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West Africa – Leading the African Growth Story

The African economy as a whole has been on an upward trend and showing signs of immense economic potential. Sub-Saharan economies are consistently growing faster than those of almost any other regions of the world. At least a dozen have expanded by more than 6 percent a year for six or more years. Wealth is no more monopolised by a small faction of well-connected politicians. Income distribution has substantially improved.

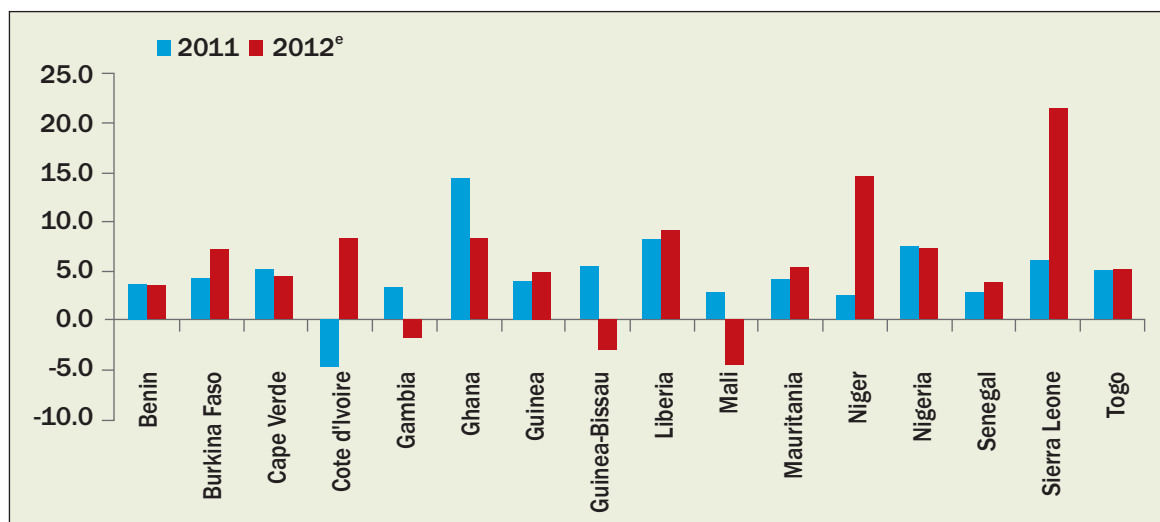
As has been the trend on the continent, West African region has also been showing signs of a better future. West Africa is expected to continue its high growth rates, averaging at 6.9 percent and 6.4 percent in 2012 and 2013, respectively.

Côte d'Ivoire, one of the economic motors of West Africa, is recovering well from years of political upheaval. The exit from the crisis in Côte d'Ivoire has been in many ways a game changer for the region. Improved business environment and efforts to restore productive capacities backed by incentives for the private sector should enable the economy to grow by 5.5 percent in 2013.

Ghana is showing good prospects and making good progress toward its goal of becoming a middle-income country by 2020. With economic growth rates consistently topping 6 percent over recent years, Ghana is being hailed as an emerging African economic success story. Ghana has made good progress in consolidating the gains made in the management of its macro-economy with fiscal deficit falling to 4.3 percent of gross domestic product (GDP). The GDP growth is projected to increase sharply from 7.7 percent in 2010 to 14 percent in 2013 (of which 7.5 percent is from non-oil) aided by oil revenues and strong export performance of cocoa and gold. In August 2011, the Ghanaian Parliament approved a US\$ 3 billion loan from the China Development Bank (CDB) to finance the infrastructure gap.

In Nigeria, Africa's biggest resource economy, the much-expanded service sector, if taken together with agriculture, now almost matches oil output. Nigeria's economic growth has averaged about 7.4 percent annually over the past decade. However, economic growth has not cut poverty nor created necessary jobs with unemployment rate

Chart: GDP Growth in West African Countries, 2011-2012 (%)



Note: e-Estimates

Source: World Economic Outlook (WEO), International Monetary Fund (IMF), October 2012

being as high as 24 percent. A major challenge for the economy is the dilapidated state of infrastructure and the over-dependence on the oil and gas industry.

Ghana and Nigeria are following a fiscal consolidation strategy, which is gradually bearing fruit, helped by higher earnings from commodity exports.

It can be seen that the benefits of recent growth, however, are yet to trickle down to the majority. In spite of some of the above mentioned successes, most countries in the region still lag in meeting most of the developmental objectives. Regulatory reforms have partially unshackled markets. A string of privatisations (more than 100 in Nigeria alone) has reduced the role of the state in many countries. Though flight connections within West Africa are improving and regional integration is taking firm positive steps ahead making movement of goods and people across borders much easier, barriers remain and the economy suffers as a result. Most of the region, for historical reasons, remains heavily exposed to Europe and in particular to the euro area. There are a number of channels of linkages between Europe and the region, such as trade, workers' remittances, and foreign direct investment. As a result, any downward activity in Europe, affects the region through these channels. Instability linked to elections continues to be a significant challenge, especially when we look at the number of elections which are planned in the coming years in West Africa.

However, the extractives sector continued to be strong with new oil discoveries and the potential for even richer discoveries. The region also continued to enjoy a mining boom as commodity prices remained high. In general, growth was broad-based

as the private sector gained confidence, led by expansion in the telecommunications and banking industries. All this has contributed to rapid growth and the establishment of a new middle class.

Although severe income disparities persist through much of the region, a genuine middle class has begun to emerge. As per some reports, more than 60 million African households now have annual incomes greater than US\$ 3,000 at market exchange rates. This number is expected to reach 100 million by 2015. The emerging consumer class, households earning more than US\$ 700 a year, stands at 300 million. These can afford a mobile phone and even some school fees. They may not represent middle class by western standards, but they do represent a vast market.

The region as a whole heavily relies and receives remittances from the diaspora spread across the world. Private equity funds have increasingly become an important source of foreign inflows. Foreign Direct Investment (FDI) inflows to West Africa have increased sharply in the past decade with improved investor's perceptions and positive outlook on region's growth potential. According to World Bank, Africa offers one of the highest investment returns in the world. Investment in West Africa increased in 2011, reaching an estimated US\$ 13.3 billion, compared to US\$ 11.3 billion in 2010. Over the past five years, West African FDI has been driven strongly by commodity related investments. Nigeria's oil industry and large consumer market made it the continent's top investment recipient, taking over from Angola, with a total of US\$ 7.4 billion. However, Nigeria's share of regional investment has fallen to about 54 percent (from 79 percent in 2005) as Ghana's new oil industry is attracting an increasing share – rising from US\$ 860 million in

2007 to US\$ 1.7 billion in 2011. Nigeria's 'Petroleum Industry Bill' should enhance transparency and governance of the country's oil industry. Nigeria's Ministry of Trade and Investment expects investments worth over US\$ 4.5 billion from three major Oil companies. Around 70 percent of investment in the region goes into oil and gas, while most of the remaining sum is captured by the real estate and telecommunication sectors.

Recent wave of FDI from India to West Africa has been driven both by the small and medium enterprise as well as bigger Indian companies. Although, Indian investments have been in diverse segments of industries such oil and gas, agri-business, infrastructure, telecom, financial services, and hospitality; just like the global trend, a majority of these investments have been directed to the extractive industries. Sustained increase in commodity prices coupled with increasing demand for energy and raw materials in the domestic economy seems to be the major driving forces for these companies. Leading beneficiaries of Indian investments in the region are Nigeria, Ghana, Gabon, and Liberia.

In spite of the above positives, the poor and the vulnerable are still least equipped to take advantage of these advancements. As a result, issues of inequality handled poorly become intractable as they assume ethnic and religious dimensions. This is being experienced in Nigeria in the current escalation of terrorist episodes perpetrated by the sectarian group, Boko Haram. These challenges are further worsened by the growing lack of trust in the government's ability to address inequality, as apparent in resistance to removing fuel subsidies that mostly benefit the rich in Nigeria and Ghana. In Nigeria, a national strike ensued because the poor do not trust

the government's ability to redirect the savings towards them. As a result, there is an increasing need to understand and address the emerging concerns about equity in developing an integrated strategy to help the poor and the vulnerable in West Africa.

Agriculture still remains at the heart of economic activity in West Africa, employing over 65 percent of the population, accounting for 30-70 percent of the GDP, and a larger share of the exported goods. Agricultural is dominated by tubers, mainly yams and cassava, which are key staples, and cash crops such as cocoa, cashew nuts and shea nut. The region is also a global leader in production of certain crops. Nigeria is currently the world's leading producer of cassava, Côte d'Ivoire and Ghana are world's leading global producer of cocoa, and Côte d'Ivoire and Benin being the leading producers and exporters of raw cashew nut.

The growth rate of primary sector, however, has begun to slow as a result of drought. This along with the usual challenges - low productivity, weak policy environment, land tenure and use issues, problems with post harvest storage and marketing/transformation issues, still inhibit the realisation of the sector's true potential.

West Africa is experiencing renewed interest in unlocking the potential for growth in agriculture. All governments in the Economic Community of West African Countries (ECOWAS), with the exception of Guinea Bissau have signed on to the African Union (AU) Comprehensive Africa Agriculture Programme (CAADP) compact which commits governments to spend at least 10 percent of their budgets on agriculture. Whilst the governments are yet to fully implement this commitment, a number of traditional development

partners, who are being joined by development partners from the emerging south, namely China, India and Brazil, have committed to support governments efforts in the sector. One of the most talked about development is the determined effort to achieve the green revolution in Africa, through the 'Alliance for a Green Revolution in Africa (AGRA)' initiative.

Outlook

The continent as a whole and West African region in particular has been recovering from the global crisis of 2009 and this should be sustained even though a new global slowdown is constraining the region's growth. While keeping an eye on the worsening crises in Europe, the region must keep its focus on reforms that encourage growth and ease the social tensions that could encourage another round of revolutions like the Arab spring. In Côte d'Ivoire, post-election conflict caused GDP to contract by almost 6 percent. The weaker international environment also took a toll on the region's economies. Africa including West Africa continues to benefit from relatively high growth in emerging economies, such as China and India, which have become more and more important for Africa's trade and investment. While this is helping the region to become more resilient, these countries cannot fully compensate for the adverse effects from advanced countries and their expansion has recently also slowed. Commodity prices have declined from their peak and some prices are likely to further decline due to weaker demand and increased supply. The worsening of the debt crisis in Europe causing lower global growth would further weaken the region's export markets given its strong historic economic ties, depress commodity prices and undermine the region's recovery.

Exim India in West Africa

In line with the Government of India's strategy to enhance bilateral trade and investment relations with Africa, and as the apex financial institution in India for financing, promoting and facilitating India's international trade and investments, countries in Africa constitute a focus region for Export-Import Bank of India (Exim India). Exim India operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investments relations with countries in Africa. These include the currently operative 44 Government of India LOC's, 3 direct LOC's, support for Indian project exports, support for companies setting up joint ventures, and signing MOUs with African institutions.

Exim India is a key partner of the Exim Bank-CII India Africa Project Partnership Conclaves that are held every year in India. The 9th CII - Exim Bank Conclave on India - Africa Project Partnership was held during March 17-19, 2013 in New Delhi, India.

Exim Bank's representative office in Dakar, Senegal, plays a key role in facilitating economic cooperation with the West African region. The representative office interfaces with various institutions such as African Development Bank (AfDB), ECOWAS Bank for Investment and Development (EBID), West African Development Bank (BOAD); as well as Indian missions in the region.

Upcoming Projects as on March 2013

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
<p>Mekelle City water and Sewerage Service Office of the Manager, 1st Floor P. O. Box: 266 Mekelle Ethiopia Contact: Mr. Ato Gidena Abebe Utility Manager Tel. : +251 344 404380 Fax : +251 334 411000 E-mail : gidab71@yahoo.com</p>	<p>Urban Water Supply And Sanitation Project The Project requires procurement of Pipes and Fittings:- Lot 1: uPVC pipes and fittings (5,214 meter) Lot 2: DCI pipes and fittings (18,159 meter)</p>	<p>World Bank US\$ 100 mn</p>
<p>Ministry of Water Development and Irrigation Shire River Basin Management Program (Phase-I) Project, ADL house – SRBMP Project Office, 2nd floor, P.O. Box 30242 Capital City, Lilongwe Malawi Contact: Chairman of the Internal Procurement Committee Tel. : +2651 774 252 Fax : +2651 774 253 Email : shirebasin@gmail.com</p>	<p>Shire River Basin Management Program The primary objective of the consultancy services is to provide technical infrastructure designs and supervision of construction works such as accommodation units, office buildings and domestic water supply. The infrastructures Design and Supervision of Construction Works in the Lengwe National Park are being supported under the Shire River Basin Program.</p>	<p>World Bank US\$ 125 mn</p>
<p>Municipal Company Dnepropetrovsk Metro 8, Kurchatova Street Dnipropetrovsk 49038 Ukraine Contact: Mr. Victor Sitonin Director of the Company Tel. : +380 562 42 37 68 Fax : +380 56 778 65 33 E-mail : metro@dniprorada.gov.ua</p>	<p>Dnipropetrovsk Metro Construction Completion Project The objective of the Project is to expand the current metro system and improve the provision of mass transit in Dnipropetrovsk as part of an overall strategy to achieve sustainable urban transport in the city.</p>	<p>European Bank for Reconstruction and Development € 45.5 mn</p>
<p>Armenian Water and Sewerage CJSC VardanantsBlind Alley, Floor 3 0010 Yerevan Republic of Armenia Contact: Mr. Norik Gevorgyan Director of IPCD Tel. : +374 10 54 28 77 Fax : +374 10 54 28 77 Email : ngevorgyan@armwater.am</p>	<p>Armenian Small Municipalities Water Project The services comprise design, supply, installation, commissioning of plant and construction works for:</p> <ul style="list-style-type: none"> • Mechanical Waste Water Treatment Plant in Dilijan • Mechanical Waste Water Treatment Plant in Jermuk 	<p>European Bank for Reconstruction and Development € 8.5 mn</p>
<p>The Southern Vietnam Power Project Management Board (SPMB) 383 Vo Van Kiet St. District 1, Hochiminh City Vietnam Contact: Mr. Nguyen Tien Hai Director Tel. : +8482 210 0719 Fax : +8483 836 1096 Email : mynt@npt.evn.vn</p>	<p>MFF Power Transmission Investment Program, Tranche 2 Contract for supply and delivery of Conductors, Optical Ground Wires, Earth Wires, Insulators, and Extension Bay Equipment including their Fittings and Accessories for 220kV Cau Bong – Duc Hoa Transmission Line and 220kV Cau Bong – Hoc Mon – Binh Tan Transmission Line.</p>	<p>Asian Development Bank US\$ 110.2 mn</p>

Country/Executing Agency	Project/ Brief Scope	Loan from Funding Agency
<p>Dhaka Water Supply Sector Development Project 98 Kazi Nazrul Islam Avenue Kawran Bazar, 8th Floor, WASA Bhaban Dhaka: 1215 Bangladesh Contact: Mr. Mohammad Shahjahan Additional Chief Engineer & Project Director Tel. : 8802 9116033 Fax : 8802 9116086 E-mail : pddwssdp@gmail.com</p>	<p>Dhaka Water Supply Sector Development Project Procurement of Special Valves (Pressure sustaining, Pressure Reducing Valves and Air Release Valves) as under:- 1. Pressure Sustaining Valves - 126 pieces 2. Pressure Reducing Valves - 67 pieces 3. Single Orifice Air Release Valves - 80 pieces 4. Double Orifice Air Release Valves - 150 pieces</p>	<p>Asian Development Bank US\$ 150 mn</p>
<p>Ethiopia Electric Power Corporation (EEPCO) Corporate Procurement and Account Office W/Senebet DeGaulle Square P.O.Box 1233, Addis Ababa, Ethiopia & Kenya Electricity Transmission Company Limited (KETRACO) Ethiopia-Kenya Power Systems Interconnection Project Office 2nd floor, Capitol Hill Square Upper Hill, P. O. Box 34942-00100 Nairobi, Kenya Contact: Ethiopia Tel. : +251 111 560027 Fax : +251 111 550822 & Kenya Tel. : +254 20 4956000 Fax : +254 20 4956010</p>	<p>Eastern Electricity Highway Project Design, Supply, Installation on Site, Testing and Commissioning of 1045km, ± 500kV HVDC Over Head Transmission Line with OPGW Divided into Five Lots of about 200 km Each Under Separate Contracts in Ethiopia and Kenya.</p>	<p>African Development Bank US\$ 1.26 mn</p>
<p>Ropeways Transport Limited 1d, Club Road, Ikoyi, Lagos Nigeria Contact: Captain Dapo Olumid CEO/Managing Director Tel. : +2340 18447797 Email : rtl@ropewaystransport.com</p>	<p>Lagos Cable Car Transit (LCCT) Project Development of a cable car ropeway solution to the commuter congestion in Lagos, Nigeria comprising of three lines using Tri-cable detachable grip technology.</p>	<p>African Development Bank US\$ 500 mn</p>

Select contracts secured by Indian companies/consultants

Larsen & Toubro Ltd., Mumbai	Contract for design, build and turnkey supply, installation, construction, testing and commissioning and O&M of Western Zone SCADA system for pipelines under Bangladesh's Gas Transmission and Development Project, funded by the Asian Development Bank .
Kalpataru Power Transmission Ltd., Gandhinagar and Jyoti Structures Ltd., Mumbai	Turnkey contract for Lot 1- 220kV overhead transmission lines and 220kV substation extensions for Tajikistan's Regional Power Transmission Project, funded by the Asian Development Bank .
Nucon Switchgear Pvt. Ltd., Ludhiana	Contract for supply of distribution transformers for Kenya's Energy Sector Recovery Project, funded by the World Bank Group.
Cipla Ltd., Mumbai	Contract for supply of pharmaceuticals for Ethiopia's Nutrition Project, funded by the World Bank Group.
Lovely Offset Printers Pvt. Ltd., Sivakasi	Contract for printing and provision of Grades 2 & 3 learning guides and user's manuals for North East Provinces and Ministry of Education and Training (MOET) of Vietnam Escuela Nueva Project, funded by the World Bank Group.
Angelique International Ltd., Noida	Contract for construction of Grid Intensification works in Central Region (Makululu, Chelstone and Vorna Valley) for Zambia's Increased Access to Electricity Project, funded by the World Bank Group.
Technofab Engineering Ltd., Faridabad and Gammon India Ltd., Mumbai	Contract awarded for Zimbabwe's Urgent Water Supply and Sanitation Rehabilitation Project (UWSSRP), funded by the World Bank Group.

India uses trade policy actively as an instrument to attain its long-term and short-term goals and to promote overall economic growth. The Government of India has announced a number of trade policy measures, mainly with an aim of promoting exports, in the Annual Supplement to the Foreign Trade Policy (FTP), the Union Budget 2013-14, and the monetary and credit policies of RBI.

Foreign Trade Policy Measures in the Annual Supplement to the **Foreign Trade Policy (FTP)** released on June 5, 2012 include:

- ▶ **Export Promotion Capital Goods Scheme (EPCG):** Zero Duty EPCG Scheme has been extended up to March 31, 2013 and scope of Zero Duty EPCG Scheme had been enlarged. For promoting exports from North Eastern states, export obligation under the EPCG Scheme is 25 percent of the normal export obligation and export of specified products through notified Land Customs Stations in this region would be provided an additional incentive to the extent of 1 percent of Free on Board (FOB) value of exports.
 - ▶ **Support for Export of Green Technology Products:** To promote export of 16 identified green technology products, export obligation for manufacturing of these products, under the EPCG Scheme has been reduced to 75 percent of the normal export obligation.
 - ▶ **Support for Infrastructure in Agriculture Sector:** Status holders exporting products under ITC (HS 1-24) are provided Duty Credit Scrip equivalent to 10 percent of FOB value of agricultural products so exported.
 - ▶ **Market & Product Diversification:** Seven new markets each have been added to Focus Market Scheme (FMS) and to the Special Focus Market Scheme (Special FMS). Forty-six new items have been added to Market Linked Focus Product Scheme (MLFPS) and has been extended for export of HS 61 & 62 to USA and EU. 110 new items have been added to the Focus Product Scheme (FPS) list. Two new items added to Vishesh Krishi and Gram Udyog Yojana (VKGUY) Scheme. Apart from the FTP supplement 2012-13, additional measures announced as trade facilitation measures in December 2012, added 5 new markets to FMS, one new market to Special FMS, 62 new items and 3 countries to MLFPS and 102 new items to FPS, made effective from January 01, 2013. For the VKGUY Scheme, shellac wax, flours and meal of oilseeds or oleagenous fruits having more than 51 percent protein and food preparations not elsewhere specified have been added.
 - ▶ **Simplification of Procedures:** Export shipments from Delhi & Mumbai through Post, through Courier or through e-Commerce are entitled for export benefits under FTP.
 - ▶ **Duty Free Import of Embellishments for Export of Synthetic Made-Ups:** Duty free import of embellishments allowed against exports of Handloom made-ups, Cotton made-ups and Polyester made-ups.
 - ▶ **New “e-BRC” Initiative:** A Major EDI Initiative, “e-BRC” launched which would herald electronic transmission of Foreign Exchange Realisation from the respective Banks to the DGFT’s server on a daily basis. Exporter will not be required to make any request to bank for issuance of Bank Export and Realization Certificate (BRC).
 - ▶ **Incentive on Incremental Exports:** The incremental export incentive would be granted to an Importer and Exporter Code (IEC) holder at the rate of 2 percent on the incremental growth of exports made to USA, EU and Asian Countries during the quarter, January-March 2013, over the base period January-March 2012.
- The **Union Budget 2013-14** proposed reducing the duty on specified machinery for manufacture of leather and leather goods, including footwear, from 7.5 percent to 5 percent, and duty on pre-forms of precious and semi-precious stones from 10 percent to 2 percent. It also proposed the withdrawal export duty on de-oiled rice bran oil cake. It restored the ‘zero excise duty route’ for cotton and manmade sector (spun yarn) at the yarn, fabric and garment stages in addition to the CENVAT route now. In the case of cotton, the budget proposed that there will be zero duty at the fibre stage, and in the case of spun yarn, there will be a duty of 12 percent at the fibre stage. As per the budget export of handmade carpets and textile floor coverings of coir or jute, and ships and vessels would be exempted from excise duty.
- Export policy measures through **RBI** that control the flow of Credit include:
- ▶ In November 2011 RBI increased the all-in cost ceilings for ECBs to 350 basis points over 6-months Libor/Euro Libor/Euribor, for a maturity period between 3-5 years, and 500 basis points over 6-months Libor/Euro Libor/Euribor, for a maturity period more than five years. This ceiling has been extended till March 31, 2013.
 - ▶ With the objective of increasing the availability of funds to exporters, banks are allowed to determine their interest rates on export credit in foreign currency.
 - ▶ With a view to enhancing the credit flow to the export sector, RBI enhanced the eligible limit of the Export Credit Refinance (ECR) facility for scheduled banks (excluding RRBs) from 15 percent of the outstanding export credit eligible for refinance to 50 percent. The rate of interest charged on the ECR facility was retained at the prevailing repo rate under the liquidity adjustment facility (LAF).
 - ▶ The 2 percent Interest Subvention Scheme, earlier meant only for handlooms, handicrafts, carpets, and SMEs, was extended for several other labour-intensive sectors. This was further extended up to March 31, 2014, and 134 tariff lines of engineering goods were also included in the scheme.
 - ▶ The RBI introduced a “pilot scheme” of 2 percent Interest Subvention for Project Exports through EXIM Bank for Myanmar, and countries of SAARC and Africa regions.

Export-Import Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. Exim Bank also extends LOCs at the behest of Government of India. Under the LOCs extended at the behest of Government of India, Exim Bank reimburses 100 percent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 percent of goods and services of total contract value should be sourced from India. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters.

Exim Bank has now in place 168 LOCs, covering over 73 countries in Africa, Asia, Latin America, Europe, Oceania and the CIS, with credit commitments of over US\$ 8.69 billion, available for financing exports from India. These LOCs have catalysed export of various projects in diverse sectors such as agriculture, transportation, communication, manufacturing, energy generation and transmission, rural electrification. Increasingly, LOCs are being extended for financing Indian project exports, which create, in the recipient countries, a greater visibility for Indian expertise and project execution capabilities, with downstream linkages. Established primarily to enhance Indian exports to

developing countries, LOCs today, have become an effective tool for market penetration and a stepping stone to unchartered territory of Africa and Latin American countries.

Exim Bank, at the behest and with the support of Government of India, has extended two LOCs as given below during the quarter January-March 2013:

- ▶ An LOC of US\$ 41.60 million to the Government of the Union of Comoros, for installation of an 18 MW power Project in Moroni, the capital city of Comoros.
- ▶ An LOC of US\$ 22.50 million to the Government of Burkina Faso, for financing a low cost housing and economical buildings' project in Burkina Faso. Exim Bank had earlier extended two LOCs to Burkina Faso. The first LOC of US\$ 30 million was extended for financing the acquisition of tractors, harvesters & agriculture processing equipment in Burkina Faso. The second LOC of US\$ 25 million is being utilised for financing rural electrification project in Burkina Faso.

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Buyer's Credit under NEIA

Exim Bank, in conjunction with Export Credit Guarantee Corporation of India Ltd. (ECGC), introduced a new product /initiative viz. Buyer's Credit under Government of India (GOI)'s National Export Insurance Account (NEIA). Under this programme the Bank finances and facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms. It provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

Exim Bank's website provides the salient features of the Buyer's Credit under NEIA Programme (www.eximbankindia.in/nea.pdf), list of countries currently covered therein (www.eximbankindia.in/nea-list.pdf) and the current interest rates payable by the overseas borrower (www.eximbankindia.in/bc-interest.pdf).

Exim Bank has, under this Programme, approved 3 projects valued at US\$ 291 million (approx. ₹ 1,600 crore). In addition, Exim Bank has given in-principle commitments, under the Programme, for supporting over 70 projects aggregating over US\$ 5 billion (equiv ₹ 27,500 crore) covering countries belonging to Africa, SAARC, ASEAN, Central Asia, and Eastern Europe.

RBI cuts repo rate by 0.25%

The Reserve Bank of India (RBI) cut its short-term lending rate on March 19, 2013, by 0.25 per cent to spur growth and revive investment but sounded a note of caution on further easing of rates on account of high food inflation and current account deficit. “The foremost challenge for returning the economy to a high growth trajectory is to revive investment. A competitive interest rate is necessary for this but not sufficient”, the Reserve Bank stated in its mid-quarter review of the monetary policy. Accordingly, its short-term lending rate or the repo was reduced by 0.25 per cent to 7.5 per cent, making it the second consecutive cut in two months.

Commerce Ministry suspends import of gold jewellery from Thailand

Concerned over rising current account deficit, the Department of Commerce has asked the Department of Revenue to issue notification suspending the import of gold jewellery from Thailand, under the provisions of Early Harvest Scheme until the certificates of origin issued by Thailand are verified. India is a one of the largest consumers of gold and this demand is mainly met through imports. Gold jewellery imports from Thailand attract a concessional duty of 1 percent under the Early Harvest Scheme, which is a bilateral trade agreement, as against the 10 percent tax on gold jewellery imports from other countries. The suspension is expected to help reduce the current account deficit.

RBI panel moots uniform account number structure

A RBI panel has recommended that the 26-digit International Bank Account Number (IBAN) format should be used

in Indian banks. IBAN is uniform system carrying information about transactions across banks to ensure accuracy and speed. It prevents credit from going to wrong accounts and facilitates straight-through processing. IBAN is an international standard for identifying bank accounts across national borders. The format envisages 26 digits viz. 18-digit bank account number, 4-digit bank code, 2-digit country code and 2 check digits.

RBI raises FII limit in G-secs, corporate bonds

To attract foreign funds into the bond market, RBI has raised the ceiling for foreign institutional investors (FII)'s holdings in G-secs and corporate bonds by US\$ 5 billion each. The cap on domestic debt now stands at US\$ 75 billion. The sub-limit of US\$ 10 billion for investment by FIIs in G-secs was enhanced by US\$ 5 billion, while the cap on corporate debt other than in the infrastructure sector was raised from US\$ 20 billion to US\$ 25 billion.

India, South Africa move forward on PTA

The Union Minister for Commerce, Industry & Textiles, Mr. Anand Sharma, and Mr. Rob Davies, Minister of Trade and Industry, Republic of South Africa, reviewed the India-Southern African Custom Union (SACU) Preferential Trade Agreement (PTA) negotiations in Johannesburg in mid-January 2013. Both the Ministers agreed for the need for early finalisation of the India - SACU PTA. Mr. Sharma requested Mr. Davies to take up the issue of India-SACU PTA negotiations and requested him to expedite SACU's response to India's proposal of average Margin of Preference (MOP) in the PTA so that the two sides can accordingly finalise and

exchange their respective responses to the tariff request lists and thereby take the negotiations forward.

Emerging economies will be the engine of global growth, says Mr. Anand Sharma

The Union Minister for Commerce, Industry & Textiles, Mr. Anand Sharma, while delivering his keynote address during a session on “The Large Emerging Economies: New Growth Hubs of World” in the Partnership Summit held at Agra in January 2013 said that sustaining a high growth for a country like India is not an optional choice but a social imperative as only through sustained economic growth we will be able to lift millions out of the poverty net. Mr. Sharma was of the opinion that despite the economic challenges being faced by nations world over, the emerging market economies have registered significant gains based on liberal economic reforms pursued over the last two decades. Exim Bank had also participated in this Partnership Summit.

Final norms on new bank licences soon: RBI Dy. Governor

Mr. Anand Sinha, Deputy Governor, RBI has confirmed that it will soon release the final guidelines on issuing new bank licences. In the draft guidelines, RBI has proposed a risk weight of 150 percent on capital market exposure and 125 percent for commercial real estate exposure for NBFCs not sponsored by banks. It also proposes stringent entry point norms and a Tier-I capital adequacy of 7.50 percent for NBFCs and 10 percent for infrastructure financing companies.

Exim Bank signs MoC with RTBI

Exim Bank signed a Memorandum of Co-operation (MoC) with the Rural Technology and Business Incubator (RTBI), an incubator cell in Indian Institute of Technology, Madras Research Park (IITM), on February 26, 2013, to evaluate and support companies in their nascent stage. With RTBI, Exim Bank will support companies doing innovative work in the rural sector. RTBI is a not-for-profit society with a mission to design, pilot and incubate scalable business ventures with a rural focus. Its incubation sectors include education, health, agriculture, financial inclusion, vocational training, micro-enterprise development and technology solutions appropriate to rural needs. It has so far supported 26 companies.

Exim Bank lays special emphasis in promoting Indian companies which have a rural focus through its Grassroots Initiatives and Development (GRID) programme. The Bank has in the past supported many companies and not-for-profit organisations working in rural areas of Tripura, Orissa, West Bengal, Bihar, Chhattisgarh, Tamil Nadu, Kerala and Karnataka and helped to improve the export potential and livelihoods of the associated artisans/workers.

Exim Bank's MoC with RTBI will open up a new avenue for the companies which need necessary hand holding in their initial stages. RTBI, being a host for the emerging incubatees, has been exploring various options to facilitate funding for its incubatees. On a standalone basis, the incubatees are unable to get working capital funding from Banks given the size and the age of the companies. However, with RTBI facilitating the due diligence process and monitoring the companies, Exim Bank will support these companies to grow.

Prof. Pranab Bardhan delivers Exim Bank's Annual Commencement Day Lecture 2013

Prof. Pranab Bardhan, Professor of Economics, California University, Berkeley, delivered Exim Bank's Annual Commencement Day Lecture in Mumbai on March 14, 2013. He spoke on the topic "The Theory of Trade and Development from the Indian Point of View". Dr. Urjit. R. Patel, Deputy Governor, Reserve Bank of India, presided over the Lecture.

Prof. Bardhan analysed the implications of the 'learning by doing' model and the 'infant-industry' arguments in the context of India. He stressed upon the fact that in international competition a firm can make up for its low productivity by paying lower wages to its employees, however, if the quality of the product is below par, it would get rejected in international trade. Prof. Bardhan stressed that the goal should be to develop domestic policies of coordination which improve productivity.

He said that gains from trade would increase access to new imported inputs and new varieties of existing products. However, one of the pertinent fallouts of increased industrial average productivity with trade liberalisation is through market reallocation within the industry, with the exit of low-productivity firms. This may cause many employed in the low-productivity manufacturing sector crowd the non-traded sector and informal services, thereby bringing down average productivity in the rest of the economy. Prof. Bardhan said that Indian labour laws need to be relaxed, but there are more striking lacunae like power, roads, credit, managerial and organisational training, which need to be addressed for increasing productivity.

Exim Bank organises training workshop for rural women artisans in Goa

Exim Bank organised a design development training workshop for rural women artisans, working with coconut shells, in Goa. The initiative is expected to create export capability as the prototypes developed in the workshop will have international appeal. The artisans were trained at the workshop for a period of 10 days from March 14, 2013 to March 23, 2013 at Goa. At the workshop 30 women underwent training through lectures, demonstrations, presentations, sharing hands-on experiences, discussions and developed around 20 utility based prototypes by using coconut shells. Exim Bank organised the workshop in association with the Omkar Arts & Crafts Association (OACA), a non-profit voluntary organisation and The Ants Craft Trust. OACA has been working towards upliftment of underprivileged artisans, primarily women, from Goa and presently has over 560 women artisans as its members.

Exim Bank had approached The Ants Craft Trust, Bangalore for sourcing designers/ trainers for the workshop. The workshop imparted training to the women artisans with a view to improve the scope of their income generation through new design and development of marketable products based on the craft and skill level of artisans. The workshop would provide a significant opportunity for women artisans to enhance their skill sets and foster new innovative ideas to have a wider appeal and acceptance for this fading art. The newly developed prototypes in the workshop are expected to have a wider market and appeal in the international market.

The gems and jewellery industry is one of the most important sectors of the Indian economy, with India being one of the fastest growing jewellery markets in the world. In India, it comprises of sourcing, processing, manufacturing and selling of precious metals, diamonds, pearls, precious and semi-precious gemstones, and artificial jewellery.

With a consumption of over 933 tonnes in 2011 and accounting for around 20 percent of world gold consumption in 2011, India is one of the largest consumers of gold in the world. Majority of the gold imports goes into production of jewellery. India's gold consumption has been increasing barring a decline in 2009 and 2011. The total gold consumption had also declined by 23 percent during the first three quarters of 2012. Some of the reasons for the fall in demand have been the jewellers' strikes, a doubling of import duty on gold aimed at cutting gold imports, and alternative investment avenues (Table).

Table : India's Gold Consumption (in tonnes)

Period	Jewellery	Net retail Investment	Total	% growth in total
2006	526.2	195.7	721.9	0.04
2007	551.7	217.5	769.2	6.55
2008	501.6	211.0	712.6	1.04
2009	442.4	136.1	578.5	-18.82
2010	657.4	348.9	1006.3	2.04
2011	567.4	366.0	933.4	-7.24
Three quarters 2011	493.9	296.0	789.9	-22.5
Three quarters 2012	412.9	199.1	612.0	

Source: World Gold Council

India is largely a net importer of gold. India imports gold for manufacturing purposes and exports a portion of it as jewellery. India is also a major market for gold jewellery as major portion of gold

imports is used for domestic market. The major source countries for import of raw gold by India include Switzerland, constituting 52 percent of the total imports of raw gold during 2011-12, followed by UAE (17.6 percent) and South Africa (11.5 percent).

Outlook

India possesses world's most competitive gems and jewellery sector due to its low cost of production, highly skilled, low-cost and best artisan force for designing and crafting jewellery, along with strong government support in the form of incentives. India is emerging as a huge consumer market for jewellery and other luxury products and thereby appears as a very attractive opportunity for major brands to establish their presence in the Indian market.

The growing domestic market in India along with export advantage of the industry and the Government's decision to allow foreign direct investment (FDI) up to 51 per cent in single brand retail stores have attracted various foreign players to the Indian market. The Government of India has cleared three FDI proposals including that of Italian jeweller brand Damiani, to set up stores in India under the single brand retail policy.

Consumers will continue to purchase gold mainly because of its allure as jewellery and its properties as a hedge to offset the effects of depreciation / erosion of savings and income. According to World Gold Council, Asian demand will be the key driver of the gold market for decades to come, with China and India driving the demand. During 2011, total consumption of gold by India and China accounted for 55 percent of the total world demand.

Report for making India an "International Trading Hub for Rough Diamonds"

India is the largest diamond cutting and polishing centre in the world, committed to continuing as a responsible and active member of the Kimberley Process Certification System by implementing all its regulations. The task group on diamonds was constituted by the Minister for Commerce, Industry and Textiles under the Chairmanship of Director General of Foreign Trade, Dr. Anup K. Pujari, keeping in view the slump in exports of diamonds from India through the last few quarters. Some of the salient recommendations of the task group are:

- Reducing the rate of computation of profit under Benign Assessment Procedure (BAP) from 6 percent to 2.5 percent
- 15 percent duty free re-import quota for import of cut and polished diamonds
- Setting up of a Special Notified Zone for import and trading of rough diamonds
- Establishment of a US\$ 3-5 billion fund for banks to refinance their dollar loans to the industry
- Extending the 2 percent interest subvention scheme to the industry, as most diamond manufacturing companies do not fall under the current scheme
- Continuation of the system of Honorary Valuation Panels for the diamond sector
- Defining a beneficiation policy for diamonds mined in India
- Setting up of a ₹ 200 crore Technological Upgradation Fund Scheme (TUFS)
- Establishment of a fund in partnership with the industry for generic promotion of diamonds
- Other procedure related suggestions to reduce transaction cost for exports

India's exports in absolute terms have witnessed an increase of over 85 percent during 2001 and 2011, from US\$ 43.9 billion to US\$ 301.5 billion. It may be noted that India's exports vis-à-vis world imports have exhibited a higher growth during the same period. While India's exports registered a compounded annual growth rate (CAGR) of 21.2 percent, during the analysed period, world imports increased by 11.1 percent for the same period. One of the key positives of India's exports over the last decade has been India's increasing share in world imports. India's export share in world imports has moved northward, from 0.7 percent in 2001 to 1.7 percent in 2011.

However, the negative aspect remains in the fact that India's export share in world imports continues to remain the lowest amongst all the BRIC nations, even after a decade. Though in terms of CAGR of exports for the period 2001-2011, India figures a tad second to China (21.7 percent), the other two nations Russia and Brazil being not far behind, at 17.1 percent and 16 percent, respectively.

In terms of products, the top 5 exported products in 2011, were mineral products including petroleum (US\$ 63.1 billion), gems and jewellery (US\$ 50 billion), machinery and transport equipment (US\$ 44.1 billion), agro based products, including processed (US\$ 37.8 billion), and textiles and products (US\$ 25.4 billion). In fact, the same group of products was ranking amongst the top 5 in 2001, though the order differed with textiles and products, along with agro-based products including processed, being amongst the key exported products then.

CAGR of agro-based products including processed was the fastest growing item exhibiting 37.8 percent, followed by mineral products including petroleum at 35.1 percent, machinery and transport equipment at 26.4 percent, pharmaceutical products at 23.5 percent, and metal and products at 22.3 percent. It may further be highlighted that in all these high-growth exported products from India, they exhibited a higher CAGR than world imports. It can further be

corroborated that India's exports are in tandem with the world demand, given the fact the top 5 exported products from India in terms CAGR are in sync with the top 5 imported products in the world.

While India's exports share in world imports have witnessed an increase of over the last 10 years, India's share has seen a perceptible increase in gems and jewellery wherein share has increased from 5.7 percent in 2001 to 9.7 percent in 2011. Other Indian products which are increasingly garnering higher shares in world import market are: textiles and products (2.6 percent to 3.9 percent), agro-based products including processed (1.6 percent to 2.6 percent), footwear and leather products (1.8 percent to 2.5 percent), pharmaceutical, chemical and mineral products, all three increasing their share in world imports to touch 1.7 percent. Transport equipment is another product line that has accumulated a good market share in the last decade with its current market share being 1.3 percent (Table).

Table: Decadal Analysis of Sectoral Performance of India's Exports vis-à-vis Global Export

Items	India's Exports							World Imports				
	US\$ bn		CAGR	Product Share (%)		India's Share in World		US\$ bn		CAGR	Product Share (%)	
	2001	2011	2001-11	2001	2011	2001	2011	2001	2011	2001-11	2001	2011
Mineral Products including petroleum	3.1	63.1	35.1	7.1	20.9	0.4	1.7	702.0	3663.1	17.9	11.1	20.2
Gems and Jewellery	7.0	50.0	21.7	16.0	16.6	5.7	9.7	122.0	515.6	15.5	1.9	2.8
Machinery and transport equipment	4.2	44.1	26.4	9.6	14.6	0.2	0.7	2705.5	6518.4	9.2	42.9	35.9
<i>Capital goods</i>	3.2	24.3	22.2	7.3	8.1	0.2	0.5	2002.1	4933.8	9.4	31.7	27.3
<i>Electrical, electronic eqpt.</i>	1.3	11.7	24.6	3.0	3.9	0.1	0.5	907.0	2317.9	9.8	14.4	12.8
<i>Machinery</i>	1.6	10.8	21.0	3.6	3.6	0.2	0.5	900.7	2096.2	8.8	14.3	11.6
<i>Optical, photo apparatus</i>	0.3	1.8	19.6	0.7	0.6	0.2	0.4	194.4	519.7	10.3	3.1	2.9
<i>Transport equipment</i>	1.0	19.9	34.9	2.3	6.6	0.1	1.3	703.3	1584.6	8.5	11.1	8.7
<i>Ships and other floating structures</i>	0.0	7.2	53.4	0.0	2.4	0.0	6.4	26.6	113.3	15.6	0.4	0.6
<i>Aircraft and parts thereof</i>	0.1	2.3	36.8	0.2	0.8	0.1	1.2	102.8	189.1	6.3	1.6	1.0
<i>Railway and tramway</i>	0.0	0.1	0.0	0.0	0.0	0.0	0.4	9.7	31.5	12.5	0.2	0.2
<i>Vehicles other than railway and tramway</i>	0.9	10.3	27.6	2.1	3.4	0.2	0.8	564.2	1250.7	8.3	8.9	6.9
Chemicals and its Products	3.1	18.8	19.8	7.1	6.3	0.8	1.7	382.0	1130.3	11.5	6.1	6.2
<i>Pharma products</i>	1.0	8.3	23.5	2.3	2.7	0.9	1.7	116.9	476.8	15.1	1.9	2.6
<i>Textiles and Products</i>	8.5	25.4	11.6	19.4	8.4	2.6	3.9	332.5	644.7	6.8	5.3	3.6
<i>Metals and Products</i>	2.8	21.2	22.3	6.4	7.0	0.7	1.6	388.5	1345.6	13.2	6.2	7.4
<i>Agro- based and allied products</i>	8.4	37.8	38.7	19.1	12.5	1.6	2.6	516.4	1482.6	11.1	8.2	8.2
<i>Wood based and Paper products</i>	0.3	1.5	18.3	0.7	0.5	0.1	0.4	220.3	422.5	6.7	3.5	2.3
<i>Footwear and leather</i>	2.0	5.6	10.3	4.6	1.9	1.8	2.5	109.5	224.9	7.5	1.7	1.2
<i>Miscellaneous Products</i>	3.4	26.0	22.7	7.7	8.6	0.5	1.5	715.2	1710.9	9.1	11.3	9.4
ALL PRODUCTS	43.9	301.5	21.2	100.0	100.0	16.4	39.8	6312.9	18137.4	11.1	100.0	100.0

Source: Data derived from ITC, WTC/UNCTAD, EXIM Bank India Research

There has never been a better time for Indian companies to invest in Western Australia. The wealth of opportunities in Australia's powerhouse state is second to none. Australia is one of the major destinations for India's overseas investments. During the period April 1996 to March 2013, the volume of Indian investments in Australia amounted to US\$ 4.8 billion, making Australia one of the leading destinations for India's overseas investments. During the year 2012-13, India's investments in Australia stood at US\$ 1.3 billion, making Australia the seventh largest destination for India's overseas investment. India also ranks as Western Australia's seventh largest trading partner with total two way trade of US\$ 4.4 billion in 2012.

Western Australia holds a triple-A credit rating with Standard & Poor's and Moody's Investors Service and with a world-class resources sector, producing minerals, oil and gas, the state remains buoyant and expected to remain the best-performing economy in 2013. Western Australia has an abundance of mineral deposits and has a globally significant energy province off its coast, which results in the state having a strong comparative advantage in resource extraction and processing. Western Australia has a close proximity to Asia thus making it a strategic destination for Indian Investments. One of the major projects in Western Australia is Gorgon Liquid Natural Gas Project, one of the world's largest natural gas projects.

Helping drive growth, the Western Australia Government facilitates Indian investments and builds business relationships through its Mumbai Trade and Investment office, which opened in 1996. Peter Forby, Regional Director in South Asia, who is based on Mumbai, is positive about the future of Western

Australia's relationship with India and said that they have been approached by a number of Indian companies looking for investment opportunities in the mining, oil and gas, and agriculture sectors.

According to him, Indian companies shouldn't restrict their thinking purely to the resources sector as there are also a range of opportunities in financial services, renewable energy, ICT, environmental services, building and construction, and tourism infrastructure.

Geographic distribution of Indian investments in Australia shows that Indian investment in Western Australia is still low, as compared to that in rest of Australia. Western Australia has an abundance of mineral deposits and has a globally significant energy province off its coast, which results in the state having a strong comparative advantage in resource extraction and processing.

As on March 2013, some of the approved projects in the region include: Expansion of CSBP's ammonium nitrate production facility in Kwinana; Joint Venture called Burrup Nitrates Pty Ltd. (BNPL) for the construction of a circa 350,000 tpa Technical Ammonium Nitrate (TAN) plant; AngloGold Ashanti's gold mining project in Kalgoorlie; MZI's mineral sands mine in the south of Perth; and State Government's Ashburton North Strategic Industrial Area (ANSIA) in Pilbara.

There are already several Indian companies investing and operating in Western Australia on a range of projects in mining, oil and gas, through to provision of IT services and production of polyurethane products for the mining industry. According to The High Commission of India in Australia, some of the existing Indian investments in Western Australia include:

- Aditya Birla Minerals, an Australian based mining company, undertakes comprehensive copper mining in Australia, focusing on copper production and exploration at Western Australia and Queensland. Aditya Birla Minerals is part of the Aditya Birla Group and is part owned by Hindalco Industries Ltd. Concentrates produced at each copper mine are shipped to the Hindalco owned copper smelter in India.
- Research organisation National ICT Australia (NICTA) and Infosys have agreed to collaborate on tough technology problems plaguing businesses. Australia's NICTA signed the deal in February 2013
- Major Indian petroleum explorer, Bharat PetroResources Ltd. (BPRL) and Norwest Energy have agreed to a farm-in (exploration investment agreement) of two of Norwest's Perth Basin permits (EP413 and TP/15). Up to A\$ 10 million will be invested by BPRL towards drilling and testing programs to evaluate the shale gas potential of EP413, earning the company 50 percent of Norwest's interest.
- Indian Farmers Fertiliser Cooperative Ltd. (IFFCO), one of India's largest fertiliser manufacturer, and Legend Holdings of Australia, a phosphate rock explorer, have entered into an agreement involving investment of over A\$ 100 million by IFFCO in Legend's phosphate projects.

For further information on investment opportunities in Western Australia please visit the Western Australia Trade and Investment Office web site at www.watoindia.in or contact Peter Forby at Peter.forby@dsc.wa.gov.au

Export Marketing Services

January-March 2013

In Feb 2013, Exim Bank in association with Visvesvaraya Industrial Trade Centre (VITC), Bangalore and National Institute of Design (NID), Ahmedabad, organised a twelve day “Design Development Training Workshop” for 37 Bidriware Artisans in Bidar, Karnataka. The objective of the workshop was to motivate traditional artisans in experimenting with new forms, patterns, techniques, and products to keep pace with the changing times and domestic/international market needs and to assist the artisans in giving shape to ideas through craft and design process and imparting inputs related to design awareness, product development processes by developing a range of new products suitable to contemporary markets.

This Design Development Training Workshop was the second phase of a design sensitisation program organised during February 04-16, 2013, through which Exim Bank sought to increase the exportability of the artisans undergoing training at the workshop. The first phase of the program was organised in April 2012.

Total of 37 artisans having various skills were trained by senior faculty from NID. The workshop helped the skilled Bidriware artisans in improving their understanding and quality consciousness about Bidriware products, in the larger context of improving the scope of income generation through new design and development of marketable products based on the craft and skill level of artisans. The artisans were trained to design and develop products that will

have some utility as well as help them in keeping the art alive. The artisans were introduced to designing various patterns for home use and utility products, namely; fridge magnets, visiting card box, table clock (rolling & paisley clock), pen holder, book marks, clips, board pins, tie hanger, book ends, pen drive, laser pointer, coasters with box, t-lites, candle stand, single hooks, napkin rings, trivet, curtain ends, door handles, cabinet handle, cabinet knobs, display plates, mobile hanging, and souvenirs such as cannon etc.

Under the phase II workshop, NID Faculty created various design prototypes which helped in creation of light-weight Bidriware by way of mixing metal, wood or working on sheets. Contemporary designs were used for having limited usage of silver and save on the production cost.

Exim Bank, through its Export Marketing Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalisation efforts by proactively assisting in locating overseas distributor(s)/ buyer(s)/ partner(s) for their products and services.

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Eximius Center Activities

January - March, 2013

Eximius Centre and Consulate of Argentina organised a Seminar on “Doing Business with Argentina on January 29, 2013 in Chennai. The objective of the programme was to create awareness among people the available opportunities for Trade and Investment in Argentina and Products and Services of Exim Bank. Mr. Alejandro Zothnar Meyer, Deputy Consul General of Argentina addressed the gathering.

Exim Bank organised a awareness programme for students of University of Agriculture Sciences, on January 30, 2013, with a presentation on “Exim Bank’s Products & Services”.

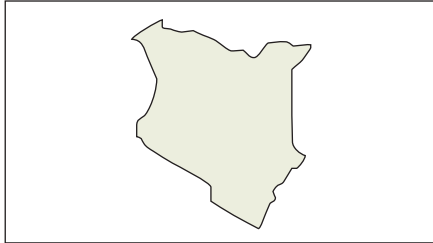
Eximius Centre and VITC has organised a “Export Management Training Programme” between February 18-23, 2013, The objective of the programme was to get familiarised with the opportunities, terms and conditions of Export & Import Trade.

The Programmes in Pipeline include,

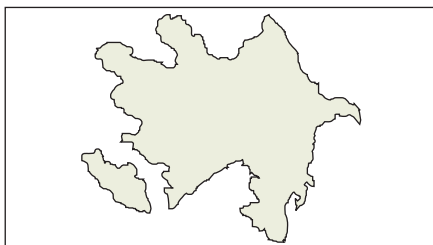
- Doing Business with Arab Countries; and
- WTO Programmes on : e m e r g i n g business opportunity for Service suppliers of State of Karnataka in light of various RTAs signed by India; and business implications of WTO for Exporters of Karnataka (Goods sector) being organised jointly with VITC and FIEO.

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Kenya

After achieving an economic growth 4.3 percent in 2012, Kenya is well positioned to achieve a growth of 5 percent in 2013, as declining inflation is likely to pave the way for an economic recovery. In the recent years, the country experienced political, economic, or weather-related shocks, and often a combination of these shocks, with an exception in 2010. Privatisation in Kenya took a step forward in January 2013, when parliament approved the sale of stakes in three leading hotels and Kenya Wine Agencies (KWAL). The launch of the US\$ 10 billion Konza technology city in January also signals Kenya's drive to become a key hub for software development. On completion the Kwale Mineral Sands Project, on completion is set to become Kenya's first modern mine, generating export revenues of US\$ 250 million a year and lifting the mining contribution to GDP from the existing 0.7 percent to 1.7 percent.

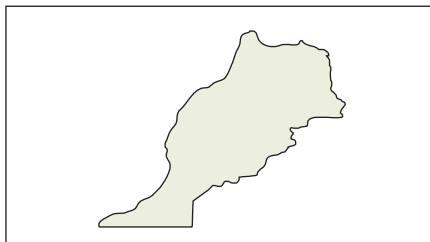
Azerbaijan

The country has for years benefited from its vast supply of natural resources, including gold, ethanol and renewable energy, but has recently diversified into transportation, infrastructure, and technology. Since 2010 there has been a marked shift in the underlying economic dynamics, as the non-oil sector has replaced the oil sector as the main driver of growth. The International Monetary Fund (IMF) forecasts the growth of non-oil GDP in Azerbaijan at a rate of 9 percent in

2013. Non-oil investments in the country are on the rise. Samsung engineering and SOCAR have signed an agreement on construction of carbamide plant, which will mainly produce nitrogen fertiliser, to be used to meet domestic demand as well as exports.

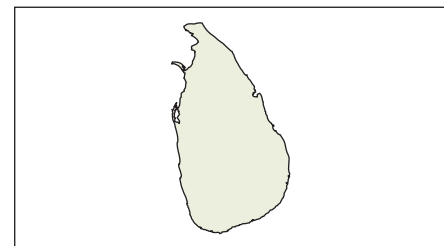
Peru

Since the early 90's, the country has embarked on a series of reforms of which fiscal consolidation, trade openness, exchange rate flexibility, financial liberalisation, higher reliance on market signals and prudent monetary policy, including strong build-up of reserves, have been key components. Foreign investments are mainly into mining, hydrocarbons, and infrastructure projects. At the same time, export revenue from commodity boom has provided tax revenues, allowing public investment to reach record levels and the domestic market for consumer products of all kinds to take off. The result has been eight years of growth averaging 7 percent a year (2004-2012). Investments in Peru's mining sector likely to gain 16 percent in 2013, following last year's 18 percent increase. However, the main domestic risk lies in conflicts over large mining projects, as demonstrated by the social unrest and protests that have delayed the Minas Conga project, a US\$ 5 billion investment in Cajamarca.

Morocco

Morocco has proven reserves of just 2 million barrels of oil and 43 billion cubic

feet of gas, making it by far the largest hydrocarbons importer in the North Africa region. The country relies on imported oil for 62 percent of its energy consumption, with coal imports making up another 30 percent. As a result there is a dearth of major oil and gas projects in the country with most being small exploration blocks scattered around the country. However, there are two major oil and gas projects currently being developed in Morocco. Morocco is the world's largest exporter of phosphates, a sector being developed by state company Office Cherifien des Phosphates (OCP). A Number of international companies, including Brazil's Bunge, have signed partnership deals with OCP.

Sri Lanka

The Sri Lankan economy has been on the upswing following the end of the civil strife in mid-2009 and in 2012, the economy was one of the fastest growing economies in South Asia, expanding by 6.7 percent, according to IMF estimates. Vision for the future is to achieve growth rates of above 8 percent per annum and thereby aim at doubling the current per capita income to reach around US\$ 4000 by 2016. To capitalise on the country's strong economic growth trajectory, the Securities and Exchange Commission of Sri Lanka is taking major steps in capital market development and regulation to increase investor confidence in the islands' financial market. An FDI target of US\$ 1.5 billion has been set for 2013. The recent relaxation of exchange control regulations is a move in this regards. The country has invited Indian business community to look at investment opportunities in sectors such as ports, tourism and financial services.

Pound Sterling (GBP)

During 2013 the pound weakened sharply against the US dollar in terms of London closing rates from 1.5847 to 1.5166. The key driver is the growing belief that the Bank of England (BOE) is becoming more aggressive in its monetary stance in order to try and lift the UK economy to a stronger growth path. This impression was reinforced firstly by the statement following the Monetary Policy Committee (MPC) meeting and then in the quarterly inflation report which both indicated a degree of indifference to the fact that the inflation rate is expected to remain above the official 2 percent target level through the entire two-year forecast period.

The BOE is now focusing more on economic growth at the expense of inflation. In addition to this, the BOE also appears to be willing to encourage a weaker pound as part of this growth strategy. The weakening pound will eventually give some lift to exports, but this boost is unlikely to materialise quickly given the UK's export mix, high reliance on exports to advanced economies, and exports of financial services.

The pound was also undermined by the decision of Moodys' to downgrade the UK sovereign credit rating from the top AAA to Aa1 and returned the outlook to stable. S&P and Fitch may well follow Moody's lead over the coming months. With so few AAA investment opportunities available the near-term implication for the pound is not significant. Any building evidence of other AA sovereigns making progress on their fiscal outlooks could leave the pound vulnerable. As on March 31, 2013 the pound was trading at GBP 1 = US\$ 1.5206.

Australian Dollar (AUD)

The Australian dollar derived some support in the early part of February from Reserve Bank of Australia's (RBA) monetary policy statement that believed its monetary easing was having a greater impact on the real economy. However, although the RBA may be confident of increased support from monetary policy, there remain risks to the domestic economy and any unforeseen weakness would probably result in further easing.

The combination of a high AUD and low interest rates is increasingly worrying the RBA. The persistently high AUD has forced the RBA to cut more aggressively than it otherwise would have and the low rates are starting to boost consumer confidence and house prices. Business conditions remain very tough but the current profit reporting season suggests that many companies are earning above costs and are well positioned once demand picks up. A quantitative easing in the US, could help moderate the AUD. But the RBA would be reluctant to signal a hawkish bias on monetary policy unless there was broader evidence of a rebalancing in the economy away from mining related investment and employment. In a nod to these changing perceptions about the balance of risks to the outlook, the market now expects only one further rate cut.

The RBA continues to highlight the inconsistency between Australian dollar stability and the sharp 17 percent drop in Australia's terms of trade over the past eighteen months. Given the mixed domestic demand conditions in Australia, the market expects further moderate downward pressure on the Australian dollar. As on March 31, 2013 the Australian dollar was trading at 1 AUD = US\$ 1.0415.

South Korean Won (KRW)

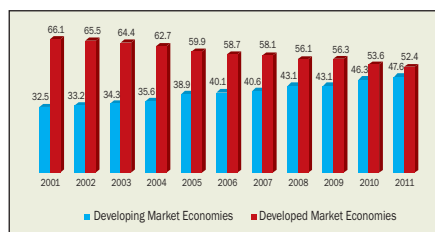
Despite recent market moves, both domestically and outside of Korea, the market expects a significant change in Korea's FX policy stance from the long-held principle of conducting smoothing operations to moderate short-term volatility. There is significant market confusion and debate over the Park administration's FX policy stance.

Until recently, it was widely thought that the Park administration would be in favour of further KRW appreciation. However, many recent local media reports have suggested that the Park administration was likely to join the "currency wars" by advocating a weaker local currency via such measures as a Tobin tax or a financial transactions tax. In market's view, neither of these is a realistic policy option, and neither is likely to happen. Indeed, the market doesn't expect the Park administration to introduce any major changes to the FX policy stance. As such, the market expects the BoK to continue to allow the market to determine exchange rates, while smoothing short-term volatility at the margin.

The BoK decided to hold the policy rate at 2.75 percent at the February MPC meeting as expected, even though headline inflation is far below the bottom of inflation target band (2.5 percent - 3.5 percent) and economic growth in 1Q14 is likely to be sluggish at around 1-2 percent YoY. The BoK expects the economy will maintain a mild recovery and attain economic growth of 2.8 percent with CPI inflation of 2.5 percent. As on March 31, 2013 the South Korean Won was trading at US\$ 1 = KRW 1111.9.

Developing countries have increasingly emerged as regional and global growth engines in recent times, reflecting higher growth in economic activity and trade, as compared to advanced economies. The growing importance of the South in global trade configuration was reflected in the increasing share of developing market economies in global merchandise exports has increased from 32.5 percent in 2001 to around 48 percent in 2011, while the corresponding share of developed market economies has reduced from 66 percent to 52 percent over the same period (Chart).

Chart: Trends in Share of Developing and Developed Market Economies in Global Exports (%)



Source: ITC, Trade Map

Trends in South-South Trade

During the decade 2001-2011, South-South exports have increased sharply from US\$ 809.5 billion in 2001 to US\$ 3.9 trillion in 2011, growing at a CAGR of 17 percent. As a result, intra-South exports, as a percentage of global exports of developing countries, have risen from 41 percent in 2001 to around 46 percent in 2011, while the share of intra-South imports, in global imports of developing countries have witnessed a significant increase from 44 percent to more than 52 percent during the period, reflecting the increasing trends of import sourcing amongst countries of the south.

South-South cooperation has assumed increasing importance as a driver of global growth and is now widely recognised as a key mechanism for the development agenda of countries of the South.

The Fifth BRICS Summit

BRICS, is an acronym for the group of five leading emerging economies, namely Brazil, Russia, India, China and South Africa. BRICS, is a unique Grouping with shared opportunities and common challenges. Instituted during the first meeting of the Foreign Ministers of Brazil, Russia, India and China in New York on the sidelines of the United Nations General Assembly in September 2006, the Grouping has come a long way and has evolved into a number of mechanisms for consultation and cooperation. South Africa joined the Grouping in 2010 and participated in the third Summit in Sanya, China in April 2011.

The Fifth BRICS Summit was hosted in Durban during March 26-27, 2013 under the overarching theme of "BRICS and Africa - partnerships for Integration and Industrialisation". The Summit was attended by the leaders of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa with an aim to further strengthening multilateral partnership. The Summit which represents 45 percent of the world's population, focused on areas of cooperation including promotion of African infrastructure development, the establishment of a BRICS-led development bank, a BRICS think-tank and a BRICS business council.

Export-Import Bank of India (Exim India), ever since its inception, has played a catalytic role in increasing India's integration with the global economy, particularly in South-South cooperation. Exim India is the nominated member development bank under the BRICS Interbank Cooperation Mechanism. The Asian Exim Banks Forum set up in 1996 to facilitate and enhance regional trade, as also the Global Network of Exim Banks and Development Finance Institutions (G-NEXID) set up in 2006 to foster enhanced South-South trade and investment cooperation, are some of the initiatives of the Bank in its endeavours in this direction.

South-South cooperation offers viable opportunities for developing and transition economies in their individual and collective pursuit of sustained economic development. Thus, closer economic and trade linkages among the developing economies could prove to be a mutually rewarding association. Strong economic complementarity between the southern economies has essentially underpinned the rapid growth and intensity of bilateral trade.

Creating synergy in trade relations and cooperation between countries of the South is critical to reinforce growth momentum of these countries. The South's impressive growth would provide a new impetus to a sustained growth of the global economy, promising a win-win scenario, not only for the developing countries, but also for industrial economies, as the rapid increase in demand from the South creates trading opportunities for all.

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 crore and lakh

1 crore : 10 million

1 lakh : 100 thousand

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Trade and Investment Opportunities

Trade Opportunities

Alphonso Mangoes

Recognised internationally for best quality Alphonso Mangoes, producer offers Devgad (Ratnagiri) Mangoes grown in the most natural way which are organically ripened. Produce available from April - July. Euro Gap Certified (Low Pesticides Residue Analysis). Other products - Pomegranate.



Exotic Spices

Exotic Spices available through one of the leading suppliers in India. The product range includes cardamom, chilli, cloves, black pepper, cubeb pepper, long pepper, mace, nutmeg, cumin seeds and fenugreek seeds. Optimum quality spices sourced directly from farms.



Submersible Pumps

Wide range of pumps available for industries/OEM. Single stage pumps for drainage, sewage pumping, general industrial pumping and slurry pumping. Multiple stage pumps for bore wells. Products provided at affordable rate.



Herbal Cosmetics

Recognised formulator & exporter of broad range of Ayurvedic herbal skin and body care products. Product range includes hair conditioner, soap, face pack, cream, massage oil and cosmetics. Products are of premium quality made from natural herbs and possess high medicinal value with non toxic nature.



Ambient and Frozen Indian Food

Manufacturer of one of its kind 'Creative Wood Art Paintings' with Indian artistic expressions using wood pieces in their natural colors & texture. Customisable as per the client it gives '3D' illusory effect. Durable for 100 years and can sustain humidity up to 90 percent & temp range of -20°C to 50°C.



Water Treatment Plant - Turn Key

Turnkey solution provider of mineral water and water treatment plant with advanced technology i.e. EMF, Spring, Silver & GAC technology. Application in hotels, textiles, dairy, food & beverages, chemicals, fishing, hospitals, pharmaceutical sectors.



Investment Opportunities

Acquisition / Joint Venture in India

A Japanese precision engineering / machine tools manufacturing company is looking for investment into India by means of establishing sales / distributor partner or acquisitions of machine tool company in India. The investment could be for: a) Acquisition of a machine tool company, and or b) Distributorship for distributing and marketing the products.

The acquiring company may consider using the factory for outsourced manufacturing to investor & export outside India. Investor in lieu could use said investee company's distribution & sales network in India.

For more details, please contact - Phone: 2217 2600 Extn: 2737 / 2707; Fax: 2218 8268. Email: ems@eximbankindia.in

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