, FDI and remittances inflows were less affected by the global downturn than had been anticipated earlier, and are expected to have positive contribution to the overall growth and development of the region.



Source: WEO, IMF, October 2010

OUTLOOK FOR 2011-15

In the coming years, the region offers promising growth prospects with the GDP projected to grow at 5.5 percent in 2011 and 5.8 percent in 2012. Nominal GDP, which was estimated to hit the one trillion-mark at US\$ 1,023 billion in 2010, is expected to further rise during the period.

Fiscal balance in the region, though at low levels, is expected to improve in 2011. Inflation, which has followed a declining trend since 2009, is forecast to further decline during 2011-15. Consumer price inflation for the Sub-Saharan region is projected to decline to seven percent in 2011. The current account deficit is forecast to deteriorate in the period, owing to the fall in demand from its trading

partners. External debt as a percentage of GDP is forecast to increase marginally to 22.6 percent in 2011, as compared to the estimated 21.7 percent in 2010.

The growth prospects in Sub-Saharan countries for 2011-15 are evident from its rating of being among the top ten fastest-growing economies in the world. Seven countries from the Sub-Saharan region are in the list (Table 2).

Table 2: World's ten fastest-growing economies*

2001-2010 ^e		2011-15 ^f	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Source: IMF; *The Economist* (January 11, 2011)

* - Excluding countries with population less than 10 million, and Iraq and Afghanistan

^e - 2010 Estimates; ^f - forecast

REGIONAL TRADE AGREEMENTS IN AFRICA AND TRENDS IN INTRA-REGIONAL TRADE

Since early 1990s, many countries in Africa have made significant progress in opening up their economies to external competition through trade and exchange rate liberalisation, often in the context of IMF and World Bank supported programmes. At the same time, with creation or expansion of a number of important regional trading arrangements in other parts of the world, there has been a revival of interest among policy makers in Africa towards regional integration, resulting in the establishment or renewal of such arrangements in Africa. Currently, Africa is home to some 30 regional trade agreements (RTAs) or trade blocs, many of which are part of deeper regional integration schemes. While some RTAs have been revived, there has been a

renewed push in recent years to broaden and deepen such RTAs. Major trading agreements in Africa include Arab Maghreb Union (UMA); Common Market for Eastern and Southern Africa (COMESA); Southern African Development Community (SADC); Southern African Customs Union (SACU); West African Economic and Monetary Union (UEMOA); Economic Community of West African States (ECOWAS); Economic and Monetary Community of Central Africa (CEMAC); Economic Community of Central African States (ECCAS); East African Community (EAC); the Cross Border Initiative in Eastern and Southern Africa; Economic Community of the Countries of the Great Lakes (CEPGL); Indian Ocean Commission; and Mano River Union (MRU).

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. In some cases, the arrangement also aims at fostering common economic and monetary union amongst member states, as also a common currency. The success of these arrangements in fostering intra-regional trade has been diverse. The past five years witnessed steady increased growth in trade with blocs across the region, except for a slight drop in trade among Indian Oil Commission in 2008 (Table 3A).

Table 3: Regional Trade Blocs in Africa
A. Merchandise Exports within blocs (US\$ million)

	Year of creation	1990	2000	2004	2005	2006	2007	2008
SADC	1992	1,720	4,427	6,655	7,799	8,701	11,912	15,468
ECOWAS	1975	1,384	2,715	4,366	5,497	5,956	6,676	8,251
COMESA	1994	830	1,443	2,420	2,962	3,363	4,501	5,296
UEMOA	1994	499	741	1,233	1,390	1,544	1,835	2,096
EAC	1996	132	689	930	1,075	1,062	1,385	1,616
ECCAS	1983	133	181	221	255	313	385	449
CEMAC	1994	114	96	174	201	247	305	355
Indian Ocean Commission	1984	75	106	155	162	182	214	190



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

	Year of creation	1990	2000	2004	2005	2006	2007	2008
EAC	1996	7.4	22.6	18.9	17.7	15.9	17.5	17.6
SADC	1992	17.9	9.5	9.7	9.3	9.1	10.0	10.1
ECOWAS	1975	9.7	7.6	9.3	9.3	7.9	7.7	7.6
Indian Ocean Commission	1984	4.8	4.4	4.3	4.9	5.0	5.8	5.1
COMESA	1994	3.6	4.6	5.0	4.7	4.0	4.5	4.1
CEMAC	1994	2.0	1.0	1.2	0.9	0.9	1.0	0.8
ECCAS	1983	1.3	1.0	0.8	0.6	0.5	0.6	0.4
UEMOA	1994	11.3	13.1	12.9	13.4	13.1	14.8	14.5

Source: World Development Indicators 2010, World Bank

During the last five years, however, the share of merchandise exports within bloc as compared to total exports has fallen in all the trade blocs except for SADC, Indian Ocean Commission and UEMOA, indicating the increasing importance of external markets for exports for this region (Table 3B).

INDIA'S TRADE WITH AFRICA

Synergy that exists between India and Africa can be gauged from the recent robust trends in Indo-African trade relations, wherein bilateral trade has risen four-fold in the last six years, from US\$ 7.6 billion in 2004-05 to US\$ 31 billion in 2009-10, reflecting significant rise in both exports and imports (Table 4).

India's exports to Africa have risen from US\$ 4.2 billion in 2004-05 to US\$ 10.3 billion in 2009-10, with a resultant rise in the share of Africa in India's total exports from 5 percent to 5.8 percent during the period. Concomitant rise in imports from Africa during the comparable period attest to increased two-way trade relations, wherein India's imports from Africa have risen from US\$ 3.4 billion in 2004-05 to US\$ 20.7 billion in 2009-10, with a resultant 7.2 percent share in India's total imports, up from 3.0 percent in 2004-05, reflecting high oil imports. Consequently, due to large imports from the region, India's trade balance with Africa, which stood at a surplus of

Table 4: India's Trade with Africa (US\$ million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 ^P (Apr-Sep)
Exports	4218.2	5441.7	8407.5	11539.6	11390.8	10307.6	6995.9
Imports	3354.4	4041.4	11362.8	14928.0	18904.4	20715.1	11714.2
Total Trade	7572.6	9483.1	19770.3	26467.5	30295.2	31022.7	18710.1
Trade Balance	863.8	1400.3	-2955.3	-3388.4	-7513.6	-10407.6	-4718.3

Note: Imports data from 2006-07 include oil imports, ^P-Provisional

Source: Directorate General of Commercial Intelligence and Statistics (DGCI), Ministry of Commerce and Industry (MOCI).

US\$ 863.8 million in 2004-05 turned into a deficit of US\$ 3.0 billion in 2006-07, and further widened to US\$ 10.4 billion in 2009-10.

During April – September 2010-11, India's exports to Africa stood at US\$ 7 billion, accounting for 6.6 percent of India's total exports during the period. While imports stood at US\$ 11.7 billion in the same period (7.3 percent of India's total imports during the period). Thus, India's trade deficit with Africa during the period was at US\$ 4.7 billion.

Major Traded Items

Since 2004-05, petroleum products have emerged as the largest items in India's export basket to Africa, with a share of 21.1 percent of India's total exports to Africa during 2009-10. Other important items of exports to Africa during the same year included pharmaceuticals and fine chemicals (11.1 percent), machinery and instruments (10.8 percent), transport equipment (8.3 percent), manufactures of metals (7 percent) and electronic goods (4.3 percent).

As regards imports, since 2006-07, crude petroleum remained the largest item imported from Africa, and accounted for a significant 63.5 percent of India's total imports from Africa during 2009-10. Other major imports from Africa include gold (13.1 percent), coal, coke and briquettes (5.1 percent), inorganic chemicals (4.7 percent), metalliferous ores and metal scrap (3.2 percent), cashew nuts (3.2 percent), and crude fertilisers (1.1 percent).

Export-Import Bank of India in the African region

Export-Import Bank of India (Exim Bank) offers a range of lending, advisory and support programmes to facilitate and promote India's trade and investment relations with the African region. Exim Bank currently has 92 operative LOCs in the African region amounting to US\$ 3.4 billion (of the total 135 LOCs) in 47 countries. Exim Bank has also signed MOCs/MOUs with a number of institutions in the African region, which include: PTA Bank (Eastern & Southern African Trade Development Bank), African Development Bank, Banque Internationale Arabe de Tunisie (BIAT), Societe Tunisienne de Banque (STB), Foreign Investment Promotion Agency (FIPA), Industrial Development Corporation of South Africa Limited (IDC), Nigerian Export - Import Bank, Industrial Development Bank of Sudan, Banque De Financement Des Petites Et Moyennes Entreprises (BFPME), Jordan Investment Board (JIB), African Export-Import Bank, National Bank of Egypt, and African Development Bank Group (for co-financing).

Exim Bank of India has representative offices in Addis Ababa, Ethiopia; Johannesburg, South Africa; and Dakar, Senegal, which play a key role in facilitating economic cooperation with the African region, and are closely associated with several of the Bank's initiatives. The representative offices interface with various institutions such as Industrial Development Corporation of South Africa Ltd., African Development Bank, regional financial institutions such as Eastern and Southern African Trade and Development Bank (PTA Bank), Afrexim Bank, and West African Development Bank (BOAD) as well as Indian missions in the region.

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
Power Holding Company Nigeria PLC Plot 441, Zambezi Crescent Maitama, Abuja Nigeria Contact: Eng. H. S. Labo Managing Director & CEO Tel: (+234-9) 8746412 E-mail: phcnpmu@nepapmu.org	Electricity and Gas Improvement Project The development objectives of the project is to: <ul style="list-style-type: none"> ❑ Improve the availability and reliability of gas supply to increase power generation in existing public sector power plants; and ❑ Improve the power network's capacity and efficiency to transmit and distribute quality electricity to the consumers. The project requires the rehabilitation and reinforcement of 33/11kV injection substation (S/S) and associated downstream HT/LV distribution facilities.	World Bank US\$ 200 mn
National Irrigation Program MAI Office for irrigation and Land Reclamation Sector Al-Mithak Street, Near Ministry of Planning and International Cooperation Sana'a Republic of Yemen Contact: Eng. Abdo Mohammed Fadle Director Tel: (+967-1) 228-594 Fax: (+967-1) 228-626 E-mail: wssp-nip@yemen.net.ye	Water Sector Support Program The objective of the project is to improve community-based water resource management, increase returns to water use in agriculture and to stabilize groundwater abstraction for agricultural use in critical water basins. The project requires procurement of conveyance pipes and fittings for 2000-ha in Dhamar Basin.	World Bank US\$ 90 mn
Kaztemirtrans Joint-Stock Company Tender Department 8 D. Kunayev Street Office 508 010000 Astana Kazakhstan Contact: Mr. Kumyspayev Yermek Zhumabekovich Head - Production Supply Administration Tel: (+7172) 930-320 Fax: (+7172) 930-321 E-mail: kumyspaev_e@kaztt.kz	Procurement of Freight Wagons The contract requires delivery of 200-units of wagon-hopper for the grain at station Semipalatinsk, station Kokshetau, and station Kushmurun. Purchase of new modern wagons would allow Kaztemirtrans JSC (KTT), a subsidiary of Kazakhstan Temir Zholy, Kazakhstan's National Railways Company (KTZ), to capitalise on the productivity improvements from the new wagons in terms of maintenance unit costs.	European Bank for Reconstruction and Development Euro (€) 143 mn
Port of Split Authority Gat sv. Duje 1 21000 Split Croatia. Contact: Mr. Silvija Cukrov Administrator Tel: (+385-21) 390222 E-mail: silvija.cukrov@portsplit.com	Port Infrastructure Rehabilitation Project The Port of Split Authority (PSA) requires the procurement of the following works and services for rehabilitation of the cruise ship berth area in the Southern Port- <ul style="list-style-type: none"> ❑ Civil works related to the extension of the passenger wharves; and ❑ Consulting services and for works supervision. 	European Bank for Reconstruction and Development Euro (€) 14.5 mn



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Bhutan Power Corporation Limited P.O.Box. 580, Thimphu Bhutan Contact: General Manager Procurement Services Deptt. Tel: (+975-2) 325095 Fax: (+975-2) 333-583 E-mail: pradeeppradhan@bpc.bt	Rural Renewable Energy Development Project The project requires procurement of 12m Telescopic Poles & Fittings, 11.2m Telescopic Poles & Fittings, 7.5m Steel Tubular Poles, MV Overhead ACSR Conductor, LV ABC and PVC Cables, Earthing Equipment, Distribution Transformers, MV Overhead Conductor Fittings Switching Equipment and Accessories, Auto Reclosure Circuit Breaker and Energy Meters.	Asian Development Bank US\$ 21.59 mn
Electric Power Corporation EPC Project Management Unit 2 nd Floor, John Williams Building Tamalagi, Apia, Samoa Contact: Mr. Tologata Tuimalealiifano Project Manager Tel: (+685) 65-407 Fax: (+685) 65-439 E-mail: leiat@epc.ws	Power Sector Expansion Project The project requires designing and building fuel and oil storage tanks and associated facilities for the new 32-MW diesel power plant in Fiaga, Upolu, Samoa. Sizes of tanks and products to store inside are:- <ul style="list-style-type: none"> ❑ three 100,000 liter tanks for diesel fuel; ❑ two 100,000 liter tanks for raw coconut oil and blended fuel; and ❑ one 50,000 liter tank for engine lube oil and one 50,000 liter tank for waste oil generated in the power plant. 	Asian Development Bank US\$ 26.61 mn
Ethiopian Electric Power Corporation (EEPC) Universal Electricity Access Program Dembel City Center 12th Floor, Office No 34 P.O. Box 1233 Addis Ababa, Ethiopia Contact: Ms. Azeb Yosef Tel: (+251-11) 515 8951 Fax No. (+251-11) 554 3741 E-mail: ueapadb2@yahoo.com	Rural Electrification II Project The Project has following main components:- <ul style="list-style-type: none"> ❑ Contract MEGI & WS-I - design, manufacture, test and supply of 132 & 66 KV substation equipments; and ❑ Contract MEGI-2 - design, manufacture, test and supply of 132KV transmission lines material. 	African Development Bank US\$ 130.0 mn
The Project Coordination Unit Management Unit PAPIL Roads PAC of the Marist Fathers. BP. 45350 Fann Dakar, Senegal Contact: Regional Director Tel: (+221-33) 832-8271 Fax: (+221-33) 832-8292 E-mail: ccp@papil.org	Project Support Local Small Irrigation (PAPIL) The objective of the project is to contribute to increased agricultural production on a sustainable basis. The project includes the following major components: <ul style="list-style-type: none"> ❑ acquiring the services of consultants for monitoring hydro-agricultural work and final evaluation and auditing of project accounts; ❑ acquisition of works by the procedure of competitive bidding for the development of various agricultural and water infrastructure; and ❑ acquisition of various assets by consulting providers. 	African Development Bank US\$ 12.8 mn

CONTRACT AWARDS

Select contracts secured by Indian companies/consultants:

KEC International Ltd., Gurgaon Contract for supply and delivery of materials for construction of 33 kV and 11 kV lines for Nepal's Energy Access and Efficiency Improvement Project, funded by the **Asian Development Bank**.

Trenchless Engineering Services Pvt. Ltd., New Delhi & Corrtch International Pvt. Ltd., Ahmedabad Contract for Installation of 30"-Dia high pressure natural gas pipe line by HDD method across Sitalakhya and Brahmputra river on turnkey basis, for Bangladesh's Gas Transmission and Development Project, funded by the **Asian Development Bank**.

Aravali Infrapower Co. Ltd., New Delhi Contract for design, manufacture, supply, construction, and commissioning of 33/11 kv substations at banskot, kusma, mainapokhar and 11 kv switching stations for Nepal's Energy Access and Efficiency Improvement Project, funded by the **Asian Development Bank**

Fedders Lloyd Corporation Ltd., New Delhi Contract for supply of transformers for Ghana's Power System Reinforcement Project, funded by the **African Development Bank Group**.

Tagros Chemicals India Ltd., Chennai Contract for supply of agri-chemicals for Ethiopia's Southern Tsetse Eradication Project, funded by the **African Development Bank Group**.

HLL Lifecare Ltd., Thiruvananthapuram Contract awarded for supply of intrauterine devices (IUDs) for Argentina's Essential Public Health Functions Project, funded by the **World Bank**.

Mohan Energy Corporation, New Delhi Contract awarded for supply and installation of PV system for 100 clinics Gaza and Sofala, for Mozambique Energy Reform and Access Program, funded by the **World Bank**.



Union Budget 2011-12 : Impact on Select Sectors

The Budget 2011-12 was announced at a juncture when the Indian economy had rebounded to its pre-crisis growth trajectory. The Government while trying to have a balanced allocation of budgetary expenditure, also hoped to reduce the fiscal deficit from 5.1 percent to 4.6 percent by 2011-12. With the Government envisaging to increase the share of manufacturing in GDP from 16 percent to 25 percent in the next ten years, a slew of measures have also been announced catering to the agricultural and food processing sector in order to promote self sufficiency in food production and to arrest food pilferage. Impact of the Budget on select sectors has been analysed briefly in the following sections.

Textiles

- The Budget has announced a mandatory excise duty of 10 percent on branded garments or textile-made up. Since it is a CENVAT credit, yarn and fabric manufacturers may have to pay an increased excise duty vis-à-vis an optional

and concessional 4 percent duty paid earlier. This will exert further pressure on the margins of manufacturers of readymade garments and made-ups, who are already facing challenges with an unprecedented rise in input costs.

- The proposal to reduce customs duty on acrylonitrile and rayon grade wood pulp, from 5 percent to 2.5 percent would benefit acrylic and viscose fibre and will improve its competitive position vis-a-vis cotton and polyester.
- The proposal to provide ₹ 30 billion to NABARD for development of handloom clusters will help the handloom weaver co-operative societies which have become financially unviable due to non-payment of debt by handloom weavers facing economic stress.

Healthcare

- The Budget has proposed to levy service tax on all services provided by hospitals with 25 or more beds that have the facility of central air-conditioning. However, all Government hospitals shall be outside this levy. This is expected to increase the medical services cost in such centres. The proposal for increasing the plan allocation for health by 20 percent is expected to be particularly favourable for rural India, more so in light of the expansion in coverage of Rashtriya Swasthya Bima Yojana.

Automotive

- The proposals include launching of National Mission for Hybrid and Electric Vehicles, concessional excise duty of 10 percent to vehicles based on fuel cell technology, and exemption from basic customs duty and special CVD to critical parts and assemblies needed for hybrid vehicles, among others. Such incentives proposed for hybrid and electric vehicles would promote innovations in clean energy transport.

Minerals

- Rate of export duty for all types of iron ore has been enhanced and unified at 20 percent ad valorem. Export oriented iron ore companies are likely to be negatively affected, though this move is beneficial to domestic steel industry.

Cement

- Basic customs duty on two critical raw materials of cement industry, viz., petcoke and gypsum is proposed to be reduced to 2.5 percent. This would reduce the price of cement, and give a boost to the construction sector.

Ports

- The Budget has proposed increase in allocation of funds for infrastructure and enhanced the limit upto ₹ 50 billion of tax free bonds for ports sector. This would facilitate improved fund availability for the development of port projects.

Shipping

- Exemption, which is being provided for ship repair units for import of spares and capital goods, has been granted to shipping companies also. This is likely to reduce cost of ship building as well as maintenance cost.

Infrastructure

- The disbursement target of India Infrastructure Finance Company Limited (IIFCL) will be raised by ₹ 50 billion to ₹ 250 billion by March 31, 2012, along with issuance of tax free bonds worth ₹ 300 billion by various Government undertakings. In addition, the FII limit for investment in corporate bonds with residual maturity of over five years issued by infrastructure companies has been raised by an additional US\$20 billion, taking the limit to US\$25 billion. Besides, tax incentives have been extended to attract foreign funds for financing of infrastructure. In order to facilitate the funding of rural infrastructure, the corpus of the Rural Infrastructure Development Fund (RIDF) was raised by ₹ 20 billion to ₹ 180 billion for 2011-12. Besides, there is a proposal to create SPV in the form of notified infrastructure debt funds and tax exemption on income. All such measures are likely to attract more foreign funds and reduce the funding constraints for the infrastructure sector.

Renewable / Clean Energy

- Basic Customs Duty on Solar Lanterns has been reduced from 10 percent to 5 percent; this will promote off-grid usage of solar energy in rural India. The



proposal of reduction of excise duty to 5 percent and full exemption of special CVD for LEDs would promote energy efficiency.

Hospitality

- Hotel accommodation in excess of ₹ 1,000 per day and service provided by air conditioned restaurants that have license to serve liquor have been added as new services for levying service tax. This could increase hotel tariffs / bills of air conditioned restaurants (serving liquor).

Information Technology

- Units in SEZs have been included under the purview of MAT; this will impact mid-sized IT companies, as their profits will be negatively affected.

Housing and Real Estate

- Existing scheme of interest subvention of 1 percent on housing loan has been further liberalised with the enhancement of loan limit to ₹ 2.5 million. This will promote affordable housing and would provide spin-off benefits to associated sectors such as cement, iron and steel, paints, and construction. To enhance the credit worthiness of economically weaker sections and LIG households, a Mortgage Risk Guarantee Fund is proposed to be created under Rajiv Awas Yojana. This would provide property rights to slum dwellers and will give a boost to slum redevelopment programmes.

Media and Entertainment

- Concessional basic customs duty of 5 percent, and CVD of 5 percent are provided for import of high speed newspaper printing machinery.

Paper

- The proposal for reduction in customs duty on wastepaper from 5 percent to 2.5 percent will reduce raw material costs, and offset the introduction of 1 percent excise duty on wood pulp.

Petro-chemicals

- Customs duty on carbon black feedstock (CBFS) manufacturers has been reduced to 2.5 percent. CBFS is the largest component of the input costs for carbon black manufacturers, and thus a reduction will lower the raw material costs for the industry.

Power

- Sunset clause for tax holiday under section 80-IA for the sector has been extended by another year till 2012. This will encourage further investments. The proposal for enhanced limit of US\$ 40 billion for FIIs investing in corporate bonds issued by infrastructure companies and infrastructure debt funds will improve availability of funds to the sector.

Food Processing

- The Budget has proposed to set up 15 additional food parks, in addition to the already approved 30 mega food projects. This will help export orientation of the Indian food processing sector. State Governments have been advised to review and enforce a reformed Agriculture Produce Marketing Act, in view of recent developments in the inflationary front. This would ensure availability of raw materials, especially fruits and vegetables, for the processing industry, at affordable prices.

Agriculture

For strengthening *agriculture production* the following measures have been introduced:

- Increase in allocation of funds under Rashtriya Krushi Vikas Yojana; Allocation of ₹ 4 billion for rice-based cropping system in the eastern region of the country comprising Assam, Bihar and Chattisgarh, Jharkhand, Eastern UP, West Bengal, and Orissa; Allocation of ₹ 3 billion towards integrated development of 60,000 pulses villages in rainfed areas; Allocation of ₹ 3 billion to bring 60,000 hectares under palm oil plantations, leading to yield about 3 lakh metric tonnes of palm oil; Allocation of ₹ 3 billion for implementation of vegetable initiative to provide quality vegetables; Allocation of ₹ 3 billion to promote higher production of bajra, jowar, and other millets, which are highly nutritious and have several medicinal properties.
- Under National Mission for Protein, supplement allocation of ₹ 3 billion to promote animal based protein production through livestock development, dairy

farming, piggery, goat rearing and fisheries, has been announced. Besides, allocation of ₹ 3 billion for Accelerated Fodder Development Programme to benefit farmers in 25,000 villages has also been announced.

- Under National Mission for Sustainable Agriculture, Government plans to promote organic farming methods, combining modern technology with traditional farming practices. Capital investment in fertiliser production is proposed to be included as an infrastructure sub-sector.
- The Government is also actively considering extension of the Nutrient Based Subsidy (NBS) regime to cover urea; and proposed to directly transfer cash subsidy to farmers below poverty line on fertilisers.

For *reduction in wastage of agricultural produce*, the following measures have been announced:

- Augmentation of storage capacity through private entrepreneurs and warehousing corporations has been fast tracked; enhancement of storage capacity by further 2 million metric tonnes under Rural Godown Scheme; Provision of infrastructure status to cold storage chain - capital investment in creation of modern storage capacity will be eligible for viability gap funding.

The following measures have been taken to *enhance credit support* to farmers:

Credit flow for farmers has been raised from ₹ 3.8 trillion to ₹ 4.8 trillion in 2011-12; strengthening of capital base of NABARD by ₹ 30 billion in a phased manner; contribution of ₹ 10 billion to NABARD for Short-term Rural Credit Fund for the year 2011-12; provision of ₹ 5 billion to enable Regional Rural Banks to maintain CRAR of at least 9 percent as of March 31, 2012; provision of ₹ 1 billion to create 'India Microfinance Equity Fund' to be created under SIDBI; and extension of interest subvention from 2 percent to 3 percent for providing short-term crop loans to farmers who repay their crop loan on time.



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, equipments, 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 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters.

Exim Bank has now in place 135 Lines of Credit, covering over 71 countries in

Africa, Asia, Latin America, Europe, Oceania and the CIS, with credit commitments of over US\$ 6.6 billion, available for financing exports from India. These LOCs have catalysed export of various projects in diverse sectors such as agriculture, transportation, communication, manufacturing, energy generation and transmission, rural electrification. Increasingly, Lines of Credit are being extended for financing Indian project exports, which create in the recipient countries a greater visibility for Indian expertise and project execution capabilities, with downstream linkages. Established primarily to enhance Indian exports to developing countries, Lines of Credit, today, have become an effective tool for market penetration and a stepping stone to the unchartered territory of Africa and Latin American countries.

Exim Bank, at the behest and with the support of Government of India, has extended four LOCs as given below during the quarter October-December 2010:

➤ An LOC of US\$ 100 million extended to West African Regional Bank viz. Ecowas Bank for Investment and Development (EBID), a regional development bank set up by Economic Community for West African States (ECOWAS), for financing export of various equipment, goods and services from India for public sector projects in fifteen (15) member countries of Ecowas Bank for Investment and Development in West African Region viz. Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Exim Bank earlier extended an LOC of US\$ 250 million to Ecowas Bank for Investment and Development. Project proposals aggregating US\$ 250 million have been approved for projects in areas of transportation, electrification, railways, tele-

communication, health, agriculture in ten member countries of Ecowas Bank for Investment and Development.

- An LOC of US\$ 61.6 million extended to the Government of Republic of Kenya, for financing power transmission lines in Kenya.
- An LOC of US\$ 416.4 million to the Government of Democratic Republic of Sri Lanka, to finance (i) track laying by IRCON on the Omanthai-Pallai sector, (ii) track laying by IRCON on the Madhu Church-Tallaimannar sector, and (iii) track laying on the Medawachchiya - Madhu railway line in Sri Lanka. Exim Bank had earlier extended three LOCs to the Government of Democratic Republic of Sri Lanka - one LOC for US\$ 100 million for purchase and supplies of equipment from India into Sri Lanka and other two LOCs for US\$ 100 million and US\$ 67.4 million for upgradation of the Southern Railway Line from Colombo to Matara in Sri Lanka.
- An LOC of US\$ 213.3 million extended to the Government of the Federal Democratic Republic of Ethiopia, which is the third tranche of the total credit commitment of US\$ 640 million for financing sugar industry rehabilitation in Ethiopia. Exim Bank has earlier extended two LOCs of US\$ 122 million as first tranche and US\$ 166.2 million as second tranche to finance sugar industry rehabilitation in Ethiopia.

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Tea Plantation

The tea plantation sector occupies a place of considerable importance in the Indian economy, on account of its contribution to the foreign exchange earnings, large-scale employment - employing around 1.3 million people at plantations and around 2 million people indirectly, and in context of regional development, as the sector is largely located in the ecologically fragile regions of the country.

Global Scenario

Global tea production during 2009-10 stood at 3.9 billion kg, growing by a CAGR of 2.4 percent between 1990 and 2009. Black tea accounts for around 75 percent of global production and over 90 percent of the global market. India is the second largest producer of tea in the world, after China. However, India is also the largest consumer of tea. Global export of tea stood at 1,891 million kgs during 2008. Kenya, Sri Lanka and Indonesia accounted for over 40 percent of the global exports in terms of volume, and Sri Lanka is the leading exporter in terms of value. Major markets for tea include Russia, UK, Pakistan, USA, and Middle East.

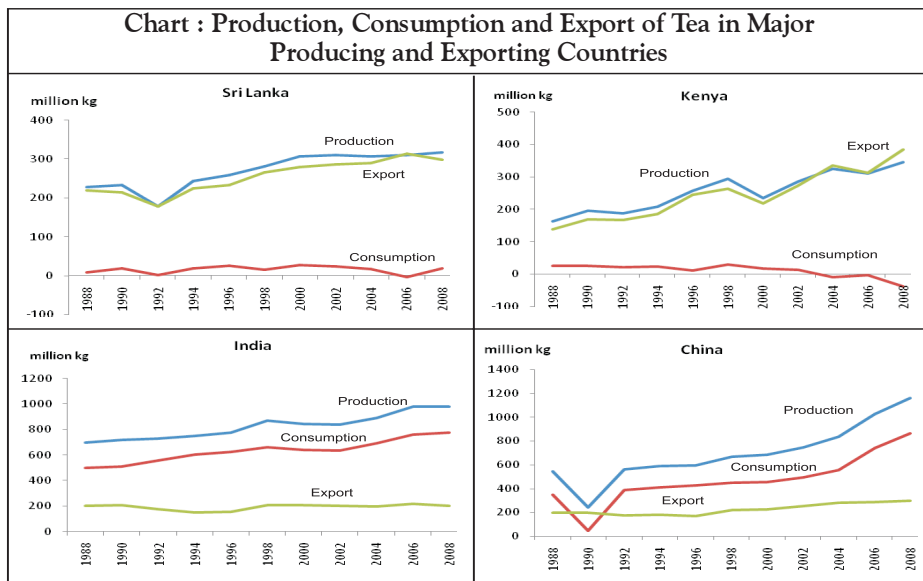
A number of codes of conduct addressing social and environmental concerns in the recent years have been influencing international tea trade, particularly shaping access to the tea markets in Europe and USA, such as Fairtrade and Tea Sourcing Partnership.

The Indian Tea Industry

In 2009-10, India produced around 991 million kgs of tea from an area of over 5.8 lakh hectares. The Indian tea industry

is segmented into two geographical divisions: North India and South India, with North India having the largest share of area under tea. India's share in global tea trade is relatively low as majority of the tea production is consumed in the domestic market. However, India's export of tea

In the recent years, there has been large decline in imports of tea by the major tea importing developed countries of the world. Though there has been an increase in import demand of tea in the developing countries, such as in Pakistan, Iran, Egypt, UAE, and Afghanistan, the increase is less



Source: Respective Country Tea Boards; Exim Bank Research

between the year 1999-2000 and 2009-10 increased at a CAGR of 0.5 percent from 192 million kg to 200 million kg. Average price realisation of Indian tea has been attractive in markets, such as France, the Netherlands, Japan, Germany, Australia and Hong Kong. India holds high market share in countries, such as Russia, UK, Egypt, Iraq, and certain CIS and East European countries. However, lately, India has been losing its share in these markets to Sri Lanka and Kenya. The trend in tea industry in four major tea producing and exporting countries is shown in the **Chart**.

Factors affecting global tea trade

Except for India and China, most tea producers consume only a small proportion of their production leaving a large surplus for exports. For countries such as Kenya, Sri Lanka, Indonesia and Vietnam, where tea is one of the major foreign exchange earners. Over a period of time, the global supply of tea exceeded the demand, affecting tea price, and considerably increasing competition in the global tea markets with respect to quality, variety and prices.

than the decline in import by the major importing countries. Demand for tea is primarily determined by the income elasticity of demand, as it is price inelastic and found negligible income elastic for developed countries and high for developing countries. Hence, the possible major reason for decline in demand for tea in major developed countries could be the substitution effect, that is changes in consumer preference from tea to other beverages, such as coffee and soft drinks.

Prospects

In the medium term, although supply of tea is expected to continue to outstrip demand, the gap could be closer to equilibrium, if consumption improves in traditional markets. Strategies must be devised to stimulate the demand. For Indian tea sector, enhancing marketing efforts in the emerging major tea importing countries; and value additions through changes in the product forms, packaging innovation, delivery system, branding, and market segmentation, could be the possible approach for sustainability.

Indian Electronic Industry : Sectoral Performance and Outlook

Table: Electronics Production in India

(In ₹ billion)

Item	2001-02	2002-03	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Growth in 2008-09 (%)	Growth in 2009-10 (%)	Share in 2009-10 (%)
Consumer electronics	127.0	138.0	152.0	168.0	180.0	200.0	226.0	301.5	13.1	18.0	27.4
Industrial electronics	45.0	55.5	61.0	83.0	88.0	104.0	119.1	136.3	7.0	7.0	12.4
Computers	35.5	42.5	68.0	88.0	108.0	128.0	158.7	144.3	-15.0	7.0	13.1
Communication and broadcast equipment	45.0	48.0	53.5	48.0	70.0	95.0	187.0	313.9	42.2	18.0	28.6
Strategic electronics	18.0	25.0	27.5	30.0	32.0	45.0	57.0	69.8	20.0	2.0	6.3
Components	57.0	66.0	76.0	88.0	88.0	88.0	96.3	133.6	25.0	11.0	12.2
Total Hardware	327.5	375.0	438.0	505.0	566.0	660.0	844.1	1099.4	15.2	13.0	100.0

* Estimated

Source: Exim Research data derived from Annual Report Department of Information Technology, Government of India; ELCINA Electronics Industry Association of India

Worldwide, the electronic industry is one of the most flourishing and extremely diversified sectors, growing at a rapid pace with the invention of innovative technologies and growing customer inclination towards electronic goods and services. The key segments of the electronic industry are electronic components, computer and office equipment, telecommunications, consumer electronics and industrial electronics.

Production

Indian electronics hardware production increased from ₹ 505 billion in 2004-05 to ₹ 972.6 billion in 2008-09, with a cumulative annual growth rate of 17.3 percent. The production of electronics hardware in the country is estimated to have grown from ₹ 972.6 billion in 2008-09 to ₹ 1.1 trillion in 2009-10, a growth of 13 percent. The slower rate of growth of production during 2009-10 is attributed to the global economic slowdown (Table). Communication and broadcasting equipment took the largest share (29 percent) in India's electronics production in the year 2009-10, followed by consumer electronics (27.4 percent), computers (13.1 percent), industrial electronics (12.4 percent), components (12.2 percent) and strategic electronics (6.3 percent)

Exports and Imports

India has been largely an importer of electronic goods rather than an exporter of the same. However, India's export of electronic goods has been growing over the years. The growth trend has been positive even in the year 2008-09, in which most

of the sectors have witnessed slowdown in exports. During 2009-10, India's electronics exports were valued at US\$ 5.48 billion, with a share of 3.1 percent in India's total exports. During this period, electronic exports contracted by (-) 19 percent, over the corresponding period of the previous year. During April – September 2010-11, the exports of electronic goods were US\$ 3469.95 million and showed a growth rate of 10 percent over the corresponding period in the previous year.

In the year 2008-09, imports of electronic goods were valued at US\$ 23.1 billion, constituting a share of 7.9 percent in the total imports into the country. The import of electronic goods as a percentage of total imports has more or less remained the same at around 8 percent, over the years. In the year 2009-10, the imports of electronic goods were valued at US \$ 21 billion, a decline of (-) 9.2 percent over the previous year. During April-September 2010, the imports of electronic goods were valued US\$ 10.1 billion, a decline of 14.3 percent over the corresponding period in the previous year.

Major destinations for electronic exports from India during 2009-10 include Asia (31 percent) followed by European Union (20 percent), America (17 percent), Middle East (15 percent), and Africa (11 percent). In the case of imports too, Asian countries (74 percent) were the largest import sources for India, in the year 2009-10, followed by European Union (13 percent), America (8 percent) and Middle East (2 percent).

Outlook

The market for electronic products in India has witnessed significant growth in recent years due to several factors, such as manufacturing growth, ICT penetration, growing disposable income, retail boom and attractive finance schemes. During 2010-11 the total PC sales is estimated to be 9.8 million units of which 6.2 million units included the desktop sales and the rest 3.6 million units included notebooks and netbooks sales. While desktop sales is expected to increase by 12.3 percent in 2010-11 over the previous year, that of notebooks & netbooks is expected to decline by (-) 41.8 percent over 2009-10. The overall consumption in the PC market was led by telecom, banking and financial service sectors, education and households segments.

The market size of the electronic industry is expected to exceed US \$ 150 billion by 2015. According to Ministry of Commerce, Government of India, the export target of electronic goods is expected to be US\$ 15 billion by 2013-14. In order to achieve this level of growth, however, India needs to concentrate and focus more on designing and manufacturing global products, and then reach out to the rural areas in the domestic market, and emerging export markets. Also, India should leverage its strengths in software to build high-complexity, but medium-volume products, for the global market. Further, the Indian industry should focus on inventing mass-products that matter to rural and bottom of the pyramid segments.



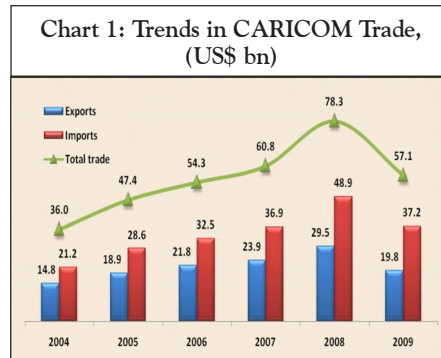
Recent Economic Developments in CARICOM Region

The Caribbean Community (CARICOM), which comprise 15 Caribbean countries, occupies a strategic position in global economy since its formation in 1973. The CARICOM region is gradually recovering from the global recession, with sign of improved real GDP growth in most member countries, aided by recovery in tourist arrivals. In Antigua and Barbuda, real GDP growth is estimated to rebound to 5.7 percent in 2010 after a contraction of 1.7 percent in 2009. Belize is expected to pick-up during 2010 and 2011. Real GDP growth in Suriname is projected at a higher 4 percent in 2010 as compared to 2.5 percent growth in 2009, while in Trinidad and Tobago, real GDP growth is estimated to post a turn around with a 1.2 percent growth in 2010, in contrast to a decline of 3.5 percent in 2009. In Haiti, reflecting the ongoing reconstruction activities in the aftermath of the January 2010 earthquake, real GDP growth is projected to post a sharp 9.8 percent growth in 2011. The World Travel and Tourism Council (WTTTC) estimates of tourism's overall contribution to GDP in CARICOM countries in 2010 averaged to 12.3 percent, varying from a low 7 percent in Haiti to over 78 percent in Antigua and Barbuda.

Foreign Trade of CARICOM Countries

During the last six years CARICOM's total trade has steadily risen from US\$ 36 billion in 2004 to US\$ 78.3 billion in 2008, before decreasing to US\$ 57.1 billion in 2009, due to the impact of the global economic crisis, which has affected most countries in the region. The total exports of CARICOM steadily increased from US\$ 14.8 billion in 2004 to US\$ 29.5 billion in 2008, before declining to US\$ 19.8 billion in 2009, owing to the fall in international demand (Chart 1). Among the

CARICOM countries, Trinidad and Tobago is the largest exporter, accounting for as much as 61 percent of total CARICOM exports during 2009, followed by the Bahamas, Jamaica, Suriname, Guyana and Haiti.



Source: IMF, Direction of Trade Statistics 2010

CARICOM imports have also registered a similar rising trend. Total imports of CARICOM countries have increased from US\$ 21.2 billion in 2004 to US\$ 48.9 billion in 2008 before decreasing to US\$ 37.2 billion in 2009. The Bahamas is the largest importer among the CARICOM countries, with a share of 31 percent of total CARICOM imports during 2009, followed by Trinidad and Tobago, Jamaica, St. Lucia, Haiti, Barbados, Antigua and Barbuda, and Suriname. US is the main export destination as well as the main import source of most of the counties in CARICOM region.

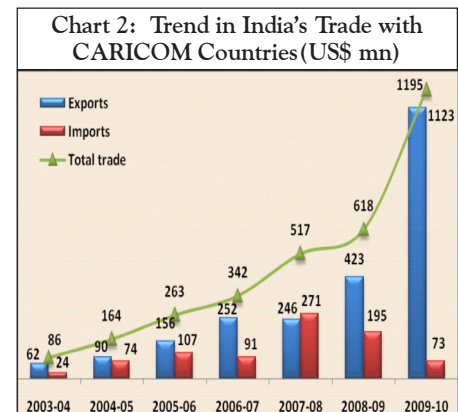
Foreign Direct Investment in CARICOM

The foreign direct investment (FDI) inflows in CARICOM countries witnessed a continued increase in recent years before witnessing a decline in 2009. The total FDI inflows in the region rose to US\$ 6.9 billion in 2008 from US\$ 2.9 billion in 2004, registering a rise of 140 percent during the period. In 2009, the total FDI inflows declined to US\$ 3.9 billion, registering a decline of 44 percent due to the global financial crisis. Among the CARICOM countries, Jamaica accounted for the largest share (27.6 percent) of FDI inflows to the region in 2009, followed by Trinidad and Tobago (18.4 percent), The Bahamas (17.0 percent) and Barbados (87.5 percent).

India's Bilateral Trade Relations with CARICOM countries

India's bilateral trade with CARICOM countries has witnessed a healthy growth in recent years. During the last seven years India's total trade with the CARICOM countries have risen fourteen-folds, from US\$ 85.5 million in 2003-04 to US\$ 1195 million in 2009-10 (Chart 2). India's exports to the CARICOM countries have risen from US\$ 61.5 million in 2003-04 to US\$ 1122.6 million in 2009-10, registering a compound annual growth rate of 51.3 percent

during the period. The Bahamas is a leading market for India's exports, accounting for 77 percent of India's total exports to the region. India's imports from the CARICOM region have also witnessed a rise from US\$ 24.0 million in 2003-04 to US\$ 271.0 million in 2007-08, but has declined to US\$ 194.9 million in 2008-09, further falling to US\$ 72.5 million in 2009-10, underlined by the sharp decline in imports from Trinidad and Tobago, St. Vincent and the Grenadines, and Jamaica during the period.



Source: DGCIIS, MOCI

According to the IMF (Regional Economic Outlook – Western Hemisphere, October 2010), for the CARICOM region as a whole, boosting competitiveness and growth over the medium term remains a key policy challenges. This in turn would require sustained structural reforms including enhancing the role of tourism sector.

Exim Bank Signs MoC with Republic Bank of Uruguay

Export-Import Bank of India (Exim Bank) signed a Memorandum of Cooperation (MoC) with Republic Bank of Uruguay on February 22, 2011. The MoC was signed by Mr. Prabhakar Dalal, Executive Director, Exim Bank and Mr. Fernando Calloia, President of the Republic Bank of Uruguay, in the presence of His Excellency Mr. Danilo Astori, Vice President of Oriental Republic of Uruguay, during the visit of high-level delegation from Uruguay to Exim Bank's Head Office in Mumbai. The MoC envisages the two institutions supporting entrepreneurs from both sides for promoting and increasing trade and investment flows between the two countries, as also from Uruguay and India to other countries.

India's Endeavours with LDCs

India enjoys a multi-dimensional relationship with least developed countries (LDCs) and has been in the forefront of assisting their development. India has forged valuable development partnerships with many LDCs, supported by its expanding global economic and commercial footprint, increasing outbound investment and low-cost technology innovation and has been a leading architect in fostering South-South Cooperation. India's total trade with the LDCs has risen more than three-folds from US\$ 5.7 billion in 2003-04 to US\$ 20.6 billion in 2009-10, with India's exports to these countries amounting to US\$ 10 billion, and India's imports from these countries aggregating US\$ 10.6 billion in 2009-10. LDCs together accounted for an average 3.7 percent of India's total international trade during the period 2003-04 to 2009-10 (Table 1 and Table 2).

Bangladesh is India's leading export market among the LDCs, accounting for 24 percent of India's total exports to LDCs in 2009-10. The other major export markets during the same year were Nepal (16 percent), Tanzania (9 percent), Yemen (7 percent), Angola (6 percent), Afghanistan (5 percent), Sudan (5 percent), Mozambique (4 percent), Djibouti (3 percent), and Ethiopia (2 percent). As far as imports are concerned, Angola is the largest supplier to India among the LDCs accounting for 40 percent of India's total imports from the LDCs in 2009-10. Yemen (15 percent), Myanmar (12 percent), Sudan (5 percent), Nepal (4 percent), Guinea (3 percent), Equatorial Guinea (3 percent), Bangladesh (2 percent) were Senegal (2 percent), and Tanzania

Table 1 : India's Exports to LDCs (US\$ billion)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Exports to LDCs	4.2	4.8	5.3	7.0	10.4	10.4	10.0
Africa and Haiti	1.2	1.8	2.1	2.8	4.3	4.7	4.4
Asia and Pacific	3.0	3.0	3.2	4.2	6.1	5.7	5.6
India's Global Exports	63.9	83.5	103.1	126.4	163.1	185.3	178.8
Exports to LDCs as % of Global Exports	6.6	5.8	5.1	5.5	6.4	5.6	5.6

Note: Asia and Pacific includes Middle East
Source: DGCIS, MOCI

Table 2 : India's Imports from LDCs (US\$ billion)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Imports from LDCs	1.5	1.8	2.3	4.9	7.0	6.3	10.6
Africa and Haiti	0.6	0.8	1.1	1.4	3.5	3.5	6.7
Asia and Pacific	0.9	1.0	1.2	3.5	3.5	2.8	3.9
India's Global Imports	78.2	111.5	149.2	185.7	251.7	303.7	288.4
Imports from LDCs as % of Global Imports	1.9	1.6	1.5	2.6	2.8	2.1	3.7

Note: Asia and Pacific includes Middle East
Source: DGCIS, MOCI

(2 percent) were the other important import sources for India among the LDCs in the same year.

India has provided substantial developmental assistance to LDCs aimed at capacity building, institutional development and incubating technical expertise to create long term sustainability in these countries. In the period 2009-10, India has offered over US\$ 7 million in aid for disaster relief to LDCs including Benin, Burkina Faso, Gambia, Liberia, Niger, Bangladesh, Myanmar and Haiti. In addition, India has also made a contribution of US\$ 250,000 to the UN Trust Fund for financing the travel expenses of LDC representatives to the UNLDC-IV conference.

Some of the major policy initiatives taken by India for strengthening international support measures for LDCs can be outlined as follows:

- **Duty Free Tariff Preference (DFTP) Scheme for LDCs:** In this scheme, India offers unilateral duty-free and quota-free preferential market access to goods and services exports of LDCs.
- Under the **India Development & Economic Assistance Scheme (IDEAS)**, India extends LOC guarantee and interest equalisation supported by GOI
- **The Indian Technical and Economic Cooperation (ITEC) Programme**

provides platform for capacity building and training for LDCs.

- Major initiatives taken by the Government of India including **Focus Africa Programme, India-Africa Partnership Conclaves and India-Africa Summit** promotes increased interactions between the regions by identifying the areas of bilateral trade and investment and also focus on the role of banking institutions in funding India-Africa projects.
- The **Pan-African E-Network**, an India-led initiative, is an e-connectivity project that uses Indian expertise in information technology to bring benefits of healthcare and higher education to all countries of Africa. This programme digitally connects 53 African countries, 33 of which are LDCs.
- In the Asian region, India played a major role in formation of **South Asian Association for Regional Cooperation (SAARC)**. LDC members among SAARC countries include Afghanistan, Bangladesh, Bhutan and Nepal. The SAARC Preferential Trading Arrangement (SAPTA), 2004, provides a framework for exchange of tariff concessions and also for liberalisation in para-tariff and non-tariff measures with a view to promoting trade and economic cooperation among the SAARC member countries.



EXIMIUS CENTRE

Exim Bank, Bangalore

Eximius Centre Activities: Jan - Mar, 2011

In an ongoing endeavour to create an economic hub in India's North Eastern region, by exploring the trade and commerce potential with ASEAN neighbours, the Bank has actively participated in seminars organised in association with Federation of Indian Exporters Organisation (FIEO) in two North East States - at Kohima on February 22, 2011 in partnership with Government of Nagaland, and at Gangtok on March 8, 2011 in partnership with Government of at Sikkim. Bank has also organised a Seminar on "Export Procedure and Documentation" at Shillong on March 11, 2011 to disseminate information on various initiatives taken by Govt. of India, Financial and Support Institutions to exporters in general, and to those located in North Eastern region in particular, and a broad overview of Indian Foreign Trade policy. Senior Government officials from the Ministry of Commerce, Trade and Finance, Govt of Nagaland, Sikkim and Meghalaya also attended the programme. Exim Bank's presentation included the details of various aspects of financing programmes and products.

In order to upgrade the skills and update the knowledge of officers on revised documentation procedures, a two-day programme was held on "Loan Documentation Procedure" for Exim Bank's officers during the month of February at three centres viz, Mumbai, New Delhi and Eximius Centre, Bangalore. Further, to enhance the communication and presentation skills of Bank's officers who are at the grade of Deputy Managers and Managers, two day seminar on "Business Communications with Customer Perspective" was held during the same month at Eximius Centre, Pune.

A day's seminar on INCOTERMS 2010 was jointly organised by FIEO, Federation

of Karnataka Chambers of Commerce and Industry (FKCCI) and Exim Bank on January 29, 2011 at Bangalore, for the benefit of the exporting community of the state in order to familiarise with the International Commercial terms. Over 140 participants representing Export/ Import companies, banks and CHAs participated in the seminar. "Exporters meet" was held at New Delhi on January 11, 2011.

An interactive session was also held in Bangalore and Hyderabad with international delegates under training programme of National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad.

To widen the training base of Eximius Centre, an MOU was signed with a reputed consultant, People Process Consultant, on January 19, 2011. Exim Bank would avail the service of the consultant for training consultancy and developmental services for both the exporters and well as for the Exim Staff.

Programmes in the pipeline include 'Project Exports' in association with PEPC at New Delhi, seminar on 'Women as Agents of Change in Enterprise Development and Export Competitiveness' at Bangalore during May 29 – June 3, 2011 in partnership with Common Wealth Secretariat at Bangalore during the first quarter of FY 2011-12. Other seminars/ workshops include those focusing on Country Investment agencies/ SMEs/ handicrafts / Entrepreneurship Development, Export Awareness programmes, Export procedure and documentation at Cochin, Visakhapatnam, Jaipur, Coimbatore, Kolkata, Mysore and other North Eastern State.

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BOOK REVIEW

"The Great Recession and the Developing Countries: Economic Impact and Growth Prospects" edited by Mustapha Nabli, The World Bank

This book attempt to address several questions which have been raised regarding policies and reforms to increase the resilience of developing economies to such external shocks, the institutional arrangements and policy frameworks which would allow them to respond most quickly and effectively, as well as the role of international policy coordination and the emerging economies.

This book examined ten developing countries viz., India, Brazil, China, Ethiopia, Malaysia, Mexico, Philippines, Poland, Turkey, and Vietnam, exploring growth during the pre-crisis boom, the effects of the crisis, policy responses, and recovery, giving insights on how developing countries can best prepare and respond to such crises.

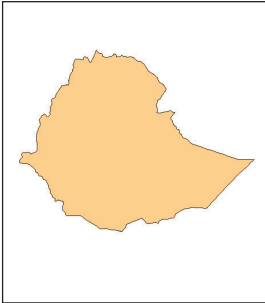
The book's editor estimates that the average potential growth rate for these ten countries before the financial crisis was about 6 percent. Unlike the overheated financial sector, pre-crisis trade and remittance levels were sustainable. The worst affected, however, were the less diversified countries. Though their financial sectors eventually recovered, trade remained low, adversely affecting their growth. Turkey, for example, lost 13.6 percent of GDP in 2009 during the financial crisis, possibly due in part to fears left over from past financial crises. Countries like China and India, which had buffers like adequate fiscal space, large international reserves and comparatively little short-term debt, emerged relatively insulated.

However, many of the reasons for resilience in some countries and vulnerabilities in others merit further exploration. The book estimates that the crisis will have a negative impact in the next five years on the ten countries covered, with countries like Turkey and Malaysia being affected more than others. Impacts on the countries' financial, fiscal and human development systems will not be very significant, while some of the short term actions taken during the crisis could have lasting effect in the long run.



COUNTRY SCAN

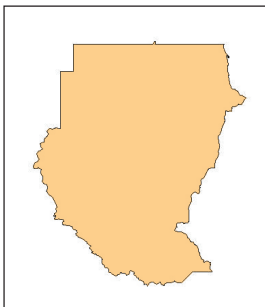
Ethiopia



Ethiopia, the seat of 53-nation African Union, is forecast to be the fifth fastest growing country in the world in 2011 by 'The Economist'. To further boost its economic

growth, Ethiopia introduced a five-year national development and transformational plan known as "Growth and Transformation Plan" (GAP) in August, 2010, which will succeed the previous Plan for Accelerated and Sustained Development to End Poverty (PASDEP). The GAP will shift from a strategy dependent on foreign investment to a locally driven economy and will target an economic growth of 14.9 percent. The plan is comprehensive and is largely designed to ensure food security as well as address the issues related to youth and women. The plan also predicts a huge expansion of infrastructure, with the country's power production set to increase from 2,000 MW to 10,000 MW and the construction of 2,395 km of railway lines. Ethiopia plans to spend US \$12 billion over the next 25 years on realising its ambition of becoming an energy exporter in Africa. The second India-African forum submit is scheduled to be held in Addis Ababa, Ethiopia in May, 2011.

Sudan

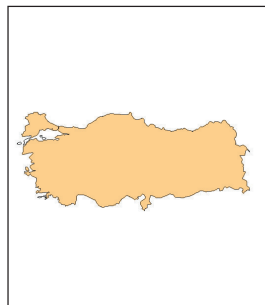


Sudan, the largest country in Africa is partitioned as a result of a referendum held in January 2011 by South Sudan. The referendum resulted in the decision to

create a new state in Southern Sudan, which will come into being on July 2011. The post-referendum Northern Sudan will be known as "the Second Republic" as per Ali Osman Taha, the Vice President of the country. The recognition of referendum by the Central Government is expected to improve the image of country and will widely open doors for foreign investments and attracting financial resources from regional and international institutions. The period 2000-

2010 was dubbed by the World Bank as "a decade of strong economic growth in Sudan". With an annual average growth of 6 percent, Sudan is the largest economy in Central and Eastern Africa. In October 2010, India and Sudan ratified a bilateral investment promotion and protection agreement (BIPPA), which was signed in October 2003 to strengthen economic relations between the two countries. The agreement facilitates bilateral investment flows and grant benefits of national treatment and most favoured nation status.

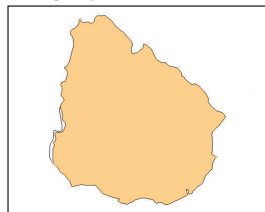
Turkey



Turkey is a crucial conduit for oil and gas pipelines heading towards Europe. In October 2010, the Government of Turkey announced the Medium-Term

Programme (MTP), for the period from 2011 to 2013. Developments in 2010 indicated a sound economic recovery in Turkey, driven by strong consumer and business demand, mainly as a result of the fiscal stimulus packages and monetary policy easing measures. Economic growth was recorded at 5.5 percent in the third quarter of 2010. The robust economic performance in the last consecutive four quarters up to the end of September 2010 has made Turkey the fastest recovering economy among the European and the OECD countries and also one of the fastest growing economies in the world. According to IMF, Turkey is expected to be the fastest growing economy in Europe in 2010, with a real GDP growth rate of 7.8 percent. With this estimate, Turkey is also the only economy in Europe that grows with a GDP growth rate higher than 5 percent. Compared to other countries, Turkey realised a faster decrease in its unemployment rate in the post-crisis period, which was recorded at 11.8 percent in September 2010.

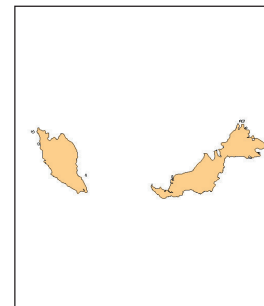
Uruguay



Uruguay is considered as the gateway to over-200-million-consumer strong Mercosur group.

Uruguay has a most advantageous position among the group members in terms of logistics and connectivity with the rest of Latin America. Uruguay's GDP rose by 7.9 percent in the third quarter of 2010 above the long run average growth rate on the back of strong domestic consumption and exports. The economy is experiencing a boom as shown by the historic low rate of unemployment in 2010 and rising inflationary pressures. Most of the rating agencies have upgraded Uruguay's investment grades. In February, 2010, an Uruguayan delegation headed by Vice president visited India resulting in signing of several accords, including promotion of trade involving SME's and cooperation in renewable energy as well as reached final stages of signing a double taxation avoidance treaty.

Malaysia



In 2010 Malaysia's GDP registered a strong growth of 7.2 percent driven by strong domestic demand, reaching the target to achieve a high income

nation status in 2020. The pace of growth of the Malaysian economy is affected by the moderate external demand. On March 11, 2011 the Bank Negara Malaysia doubled the statutory reserve ratio for banks to help to absorb capital inflows to the economy which would further boost Malaysian economic growth. Malaysia focuses on 12 National Key Economic Areas (NKEAs) under the Economic Transformation Programme to boost the economy. These sectors are: oil and gas, palm oil and related products, financial services, wholesale and retail, tourism, information and communications technology, education, electrical and electronics, business services, private healthcare and agriculture as well as the geographic area of greater Kuala Lumpur. India and Malaysia recently signed a Comprehensive Economic Cooperation Agreement (CECA) which will come into effect on July 1, 2011. The India-Malaysia CECA is a comprehensive agreement that envisages liberal trade in goods and services and a stable and competitive investment regime to promote foreign investment between the two countries.



Currency Currents

Russian Rouble

The Rouble has firmed up this year in nominal terms, forcing the Central Bank to buy US\$ on the market to slow down its appreciation. This happens mainly for two reasons: (a) there is weakening of dollar on global markets across the board, (b) the crude prices have remained high throughout this year compared to previous year and Russia which is second biggest oil exporter in the world (oil and gas accounting for about 70 percent of total export revenues) has gained on this front.

GDP growth in 2011 is expected to accelerate above the 4 percent pace registered last year if fiscal stimulus and credit exceed expectations. While private consumption has limited opportunity to accelerate in the first half of the year, the market expects to close with double-digit investment growth this year on the back of investment programmes of state companies and a recovery in FDI inflows. CPI inflation is also expected to come in slightly above 9 percent in first half of 2011 (9.6 percent in January) supported by increasing non-food inflation. Given this background, the central bank will likely continue to increase rates on its deposit facilities (by 75bp in first half of 2011) while keeping the refinancing rate unchanged. At the same time, the CBR may increase reserve requirements further and widen the rouble band. But the risks would grow in 2011-12 if credit growth resumes and sustains going forward. The Russian case is more challenging though. Domestic demand recovery and credit growth leaves room for monetary pressure.

Combined with a recovery in global risk appetite, higher oil prices have led to renewed capital inflows into Russia. The RCB has had to resort to significant interventions to prevent excessive Rouble appreciation. But this has resulted in the increase of Rouble liquidity in the money market causing the inflation to rise. Downward pressure on the currency would resume again if there was a sharp fall in oil prices. In the medium term perspective RUB is expected to strengthen against US dollar. As on March 16, 2011, RUB was quoted at 28.65 to the US dollar.

Chinese Yuan

China had followed a dual exchange rate policy since 1979. In 1994, it unified the rate to create a crawling Yuan peg. The peg allowed the Yuan to move in a band centred on a rate of 8.28 per US dollar. 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 US dollar. China revalued its currency by 2.1 percent on July 21, 2005 to 8.11 per US dollar, changing from a fixed rate regime to a floating rate regime. Under this regime, the People's Bank of China, the central bank, allows the Yuan to rise and fall each day by 0.3 percent (further widened to 0.5 percent in May 2007) from the Central Bank's middle rate reset each day based on previous day's close.

The CNY has been on a gradual appreciation path since the de-peg in June 2010, and the same trend is expected to be extended in the coming quarters. The pace of annualised appreciation since the de-peg has settled at around 5.75 percent. The market expects appreciation trend of the Chinese yuan (CNY) to continue in 2011, with annualised appreciation of 6.5 percent versus the US\$, as the Chinese authorities step up their inflation fight. The CNY nominal effective exchange rate (NEER) has some room to appreciate.

Further out, forecast profile for US\$-CNY incorporates a trend appreciation of 3 percent per year in the CNY against the US dollar. This reflects a correction of current undervaluation, sustained healthy

total productivity growth, and potential investor demand for CNY as an asset currency. Peoples Bank of China officials have suggested that the emphasis in managing the CNY will shift over time from US\$-CNY to the CNY NEER. This also raises the possibility of periodic upswings in US\$-CNY when the US dollar gains. As on March 16, 2011, CNY was quoted at 6.5726 to the US dollar.

Brazilian Real

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

The central bank resumed the tightening cycle in January 2011, hiking the Selic rate by 50bp. The market expects further increase of 150bp in the coming Copom meetings, driving the Selic rate to 12.75 percent at 2011 year-end. Even under tighter monetary conditions, inflation is expected to remain above the midpoint target (4.5 percent) this year, at about 5.6 percent, reflecting strong demand, buoyant commodities and upwards inertia pressures. These conditions, amid the steady increase in commodity prices, may help improve the current account, currently estimated at a deficit of about 2.7 percent of GDP, given the likely stronger growth of exports.

Regarding the exchange rate, the Government continues to broaden its instruments and extend interventions in FX markets, aiming to keep BRL at weaker levels than suggested by the record-high terms of trade. As on March 16, 2011, BRL was quoted at 1.6650 to the US dollar.

India's Export Strategy: Doubling Exports in Next Three Years

The Ministry of Commerce, Government of India has recently brought out a draft Strategy Paper for doubling exports in the next three years (2011-12 to 2013-14), from an expected level of US\$ 225 billion in 2010-11 to US\$ 450 billion in 2013-14. The Strategy Paper seeks to push India's global trade to US\$ 1 trillion by 2013-14. One of the major reasons to undertake this initiative and put a strategy in place is the realisation that the widening deficit in the country's Balance of Trade (BOT) may not be sustainable in the long run. The Paper has warned that the trade deficit, which stood at US\$ 89 billion during the first 10 months of 2010-11, is likely to increase to around US\$ 115 billion for the entire fiscal and may further escalate to an unprecedented level of US\$ 278 billion by 2013-14 (under the 'business as usual' scenario).

Given that the Indian economy is likely to integrate progressively with the global economy, it is projected that under the 'business as usual' scenario, the proportion of merchandise trade to GDP would increase from the current level of 35 percent to nearly 48 percent in 2013-14. At the same time, BOT deficit is projected to increase from 7.2 percent of GDP in 2010-11 to nearly 13 percent of GDP in 2013-14, which is clearly a cause for serious concern because it can lead to an unsustainable Current Account Deficit (CAD). This, in turn, could lead to a reliance on foreign capital inflows to finance the deficit. Foreign portfolio

investment is still a major part of capital inflows and past experience suggests that such flows are indeed volatile. Hence, a large widening of the trade deficit could potentially result in payments difficulties, which might jeopardise the country's growth process. This is even after allowing for relatively fast pace of growth in services exports and invisible earnings over the next few years, since it is unlikely that even their growth can sustain a widening of the BOT deficit to the size of 13 percent of GDP. Hence, the Strategy Paper aims for a doubling of exports in three years to US\$ 450 billion. This target requires exports to grow at a compound average growth rate of 26 percent per annum. Even with the achievement of the export target of US\$ 450 billion in 2013-14, the BOT deficit is still likely to be over 9 percent of GDP, around the same as at present, which may be regarded as just about manageable.

Against this backdrop, the Strategy Paper seeks to keep the trade deficit within manageable bounds by outlining sectoral strategies for boosting exports. The Strategy Paper maintains that a growth rate of 9 percent over the medium term would invariably entail a relatively high growth of import demand, especially for major items of bulk imports such as petroleum. Balancing this would essentially call for devising a strategy for rapidly increasing merchandise exports to ensure that BOT and CAD remain within manageable limits. The paper attempts to articulate such a strategy by highlighting the significance of a stable policy environment and continuing with the existing incentive schemes, while seeking greater budgetary support from the Government. The paper outlines a product and market strategy and also calls for technology upgradation, building a brand image and reigning in import growth though domestic policy in addition to the provision of financial support to various sectors and special focus on new markets worldwide, besides clearing of infrastructure bottlenecks.

The Strategy Paper maintains that from a medium term perspective, there is a need to build on the country's strengths in certain critical industries such as chemicals and engineering. The paper stresses the need for aggressively promoting export

growth of high value products that have a strong domestic manufacturing base. The paper outlines a market diversification strategy based on the changing dynamics of growth in the world economy in order to ensure sustained growth of exports.

The Strategy Paper asserts that from a longer term perspective, accelerating growth in merchandise exports would build up the manufacturing strength of the economy. Production of goods meeting international standards requires awareness of how frontiers of technology are widening, how innovation is opening up uncharted territories, and how consumers' preferences are taking shape. It is vitally important that entrepreneurs are exposed to such competitive environs. Production has to tailor itself to the more demanding standards of the international market. The strategy for doubling of exports in three years would help accelerate this process, which would be in the long term interests of the country. The Ministry has invited comments on the paper from stakeholders, on the basis of which an export strategy will be finalised. Eventually, it will be added to the Foreign Trade Policy to be unveiled later this year.

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

Note: Indian Rupees are referred in crores and lakhs:

1 crore : 10 million
1 lakh : 100 thousand

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