



# INDO-CIS

MAGAZINE FOR THE COMMONWEALTH OF INDEPENDENT STATES

## B U S I N E S S

Apr-Jun 2005 Rs.100/-

### Redefining Trade Ties



- 8 ARMENIA
- 7 AZERBAIJAN
- 12 BELARUS
- 9 GEORGIA
- 2 KAZAKHSTAN
- 4 KYRGYZSTAN
- 11 MOLDOVA
- 1 RUSSIA
- 5 TAJIKISTAN
- 6 TURKMENISTAN
- 10 UKRAINE
- 3 UZBEKISTAN

# In This Issue

**Distributed by:**  
**New Media Communication Pvt. Ltd.**  
 in association with  
**Export Import Bank of India**

**Chairman:** R. K. Prasad  
**Managing Editor:** Satya Swaroop  
**Director:** B.K.Sinha  
**Group Editor:** Dev Varam  
**Executive Editor:** C.P. Nambiar  
**Consulting Editors:**  
 Prabhu Sinha & Rajiv Tewari  
**Art Director:** Santosh Nawar  
**Visualizer:** Maya Vichare  
**Editorial Team:** Tripti Chakravorty,  
 Rojita Padhy & Shruti Sinha  
**Head-Busi. Dev. :** Veerendra Bhargava  
**Sr. Manager:** June Fernandes  
**Asst. Manager:** Anand Kumar  
**Asst. Project Manager:** Amit Verma  
**Accountant:** Sudhir Karishetty  
**Account Asst.:** Vrunda Gurav  
**Circulation:** Sudip Sarkhel  
**Photographer:** Mumbai: Bilal Khan  
 Kolkata: Debashish Paul

## **BRANCHES:** **Kolkata:**

Anurag Sinha, Branch Manager, A-7/1,  
 Satyam Park, 2nd Lane, Near 3A Bus Stand,  
 Thakurpukur Kolkata- 700 104  
 Tel: 098300 15667, 033-24537708  
 Email: anurag@newmediacomm.biz

## **Pune:**

Geeta Khaladkar, Regional Head, Sahyog Apartments  
 508, Narayan Peth, Patrya Maruti Chowk  
 Pune 411 030. Telefax: 020 24454642  
 Email: pune@newmediacomm.biz

## **Thiruvananthapuram:**

Murugan, Branch Manager, TC-27/1915,  
 MBRRA - 70, Mathrubhumi Road,  
 Thiruvananthapuram  
 Tel: 09846555000, 0741-2468421  
 Email: murugan@newmediacomm.biz

## **Australia Office:**

Bandhana Kumari Prasad, 129 Camboon Road,  
 Noranda, Perth, W.A. 6062 Tel: 0061 892757447  
 Email: bandhana@newmediacomm.biz

## **International Marketing:**

### **G. Biju Krishnan**

E-mail: biju@newmediacomm.biz

## **New Media Communication Pvt. Ltd.,**

B/302, Twin Arcade, Military Road, Marol,  
 Andheri (E), Mumbai - 400 059 India  
 Tel: +91-22-28516690 Telefax: +91-22-28515279  
 E-mail: enquiry@newmediacomm.biz  
 www.newmediacomm.com

## **Printed & Published by**

Satya Swaroop and printed at  
 M/s Young Printers, A-2/237,  
 Shah & Nahar Industrial Estate, Lower Parel,  
 Mumbai- 400 013 and published from  
 B -302, Twin Arcade, Military Road,  
 Marol, Andheri (E), Mumbai - 400 059 India

The news items and information published herein have been  
 collected from various sources, which are considered to be reliable.  
 Readers are however requested to verify the facts before making  
 business decisions using the same.



## **FOCUS**

**06**

**Friends from the Past as Future  
 Allies: India redefines trade ties  
 with CIS**



## **FOCUS**

**10**

**India and CIS: Broad Perspective  
 on Bilateral Trade and  
 Investment Potential**

-Mr. T. C. Venkat Subramanian

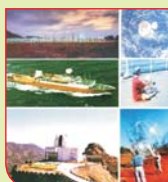


## **FOCUS**

**12**

**CIS-Economy: Stability Spells  
 Strong GDP Growth**

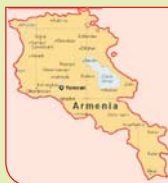
- Arijit Saraswati



## **FOCUS**

**20**

**Indo-Russian Bilateral Relations:  
 A Tried & Tested Friendship**



## **FOCUS**

**26**

**Investment in Armenia: Smallest of  
 CIS holds Brightest Hope**

-Deepak Vohra



## **IT OUTSOURCING**

**30**

**'More A Business Strategy than  
 Cost-Cutting Move'**

- Prabhu Sinha

**Российская Секция**  
**41 - 49**



*Dear Readers,*

Greetings. A new publication, like a new invention, creates a sense of euphoria. As we finished Indo-CIS Business, the ninth publication from the New Media stable, we almost felt emotionally elated. Like rediscovering the deep bonds of friendship lost in time. Traditionally, India has been close to the Commonwealth of Independent States (CIS) as these are called today and which earlier constituted the Soviet Union, before its break-up in 1991. Horrified, we watched the trauma and turmoil that followed the disintegration before 12 of the 15 countries re-grouped as CIS, with Russia as their beacon light and leader. In the changed context of globalization, the former Socialist states, including Russia, turned to economic reforms. Most constituents of the CIS are on the path to prosperity, having posted a strong GDP growth in the last decade. India, which also initiated its own economic reforms in the early 1990s, has since redefined its relations with the CIS friends, more importantly with Russia. The snags coming in the way of enhancing bilateral trade between India and the CIS are being removed. But the task of tapping the full trade potential that CIS offers both as an opportunity and a challenge needs to be fulfilled. With a view to achieving this objective, the Indian Commerce Ministry launched the Focus-CIS programme on April 1, 2003, soon after Russian President Vladimir Putin's historic visit to India in December 2002. It's exactly after two years that Putin visited this country again to reaffirm Russia's abiding faith in its friendship with India. We are delighted that the Russian Ambassador to India, H E Vyacheslav Ivanovich Trubnikov will be launching the inaugural issue of Indo-CIS Business, which we dedicate to that lasting bond between India and Russia and the rest of CIS. On this occasion, we also recall Indo-Russian collaboration in science and technology and space research. In this issue we carry a feature on Yuri Gagarin, the world's first-ever spaceman. The inaugural issue very appropriately carries an article by Export Import Bank of India Chairman & Managing Director T. C. Venkat Subramanian on the broad perspective of bilateral trade between India and the CIS. Then we have write-ups on CIS in general and Russia in particular, the emphasis being the reforms carried out by these countries and the potential they hold for India. During his visit Putin and his men held talks with the honchos of Information Technology in Bangalore on possible collaboration between India and Russia in this field. These days, BPO appears to be the most promising IT segment for a number of countries, including Russia, and in which India is a leader. In an argument different from the beaten track, Prabhu Sinha and Sunil Tadwalkar of Satyam Computers drive the point home when they say that BOP must be viewed more as a business strategy than a mere cost-cutting exercise. Plus, we have all our regular familiar features.

Wish you happy Reading

A handwritten signature in blue ink, appearing to read 'Satya Swaroop', with a long horizontal flourish extending to the right.

Satya Swaroop  
Managing Editor  
satya@newmediacomm.biz

भारतीय निर्यात-आयात बैंक

EXPORT-IMPORT BANK OF INDIA

**T.C. Venkat Subramanian**  
Chairman & Managing Director

टी.सी. वेंकट सुब्रमणियन  
अध्यक्ष एवं प्रबंध निदेशक



'Indo-CIS Business' is an initiative of New Media Communications for promoting and facilitating India's trade and investment relations with the CIS countries. As the apex financial institution for financing, facilitating and promoting India's international trade, Exim Bank endorses and fully supports this new initiative. The CIS countries are important trading partners for India, and improved macroeconomic stability in the region augurs well for enhancing bilateral trade and investment relations. This magazine would serve to highlight the potential for increased trade and investment relations, and would serve as a useful reference to the India business enterprises looking to expand trade with the CIS region.

*T. C. Venkat Subramanian*  
(T. C. Venkat Subramanian)

केन्द्र एक बिल्डिंग, 21वीं मंजिल, विश्व व्यापार केन्द्र संकुल, कफ़ परेड, मुंबई-400 005. टेलीफोन : 22187572/22182255 फैक्स : 22182690  
Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai-400 005. Phone : 22187572/22182255 Fax : 22182690  
ई-मेल E-mail : tcvenkat@eximbankindia.com वेब साइट Web Site : www.eximbankindia.com



# Friends from the Past as Future Allies

## India redefines trade ties with CIS



After the disintegration of former Union of Soviet Socialist Republics (USSR), 15 countries came into existence. Commonwealth of Independent States (CIS), which was established in 1991, is the successor body to the USSR, formed to ensure continued cooperation in trade and military policy and recognition of borders.

CIS has no formal political institutions. Presently, out of 15 countries, 12 countries, namely the Russian Federation, Ukraine, Moldova, Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan are members of Commonwealth of Independent States (CIS). The remaining three countries - Latvia, Lithuania and Estonia

- are known as Baltic States. The CIS region stretches from Central Asia to East Europe. Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan fall in Asia and are commonly known as Central Asian Republics (CAR).

Traditionally, relations between India and countries of the CIS Region have remained close and cordial since the Soviet era. After collapse of the Soviet Union commercial relations have not grown commensurately with the new states. The neighboring European Countries have occupied a major portion of trade markets in these countries. The main reasons that affect our trade with the region are: distance, language barriers, inadequate transit facilities, inadequacy of information about business opportunities, macro-economic instability, modest progress made both in liberalization and privatization, lack of direct and regular interaction among the business entities & inadequate banking facilities in the CIS Countries.

Considering the potential that the CIS region offers and our insignificant presence in that market Focus: CIS Programme was launched by Commerce & Industry Minister with effect from April 1, 2003, a day after the announcement of the EXIM Policy. The Programme aims to focus at countries of the CIS region with emphasis in the first phase on seven countries namely Kazakhstan,

Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Azerbaijan and Ukraine. With a view to enhancing India's trade with countries of the CIS region, the scope of the Focus: CIS Programme has been extended to rest of the CIS region, namely to Russian Federation, Armenia, Belarus, Georgia & Moldova as well. Therefore, with effect from April 1, 2004, the programme covers all the 12 CIS countries.

Under this Programme, India extends assistance to exporters, EPCs, business chambers etc. to visit these countries, organize trade fairs, invite CIS trade delegations to visit India & undertake various other market promotional activities. The initiatives taken under this Programme have received an

encouraging response from the Indian trading community and are likely to further boost bilateral trade in the forthcoming years.

## Economic Reforms

In the recent past, economic liberalization measures adopted by Countries of the CIS Region and India, establishment of institutional mechanisms for mutual interactions and development of fast/direct shipping links to CIS Region have contributed to increased economic interaction between Countries of the CIS Region and India. However, the full potential is yet to be realized. Recognizing the need for enhancing trade and to stimulate interest among the businessmen of both the sides, a number of high level visits and a range of initiatives have been undertaken

Bilateral business councils of all the 12 countries have been activated and high-level ministerial visits have taken place. The Federation of Indian Export Organizations (FIEO) organized the visits of business delegations to four CIS member-countries in January 2004. Besides, a number of trade events have been planned for 2004-05.

## TRADE FACILITATION STEPS

### a) International Transit Agreement

International North South Transport Corridor Agreement was signed between India, Iran and Russian Federation to facilitate movement of goods via Iran, Caspian Sea and Astrakhan to Russia and adjoining countries of the CIS region. The advantages of this Agreement are as follows: -

- The Agreement provides a shorter route for trade to Iran, Russian Federation and beyond. Once made fully operational, transit movement will be better and faster and is likely to be cheaper & less time consuming by about 20% as compared to the present route.
- Exports get a competitive advantage.

Approval of the Ministry of Commerce & Industry to the accession of eight countries namely Kazakhstan, Belarus, Bulgaria, Armenia, Azerbaijan, Sultanate of Oman, Tajikistan and Syrian Arab Republic has already been conveyed to Ministry of Shipping, which is nodal Ministry of Government of India for monitoring the development of the N-S Transport Corridor.

### Double Taxation Avoidance Agreement (DTAA)

To promote and facilitate trade, Double Taxation Avoidance Agreement (DTAA) has already been signed with Russian Federation, Ukraine, Kyrgyzstan, Turkmenistan, Kazakhstan, Uzbekistan, Armenia, and Belarus. Negotiations are on for signing the same with Azerbaijan. Steps will be taken for initiating negotiations with rest of the CIS countries i.e. Moldova, Georgia & Tajikistan.

Bilateral Investment Protection Agreement (BIPA)

To promote and facilitate bilateral trade and investment, Bilateral Investment Promotion Agreement (BIPA) has already been signed with Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Ukraine, Russian Federation, Armenia & Belarus. Steps will be taken for signing BIPA with rest of the CIS countries i.e. Azerbaijan, Georgia & Moldova.

## TRADE PROMOTION MEASURES

### i) Enhanced Interaction:

Interaction with important trading partners will be enhanced to act as a catalyst for the private sector to explore and tap full potential of the CIS region. The Government shall have increased frequency of interaction at the highest level with important trading partners. Bilateral trade and economic cooperation between India and these countries is regularly reviewed through the bilateral Joint Commissions/Working Groups and Joint Business Councils.

### ii) Institutional Mechanisms:

#### a) Joint Commission Meetings:

Institutional arrangements in the form of Joint Commission / Working Group already exist with Russian Federation, Ukraine, Belarus, Uzbekistan, Kazakhstan, Kyrgyzstan, Armenia and Tajikistan. These institutional mechanisms have been activated. Steps will also be taken for formation of Joint Commission with other countries of the CIS region, where the same have not yet been instituted.

#### b) Joint Business Councils:

FICCI plans to have increased interaction with its counterparts and hold meetings of the Joint Business Councils (JBCs) at regular intervals. Similarly CII/PHD Chamber of Commerce & Industry/FIEO also propose to have regular interaction with their counterparts in CIS region with whom they have signed MoUs. Simultaneously, seminars and conferences are proposed to be organized within the country for creating awareness on emerging markets in the CIS region.

#### c) Trade Missions/Delegations:

Trade/Economic Missions result in creating necessary awareness in the region regarding India's economic reforms, strength of Indian Industry and its export capabilities. These also provide impetus for businessmen to explore new markets. High-level trade missions shall be mounted to the CIS region.

#### d) Roles Identified for some Important Government Organisations:

##### India Trade Promotion Organisation (ITPO)

The Indian Trade Promotion Organisation (ITPO) shall undertake various trade promotion measures, which would include:

- Participation in specialized and commodity specific fairs & exhibitions in countries of the CIS region.



- Special promotion and publicity in the CIS countries.
- India Promotion in Departmental Stores in respect of consumer products.
- Organising Buyer-Seller Meets.
- Promotion by Indian Mission by organizing catalogue/brochure exhibitions.
- To award top export performers to the CIS countries.

## National Centre for Trade Information (NCTI)

Jointly promoted by India Trade Promotion Organization (ITPO) and National Informatics Centre (NIC), NCTI is involved in assimilation and dissemination of useful trade information.

NCTI provides contact details of product-wise specific buyers through the World Trade Point Federation Network ([www.ncti-india.com](http://www.ncti-india.com)/[www.tradepointindia.com](http://www.tradepointindia.com)) initiated under the Trade Efficiency Programme of UNCTAD. Currently there are 130 Trade Points across the globe 7 of which are located in the CIS Region in Russia, Azerbaijan, Belarus, Kyrgyzstan and Uzbekistan.

NCTI also has access to the requisite database and expertise to provide trade data analysis helpful in country and product specific strategy formulation.

## MARKETING DEVELOPMENT ASSISTANCE (MDA) SCHEME

As per the stipulation under the caption "Focus Area Programme" in addition to the activities in non focus areas, special provision has been made under Reverse Trade visits for visit of prominent delegates and buyers (one person from each organization) from these Focus Area Regions for participation in buyer cum seller meets, exhibitions etc. in India. The foreign delegates / buyers / journalists would be assisted in meeting their return air travel expenses in economy excursion class upto the entry point in India. This would, however be subject to financing only the well planned participation's wherein the potential of the incoming delegate(s) / buyer(s) / journalist(s) have been screened by the concerned EPC and Territorial division.:

## MARKET ACCESS INITIATIVE (MAI) SCHEME

Market Access Initiative (MAI) Scheme is an Export Promotion Scheme envisaged to act as a catalyst to promote India's exports on a sustained basis, during the 10th five year Plan. The scheme is formulated on focus product-focus country approach to evolve specific strategy for specific market and specific product through market studies/survey. Assistance would be provided to Export Promotion Organizations/Trade Promotion Organizations/Exporters etc. for enhancement of export through accessing new markets or through increasing the share in the existing markets. Under the Scheme the level of assistance for each eligible activity has

been fixed.

The following activities will be eligible for financial assistance under the Scheme:

- To identify the priorities of research relevant to the Department of Commerce and to sponsor research studies consistent with the priorities;
- WTO Studies for evolving WTO compatible strategy;
- To support EPCs/Trade Promotion Organisations in undertaking market studies/survey for evolving proper strategies.
- To support marketing projects abroad based on focus product - focus country approach. Under marketing projects, following activities will be funded:

- a) Opening of Showrooms
- b) Opening of Warehouses
- c) Display in international departmental stores
- d) Publicity Campaign and Brand Promotion
- e) Participation in Trade Fairs, etc., abroad
- f) Research and Product Development
- g) Reverse visits of the prominent buyers etc from the project focus countries

- Export Potential Survey of the States;
- Registration charges for product registration abroad for pharmaceuticals, bio-technology and agro-chemicals;
- Testing charges for engineering products abroad;
- To support Cottage and handicrafts units;
- To support Recognized associations in industrial clusters for marketing abroad

Under the MAI Scheme, financial assistance may be given to:

- Departments of Central Government and organization of Central/ State Governments
- Export Promotion Councils
- Registered Trade Promotion Organizations
- Commodity Boards
- Apex Trade Bodies recognized under EXIM-Policy of Government of India
- Recognized Industrial clusters
- Individual exporters (only for testing charges of engineering products abroad and registration charges of pharmaceuticals, bio-technology and Agro-chemicals)

Further details of the scheme may be accessed on the Department's website ([www.commerce.nic.in](http://www.commerce.nic.in))

## ECGC COVER

ECGC has liberalized its underwriting policy for a number of countries in the CIS region. Azerbaijan, Kazakhstan, Georgia, Moldova, Russia, Ukraine have been shifted from Restricted cover category to Open cover category which will enable policyholders to obtain covers on a more liberalized basis. For these countries ECGC cover under short term is available for Political Risks for all transactions irrespective of limit on individual buyer or Bank. However comprehensive cover (commercial plus political risk) is available depending on ECGC's assessment of the credit worthiness of the Buyer/Bank.

For the remaining 6 countries i.e. Armenia, Belarus, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan ECGC cover is available on a revolving limits basis, normally valid for a year on the following basis:

- a) Irrevocable Letters of Credit opened by or confirmed by Banks listed in the Bankers Almanac or by local banks whose reports are satisfactory Cover will be 90%.
- b) Normal cover of 90% on DP/DA terms subject satisfactory report on the buyer.

The corporation has liberalized & is regularly reviewing its underwriting policy on the CIS countries based on its in-house assessment on a number of factors such as Economic Risk Rating, Political Risk Rating, Economic and Political relations with India, ECGC Experience and Experience with other Credit Insurance Agencies. Modifications are being carried out from time to time that will help in promoting exports to this region.

## EXIM BANK LINES OF CREDIT

Lines of Credit enable Indian exporters, including Small and Medium Enterprises (SMEs), to export a variety of products (industrial manufactures, consumer durables and capital and engineering goods) to importers in these countries without repayment risk. While 15% to 20% of the contract value is paid as advance by the importers, the balance 80% to 85% of the contract value is disbursed by the EXIM Bank to the Indian exporters on shipment of goods. The recovery of credit extended to the overseas buyer is taken care of by the EXIM Bank, without recourse to Indian exporter.

The EXIM Bank shall explore the possibilities of further extending lines of credit to selected commercial banks in the CIS countries.

The EXIM Bank of India has signed agreements to provide two Lines of Credit worth USD 10 million and USD 25 million to Russian banks namely Vnesheconombank and Vneshtorgbank respectively for boosting Indian Exports to the Russian Federation. EXIM Bank has also extended the first Line of Credit of USD 10 million to TuranAlem Bank in Kazakhstan.

## ROLE OF EPCs / APEX CHAMBERS/MISSIONS

The success of "Focus: CIS Programme" requires the proactive role and involvement of Export Promotion Councils, Apex Chambers and Indian Missions located in the CIS Region. Their activities would comprise the following:

### i) Export Promotion Councils (EPCs)

- Shall carry out market surveys for items with export potential in the CIS region and disseminate information to their members through publications.
- Shall encourage members to participate in specialised International Fairs/Exhibitions.
- Shall bring out promotional literature in local languages.
- Shall hold commodity specific seminars in selected industrial centres.
- Shall prepare compendium of main importers/associations in the CIS region and disseminate the same to their members.

### ii) Apex Chambers of Commerce/Industry

- Shall establish and strengthen ties with their counterparts in the region and ensure that there are more frequent exchange of delegations.
- Shall hold regular interactive discussions with their counterparts through JBC's/ MoU's and explore investment opportunities for setting up of Joint Ventures, EoU's etc.
- Shall widely disseminate information amongst Indian businessmen through their publications, bulletins and other periodicals regarding potential Indian exports to CIS countries.

- Shall organize seminars and workshops at regular intervals to create awareness regarding the untapped potential that exists in the region for exporting goods. These seminars/workshops shall be held in various industrial centres.

### iii) Role of Indian Missions in the CIS region

- Shall organize catalogue/brochure exhibitions
- Shall provide regular feedback on implementation of the programme.
- Shall play a proactive role in coordinating promotional measures like organization of Buyer-Seller Meets, visit of delegations and participation in trade fairs.
- Shall carry out market surveys for the specified products in collaboration with the ITPO and concerned EPCs.
- Shall send processed/usable information in bulletins to the EPCs on focus products/technology/service sectors.



# INDIA and CIS: Broad Perspective on Bilateral Trade and Investment Potential

-Mr. T.C. Venkat Subramanian  
Chairman & Managing Director, Export-Import Bank of India



Improved macroeconomic stability and declining inflation in the region, boosted to a large extent by the resilience of the Russian economy, have resulted in robust economic growth in the CIS (Commonwealth of Independent States) region in recent years. During 2003, the region registered real GDP growth rate of 7.9%, up from 5.4% during the previous year, underpinned by a number of factors such as high oil prices, buoyant consumption and wage growth, and strong growth in investment in some countries. On the external front, the CIS countries have maintained surplus on the current account (amounting to 6.4% of GDP in 2003), due primarily to the strong surplus registered by the net energy exporters from the region.

## Indo-CIS Trade Relations and 'Focus CIS' Programme

India's trade with the CIS countries rose sharply during 2003-04, due to an 11.2% rise in exports coupled with a sharper 49.3% rise in imports. India's exports to CIS amounted to US\$ 1.03 billion, while imports stood at US\$ 1.26 billion, with a resultant trade deficit of US\$ 237 million, in contrast to trade surplus registered during the previous years. Total trade (exports plus imports), as a result, rose sharply from US\$ 1.77 billion in 2002-03 to cross the US\$ 2-billion mark at US\$ 2.29 billion during 2003-04.

The 'Focus CIS' programme, launched by the Government of India with effect from April 1, 2003 focussing initially on seven countries namely, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Azerbaijan and Ukraine, has been extended with effect from April 1, 2004, to cover the remaining five countries namely the Russian Federation, Armenia, Belarus, Georgia and Moldova. The programme now covers all the twelve CIS countries. Besides identifying specific countries, the programme has also identified specific product groups for focussed approach, and has also called for an integrated approach involving all concerned institutions and agencies for enhancing bilateral trade and investment relations.

## Exim Bank's Initiatives

Exim Bank, the apex export financing institution in India, has in place a range of facilities and programmes to facilitate and catalyse trade with the CIS region. To boost bilateral trade, and in particular to enhance exports to the CIS region, Exim Bank has extended Lines of Credit (LOCs) to Vnesheconombank and Vneshtorgbank in Russia and Bank TuranAlem in Kazakhstan. Further LOCs are slated to be concluded with Sberbank, Russia, Government of Tajikistan



and Government of Azerbaijan (for a power project). In the Central and Eastern European region, Exim Bank also has in place LOCs to Romania, Hungary and Poland.

Exim Bank has tied up with the European Bank for Reconstruction and Development (EBRD) to promote India's exports to countries in the CIS, and Central and Eastern European region. Exim Bank has a framework co-operation agreement with EBRD to facilitate Indian participation in projects / programmes supported by EBRD, co-financing arrangements by Exim Bank in such projects, and partnership in EBRD's Trade Facilitation programme. Further, Exim Bank has launched a programme in association with EBRD to support Indian exports to 27 borrower countries of EBRD. The programme envisages a credit enhancement facility extended by EBRD to Exim Bank for confirmation of Letters of Credit (LCs) received by Indian exporters from pre-approved banks in the 27 EBRD countries.

To create an enabling environment for enhancing trade and investment cooperation, Exim Bank maintains institutional linkages with a number of key agencies in the CIS region, including Export-Import Bank of Russia, Vnesheconombank, Russia and UZBEKINVEST, the national Export-Import Insurance Company, Uzbekistan. These endeavours are integral part of the comprehensive linkages Exim Bank maintains in the CIS and Central and Eastern European region; Exim Bank also maintains linkages with Croatian Bank for Reconstruction and Development Bank (HBOR), Croatia; Czech Export Bank (CEB), Prague; Hungarian Export-Import Bank Ltd. and Hungarian Investment and Trade development Agency (ITDH), Hungary; Polish Agency for Foreign Investment (PAIZ), Poland; UNIDO Industrial Cooperation & Investment Promotion Service, Poland.

Exim Bank's joint venture company, Global Procurement Consultants Ltd., Mumbai has executed consultancy assignments funded by World Bank in Russia, Armenia and Georgia.

## Potential for Enhancing Trade and Investment Relations

The CIS countries are important trading partners for India, and efforts to enhance bilateral trade and investment relation would entail identification of potential items of

exports and imports, as also potential areas of investment.

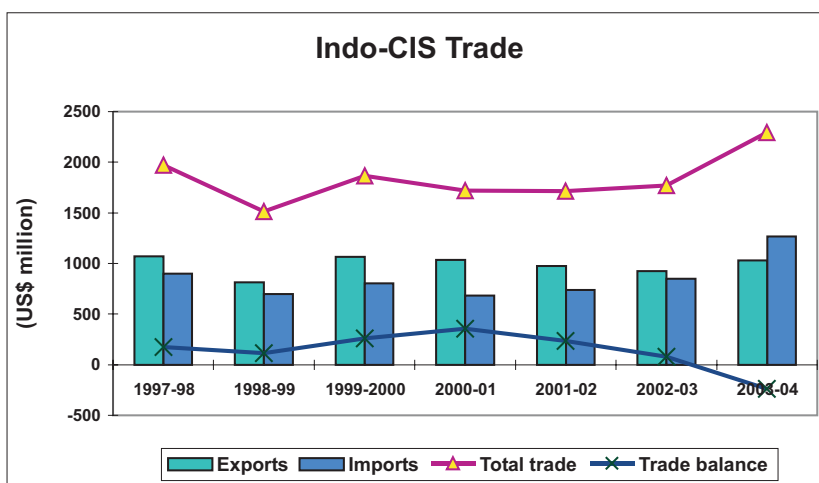
Towards this end, potential items of exports to countries in the region would include machinery and mechanical appliances; electrical machinery and equipment and parts; articles of apparel and clothing accessories; transport equipment, parts

and accessories; iron and steel; plastics and plastic articles; pharmaceuticals; sugar and sugar confectionary; medical or surgical instruments; articles of leather. At the same time, potential items of imports from the CIS region would include mineral fuels; fertilizers; paper and paperboard; organic chemicals; natural and cultured pearls.

The CIS countries also offer opportunities in terms of investment. Food processing, retailing, pharmaceuticals, information technology, textiles, oil and gas, power generation, infrastructure development, among others, hold potential for Indian investors. Indian presence in the CIS region, in terms of joint ventures and wholly owned subsidiaries is mainly in pharmaceuticals, readymade garments, textiles, plastics, leather products, insurance.

Besides participating in investment activities that are promoted by respective governments in the CIS region, focus could also be on multilateral agencies' funded projects, and participation therein. Multilateral funding agencies such as the World Bank fund a number of projects in the CIS countries in

sectors such as water, sanitation, flood control, health, power, education, industry and trade, and forestry. At the same time, efforts to participate in terms of project preparation and advisory services in such funded projects would serve to enhance India's commercial presence in the region.





# CIS-Economy

## Stability Spells Strong GDP Growth

**- Arijit Saraswati**

Manager, Export-Import Bank of India

Reflecting robust growth in most member countries, the CIS countries registered a combined strong GDP growth of 7.9% in 2003, up from a growth of 5.4% in 2002. Strengthened performance growth in 2003 was underpinned by a number of factors such as high oil prices, buoyant consumption and wage growth, and strong growth in investment in some countries. Continued robust economic trends in the CIS have been boosted to a large extent by the resilience of the Russian economy, as also improved macroeconomic stability and declining inflation. On the external front, the CIS countries have maintained surplus on the current account (amounting to 6.4% of GDP in 2003), primarily due to the strong surplus registered by the net energy exporters from the region.

Russia has continued to exhibit robust growth and resilience with high oil prices helping to sustain strong output growth and a large current account surplus. Real GDP growth strengthened from 4.7% in 2002 to 7.3% in 2003, and is expected to remain robust at 7.3% in 2004. Decline in inflation rate, from 15.8% in 2002 to 11.2% in 2003, has been accompanied by continued current account surplus, which amounted to 8.3% of GDP in 2003. Current account surpluses and private borrowing from abroad is expected to sustain appreciation pressures on the rouble despite capital outflows. A strong rouble and increase in administered prices should help slow down inflation further in 2005 and 2006. Build up of foreign exchange reserves and reduction in external indebtedness led Standard & Poor's to upgrade Russia sovereign debt in January 2004, while Moody's had raised all Russian sovereign debt to investment grade in October 2003.

In Ukraine, GDP growth increased to 9.4% in 2003 from 5.3% in the previous year, underpinned by strong domestic demand growth as also robust export growth. The industrial sector, and in particular manufacturing, continues to be the main driver of Ukraine's economic expansion. Manufacturing accounts for over three-quarters of industrial output, and remains by far the most dynamic segment of the industrial sector. During 2003, the manufacturing sector grew by 18% owing to continued domestic demand and favourable exports

conditions. Reflecting the country's improved access to international capital markets, Ukraine issued US\$ 600 mn in Eurobonds in February 2004, following the US\$ 1 bn in Eurobonds issued in 2003. The bond issues, in turn, have contributed to sharp build up in the country's foreign exchange reserves.

Strong domestic demand reflecting rising household consumption, and buoyant sales to Russia boosted Belarus' real GDP growth to 6.8% in 2003 as compared to that of 5.0% in 2002. Inflation registered a sharp slowdown from 42.6% in 2002 to 28.4% in 2003, and is expected to decelerate further to 19.5% in 2004, following tighter monetary policy, improved foreign exchange policies, a moderate inflation environment throughout the region, and recovery in external demand. Despite these improvements, however, inflation remains well above rates recorded elsewhere in the region.

In Kazakhstan, output growth remained robust at 9.2% during 2003, due to mainly the investment-led growth in oil sector production. Industrial output continues to be concentrated in key extractive industries, especially oil and gas sector, although large rise in output was also recorded in the textiles and construction material sector. Growth has also been boosted by increased demand from Russia, Kazakhstan's main export market for non-hydrocarbon products. During 2004, output growth is expected to remain strong at 9.0%, aided by surplus on the current account.

The CIS-7 countries, viz. Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan, have also generally maintained robust economic growth in recent years, supported by strong performance in the larger countries in the region. These countries, as a group, registered a real GDP growth rate of 7.2% in 2003, improving from 6.4% of 2002, with Armenia, Azerbaijan, Georgia and Tajikistan registering double-digit growth rates.

The robust 13.9% GDP growth registered by Armenia in 2003 was the second consecutive year of double-digit growth, with the construction sector making the largest contribution. Activity in the construction sector has been boosted by the completion of projects financed by the US based Lincy foundation, which has contributed around US\$ 170 million to the construction of residential housing and roads, and the



refurbishment of several cultural institutions in the country. During 2004, however, output growth is expected to slowdown due to conclusion of projects and sluggish domestic demand arising for limited access of private companies to affordable finance.

In Azerbaijan, output growth remained robust at 11.2% in 2003 as compared to a growth of 10.6% in 2002, boosted by high levels of FDI in the oil sector. The construction sector has also benefited from increased investment, owing to the need to build pipelines and other hydrocarbons facilities. Inflation rate remained moderate at 2.2% during 2003, although rise in prices of foodstuffs is expected to fuel inflation to 5.3% in 2004. FDI linked to continued oil and gasfield development would remain the major factor driving economic growth over the next year. During 2004, reflecting slowdown in oil production, GDP growth is expected to slowdown to around 9.1%, before accelerating to 11.4% in 2005 following the completion of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline.

Strong industrial sector growth coupled with buoyancy in the retail trade sector boosted overall growth in Tajikistan. Real GDP growth increased from 9.1% in 2002 to 10.2% in 2003. Tajikistan is diversifying its economy away from dependence on aluminium and cotton. Within the industrial sector, production of consumer goods rose by 13.5% indicating a pickup in domestic, while sharp growth in retail trade boosted services sector growth to 14.7% during 2003. Inflation, however, increased to touch 16.4% in 2003, well above the

target of 9%, due mainly to relaxation of monetary policy and sharp rises in food prices.

In Georgia, GDP growth accelerated to 11.1%, the fastest growth rate since 1997, fuelled by sharp increase in construction related to the Baku-Supsa oil pipeline. Agricultural sector growth rebounded in 2003, due to improved weather conditions and continued land reform, resulting in a doubling of grape production and boosting wine production which is one of Georgia's main exports and one of its most vibrant manufacturing sectors. Inflation rate slowed down to 4.8% in 2003 from 5.6% during the previous year.

In other countries of the region, buoyant domestic demand driven by remittances and strong export growth boosted GDP growth to 6.3% during 2003 in Moldova. Boosted by a recovery at the Kumtor gold mine, which offset the effects of poor agricultural harvest, Kyrgyz Republic's real GDP grew by 6.7% in 2003, although growth in 2004 is expected to slowdown to 5.5% in 2004 partly because of declining gold output. The performance of Uzbekistan remained depressed in 2003 with GDP growth slowing down to 1.5% compared to 3.1% recorded in the previous year. However, consumer price inflation declined sharply from 44.3% in 2002 to 14.8% in 2003 and is further projected to ease out during 2004-05. Higher oil and gas prices contributed towards higher exports from Uzbekistan, which improved the country's current account balance significantly.

**Table: CIS Countries - Real GDP, Consumer Prices & Current Account Balance**

Countries	Real GDP Growth (% change)			Consumer Prices (% change)			Current Account Balance (% of GDP)		
	2002	2003	2004P	2002	2003	2004P	2002	2003	2004P
<b>CIS</b>	<b>5.4</b>	<b>7.9</b>	<b>8.0</b>	<b>13.8</b>	<b>12.0</b>	<b>9.9</b>	<b>7.0</b>	<b>6.4</b>	<b>8.3</b>
Russia	4.7	7.3	7.3	15.8	13.7	10.3	8.9	8.3	9.9
Ukraine	5.3	9.4	12.5	0.8	5.2	8.3	7.5	5.8	10.2
Kazakhstan	9.8	9.2	9.0	5.9	6.4	6.8	-3.5	-0.2	2.1
Belarus	5.0	6.8	6.4	42.6	28.4	19.5	-2.6	-2.9	-3.6
Armenia	12.9	13.9	7.0	1.1	4.8	3.0	-6.6	-7.1	-5.9
Azerbaijan	10.6	11.2	9.1	2.8	2.2	5.3	-12.3	-28.3	-24.2
Georgia	5.5	11.1	8.5	5.6	4.8	5.8	-6.0	-7.5	-8.1
Kyrgyz Republic	-	6.7	5.5	2.1	3.1	4.5	-2.2	-2.3	-3.7
Moldova	7.8	6.3	5.0	5.3	11.7	10.7	-6.0	-9.3	-6.6
Tajikistan	9.1	10.2	10.0	12.2	16.4	7.2	-2.7	-1.3	-2.2
Uzbekistan	3.2	1.5	2.5	44.3	14.8	11.8	1.2	8.9	8.2.7

P - Projections

Source: World Economic Outlook, September 2004, IMF.



## Putin's visit gives fillip to tie-ups in hi-tech fields

The three day visit of Russia's President Vladimir Putin to India of from December 3 to 6, 2004 further strengthened ties between the two countries, especially in hi-tech fields.

Putin flew into New Delhi on December 3, his first in two years, to try to provide a new momentum to an old friendship by expanding business, energy and traditional military ties.

During his visit, Putin attended the fifth annual Indo-Russian Summit meeting with Indian Prime Minister Manmohan Singh. The two leaders signed a joint declaration and witnessed the signing of 11 agreements to push for stronger economic ties between the two countries, particularly in energy, banking, information technology, aviation and space.

Putin said he particularly supported better linkages between the two countries in the energy sector and investments by Indian entities in the oil exploration projects in his country and elsewhere.

Energy was high on Putin's agenda, particularly after Indian Petroleum Minister Mani Shankar Aiyar's recent visit to Russia. Projects being eyed by India include a stake in the Sakhalin-III oil and gas project.

India has invested 1.7 billion US dollars in the Sakhalin-I oil and gas project, its largest investment abroad, and is said to be considering another 1 billion-dollar investment in the Sakhalin-III project, the massive offshore project in

the Pacific Ocean.

Officials said that efforts are also being made to boost bilateral trade between the two countries, which currently stands at a little over one billion dollars.

In banking, Russia has identified eight banks for forging linkages with Indian banks such as the State Bank of India, Canara Bank and ICICI Bank, officials said.

The Russian president also supported India's bid for a permanent membership in the UN Security Council and sought New Delhi's support for becoming a member of the World Trade Organization (WTO).

"India is our candidate number one in terms of enlarging the geographical representation of the Security Council," Putin said when asked about New Delhi's long-standing desire for a permanent seat on the UN body.

India, in return, has backed Russia's entry into the World Trade Organization. Russia needs bilateral agreements with WTO members before it can join the global trade policy group.

On the last lap of his tour, Putin visited the country's hi-tech hub of Bangalore and the complex of aviation major Hindustan Aeronautics Limited in that city.

"India and Russia should work together on innovative new technologies. The younger generation should take the lead," he said.

New Delhi and Moscow share a strong friendship dating back to India's support of the former Soviet Union during the Cold War. About 70 percent of India's military equipment is of Russian origin. ...

## Ambassador Trubnikov - Man of Many Facets

The Ambassador of the Russian Federation to India, H.E Vyacheslav Ivanovich Trubnikov is a man of many facets. Born on April 25, 1944 in the city of Irkutsk, he graduated from the Moscow State Institute (University) of International Relations under the Ministry of Foreign Affairs of the then USSR in 1967. On graduation, Trubnikov joined the USSR foreign intelligence service. He has been in the diplomatic service since 1975. Trubnikov's first India posting lasted for three years from 1984 to 1987 at the USSR Embassy in New Delhi. Then he did another three years in the neighbouring Bangladesh till 1990 before being posted back in New Delhi.

Since 1992, Trubnikov held senior positions in the Foreign Intelligence Service of the Russian Federation. For four years (1996-2000), he had been the Director of the Foreign Intelligence Service of the Russian Federation. He was the First Deputy Minister of Foreign Affairs from 2000

to 2004. In 2004 Trubnikov was appointed Ambassador of the Russian Federation to India. Besides, he holds the military rank of General of the Army.

Trubnikov was also an academician from the Russian Academy of Natural Sciences and a member of the Journalists' Union of Russia. He is happily married, and has a daughter.

Among the foreign languages, Trubnikov is proficient in English and Hindi. ...



# Reforms put CIS-7 on recovery path



***The CIS-7 Initiative, launched in April 2002, was designed to increase donor awareness about the problems of the seven countries, namely, Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan, and Uzbekistan and to enhance donor and country coordination. This article presents a review of recent trends and developments in the seven low-income countries of the Commonwealth of Independent States (CIS), with focus on growth and poverty, external debt and fiscal sustainability, governance, the business climate and regional cooperation. It also details donor activities in support of reforms in these countries.***

Following the break-up of the former Soviet Union, Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan (the Low-Income CIS-7 countries) faced a triple challenge to build new states, democratic institutions, and market economies.

It has become clear that the CIS-7 countries and the international community underestimated the impact of the break-up of the Soviet Union and the complexity of the transition challenges facing these countries. The structural rigidities turned out to be more serious, while the political will of the governing parties to proceed with radical reforms has at times been weak.

The magnitude of the initial shocks experienced by the small CIS countries after the breakdown of the Soviet Union through the adjustment of export/ import prices to world levels and loss of fiscal transfers proved to be much greater and had longer-term negative implications than initially thought. As a result of this and many other factors, such as the landlocked geographical location of these countries, disruption of business relations with established CIS partners, weak institutions etc., the CIS-7 experienced a sharp collapse of GDP during the first half of the 90s.

## Collaborative Effort

In recognition of this situation, the CIS-7 countries, bilateral donors, neighboring countries and four international financial institutions (IFIs) have come together to launch a

collaborative international effort to enhance the economic growth and poverty reduction prospects of the CIS-7 through greater ownership of development and reform efforts in the individual countries, with the continued strong support of the international community.

**The main objective of the Initiative is to assist the CIS7 implement the Poverty Reduction Strategies through:**

Stronger reform efforts on behalf of the CIS7. The key areas that are expected to have a robust impact on growth and poverty reduction and, therefore, should be targeted by the CIS7 are:

- improving the business and investment climate, especially for small- and medium-sized enterprises;
- reducing serious spending distortions to ensure that social services and safety nets are efficient and adequately financed;
- maintaining macroeconomic stability;
- pushing forward on structural reforms, especially in energy and in financial sectors.
- Increased knowledge and partnerships support, as a key to enhancing the development prospects of the CIS7. A set of seminars and events is planned in order to help countries articulate and develop the needed reforms, focusing on the areas enumerated above.
- Improved regional cooperation. The CIS7 countries are



encouraged to increase their coordination and cooperation efforts especially in the area of trade, energy and water sharing.

- Continuous support by international community of the reform efforts of the CIS7, including in the form of debt relief (if needed), greater access to western markets, continuous concessional support of bilateral and multilateral institutions.

### Transition Challenges

During the past ten years, considerable progress has been made in most CIS-7 countries towards meeting the transition challenges. In some cases, the reforms have been implemented inconsistently, which affected the ability of the economies to recover at a faster pace. As a result, living standards of the population have declined sharply, and the unfinished agenda remains substantial. The urgency of the situation is shown by the large number of people living in extreme poverty (nearly 20 million across this group of countries as a whole or about 35% of the total population). Overcoming poverty and the other remaining challenges is vital both for the countries themselves, and for peace and security in the region.

During the two-year period, 2001-03, the CIS-7 countries experienced an annual real GDP growth, averaging over 7.0 per cent, which has erased some of the income losses sustained in the first decade of transition and helped reduce poverty.

The economic growth of the CIS-7 has been driven by robust export performance. The debt sustainability indicators have improved. Most countries have also significantly improved their fiscal performance and have strengthened their public finance institutions. However, developments in many structural areas (e.g., business climate, governance, core public service delivery and trade facilitation) have been mixed, and most countries still face serious challenges. Regional cooperation received an initial boost from the global war on terror, but has progressed more slowly than expected due to lukewarm political commitment in the countries and their larger neighbours.

### Reforms

Reform progress and macroeconomic performance have been increasingly divergent among the seven countries. Some countries need to take substantial further steps to secure the benefits offered by the international community, either by establishing reform track records to unlock official debt relief or by addressing poor investment environments, trade barriers, and governance concerns, so as to attract foreign investment and spur export-led growth.

Significant regional barriers to growth and prosperity remain in a number of cases. While there remains some commonality in the problems faced by the CIS-7, notably the need to deepen structural reforms, address governance deficiencies, and implement poverty reducing policies it is apparent that

key issues facing them today have regional specificities that can be better addressed through regional initiatives. These issues include the need to resolve regional and sub-national conflicts, which have imposed high costs and undermined progress, as well as persistent problems affecting regional trade, transit, investment and the environment.

In the two years since the Initiative was launched, donor awareness and coordination for the benefit of the countries have become demonstrably stronger, and donors have responded with debt rescheduling and more concessional assistance. Knowledge creation, cross-country dissemination, and enhanced capacity building are supported by a growing range of donor-assisted activities. With donor and cross-country cooperation increasingly being focused at the sub-regional level, and given the growing divergence in policies and performance of the CIS-7, several of the countries would like to move beyond the Initiative.

Sub-regional efforts recently show signs of promise in Central Asia, while Moldova is being drawn into the EU's Wider Europe Initiative. Clearly, the South Caucasus would benefit considerably from improved relations among the three countries, and the international community is expected to focus much more on fostering such relations. In any event, the IFIs will continue to work with all seven countries to define new modalities of cooperation on specific issues, involving sub-regional vehicles as appropriate.

Going forward, improvements in regional relations and accelerated reforms will be important to counter the expected easing in GDP growth in the CIS-7.

The Initiative brings together the CIS-7 countries that are the focus of the Initiative, the four sponsoring organizations: ADB, EBRD, IMF and IDA (WB) and a group of bilateral creditors/donors. The latest includes countries that have provided financial assistance to the CIS 7 over the last decade and are interested in continuing their support. Currently 24 countries participate in the CIS 7 Initiative and in addition 6 organizations/countries hold the observer title.

### Multilateral organizations - sponsors

Asian Development Bank, European Bank for Reconstruction and Development, International Development Association and World Bank International Monetary Fund

### Initiative Partners

Canada, China, European Commission, France, Germany, Islamic Development Bank, Italy, Japan, Mongolia, The Netherlands, OECD, OSCE, Russian Federation, Switzerland, Turkey, Turkmenistan, the UNDP, the United Kingdom and the United States.



# First Step in building 'Economic Union'

## A Free Trade Zone within CIS

Foundation of the Commonwealth of Independent States (CIS) created a qualitatively new system of interstate relations between independent states in the sphere of foreign economic links. The development of foreign trade on the basis of bilateral intergovernmental agreements on free trade, signed in 1991-1993, featured the peculiarities of the system.

In 1994 the CIS countries took measures aimed at transition to multilateral regime of the free trade on the basis of a corresponding Agreement on establishment of a free trade zone. But the CIS countries failed to set up and agree on a multilateral list of exits from the free trade regime, stipulated by the Agreement. That is why the 1999 Protocol on entering amendments and supplements to the Agreement on establishment of a free trade zone stipulated, that the exits from the free trade zone regime, being of a temporal character, may be applied on the basis of bilateral documents.

The said Agreement and Protocol replace the existing bilateral free trade zone regime by a multilateral one. Now in foreign trade operations on customs territories of the countries - parties to the free trade zone agreement the unified rules will be applicable, which will create favorable conditions for free movement of commodities and services, for growth of mutual trade, development of mutually beneficial cooperative links. The prospect of establishment of the CIS common market becomes a reality.

A free trade zone is the first stage in building the CIS Economic Union. But in the process of its formation we will have to pass through several stages, interacting in the following directions. In particular in:

- Elimination of obstacles for free movement of commodities and services (cancellation of customs fees, as well as equivalent taxes and fees, qualitative restrictions and other obstacles);
- Establishment and development of an effective system of mutual accountancy and payments in trade and other kinds of operations;
- Cooperation in the conduct of trade and economic policy for implementation of the Agreement on a free trade in the field of industry, agriculture, transport, finances, investments, social sphere, as well as in development of fair competition etc.;
- Facilitating the intersectoral and intrasectoral cooperation and scientific and technical cooperation;
- Harmonization and unification of legislation of the countries-parties to the Agreement to the extent which is necessary for a proper and effective functioning of the free trade zone.

Specification of measures on establishment of a free trade zone can be found in the Plan-Schedule of implementation of proposals on establishment and functioning of the free trade zone, adopted by the CIS Council of Heads of State on 21 June 2000 and in the Plan of measures for realization of the Program of actions for development of the Commonwealth of Independent States for the period up till 2005, adopted by the CIS Council of Heads of Government on 20 June 2000.

The first of the above documents specifies the priority measures for establishment of a free trade zone, which stipulate the implementation of internal state procedures regarding the entering into force of basic documents, regulating the functioning of the free trade zone; elaboration of concrete proposals, including the elaboration of additional interstate legal acts on functioning of the free trade zone; information support for establishment and functioning of the free trade zone.

The second document, which is of a middle-term character, stipulates:

- Preparation and signing of a number of intergovernmental agreements and documents, which would facilitate creation of conditions for free movement of services, capitals, workers, insurance of their free transit, settlement of problems, relating to non-payments, effective functioning of transport corridors;
- Establishment of specific important segments of the free trade zone - private business, multilateral production cooperation, investments;
- Development of markets for specific kinds of products;
- Joint participation in implementation of major economic projects;
- Raising competition abilities of products etc.

It is necessary to take into consideration the fact, that the movement of each of the countries towards full-fledged free trade zone is not homogeneous due to existing differences in economic potentials, degree of reformation of economies, internal and external conditions for economic development. Therefore, alongside with the agreed directions of movement there will be a specific time-table of establishment of the free trade zone for each of the CIS countries.



# Indo-Russian Bilateral Relations

## A Tried & Tested Friendship

Indo-Russian relations are civilisational and time-tested. These have traditionally been based on continuity, trust and mutual understanding. The importance attached to them cuts across party lines in India and is not subject to political vicissitudes. There is a national consensus on the need for a strong and stable relationship with the Russian Federation. A similar consensus exists in Russia on close and friendly ties with India. The 100<sup>th</sup> anniversary of the opening of the Russian Consulate General in Mumbai was commemorated on November 22, 2000.

After the disintegration of the USSR and the emergence of Russia as an independent State, Russia declared itself to be "State-continuator" of the erstwhile USSR. India recognised Russia as the successor-State to the former Soviet Union. India's relations with the Russian Federation are multi-faceted and encompass different sectors including political consultations, economic and commercial relations and cooperation in trade and economy, science and technology, culture, education and defence. It is significant that India and Russia are the world's largest democracies, India in terms of the size of the population and Russia in terms of its size.

In the new Foreign Policy Concept released by Russian Federation on July 10, 2000, it has been stated that one of the crucial directions in the Russian foreign policy in Asia will be to develop friendly relations with the leading Asian states including India. It further states that Russia intends to strengthen its traditional partnership with India, including in international affairs.

### Exchange of visits - an overview

There have been a large number of important visits/bilateral contacts between India and the Russian Federation. At the level of President/PM/EAM, these include: EAM's visit to Moscow in November 1991; Russian President Yeltsin's State visit to India in January 1993; PM's visit to Russia in June-July 1994; Russian PM Chernomyrdin's visit to India in December 1994; EAM's visit to Moscow from May 8-10,

1995 to participate in the Victory-Europe Day celebrations; EAM's visit to Russia from August 3-6, 1995; Russian FM Primakov's visit to India on March 29-30, 1996; EAM's visit to Russia from February 9-13, 1997; PM's visit to Russia in March 1997; Russian PM Primakov's visit to India in December 1998, EAM's visit to Moscow in May 1999 as well as in June 2000; President Putin's State Visit to India in October 2000; Foreign Minister Igor Ivanov's visit to India in May 2001; Raksha Mantri/EAM's visit in June 2001; PM was on a State Visit to Russia from November 4-7, 2001; and Foreign Minister Mr. Igor Ivanov visited India from February 3-4, 2002. Russian Minister of Industry and Science & Technology Mr. Ilya Klebanov visited India on 21-22 November 2002 to hold the Inter-Session Review Meeting of the Indo-Russian Inter-Governmental Commission, which is co-chaired from the Indian side by EAM. President Putin visited India in December 2002.

### Agreements

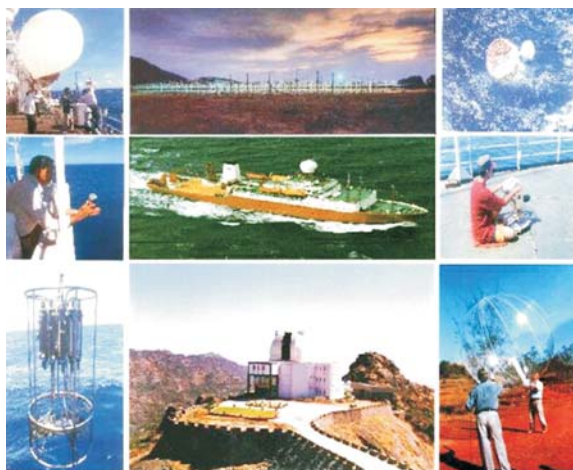
More than 80 bilateral documents have been concluded between India and the Russian Federation since 1992 to give the necessary politico-legal basis to our relations.

### Indo-Russian Strategic Partnership

A Declaration on Strategic Partnership between the Republic of India and the Russian Federation was signed during the State Visit of President Putin to India in October 2000. This is a document of cardinal significance and marks a new step forward in the elaboration of the principles of our bilateral relations. It lays down the broad contours of bilateral relations between India and the Russian Federation in the 21<sup>st</sup> century.

### Parliamentary Contacts

Parliamentary cooperation constitutes an important facet of Indo-Russian ties and helps forge contacts across the political spectrum of both the countries. A Charter of the India-Russia Inter-Parliamentary Commission was signed in Moscow in November 1998. Speaker of





the State Duma of the Russian Federation, Mr. Gennady Seleznyev, visited India from February 29- March 2, 2000. During the visit, the first session of the Indo- Russian Inter-Parliamentary Commission was held.

## Defence Cooperation

Bilateral defence cooperation between India and Russian is limited not only to procurement but also covers areas like joint research and development and service to service cooperation. During the visit of President Putin to India in

on a commercial basis. The flight of Sqdn Ldr Rakesh Sharma, the first Indian in space, was from the Salyut Space Station in the USSR. The Agreement on the supply of cryogenic engines from Russia is being satisfactorily implemented.

## Atomic Energy

An Inter-Governmental Agreement on the construction of a 2x1000 MW Nuclear Power Station in India was signed between then Prime Minister Mr. Rajiv Gandhi and then Soviet President Mr. Mikhail Gorbachev in November 1988. The Supplement to the 1988 IGA was signed in New Delhi on June 21, 1998. A contract for the preparation of a Detailed Project Report (DPR) for the Kudankulam project was signed in Moscow on July 20, 1998. Project Report on the Kudankulam Nuclear Power Plant (KNPP) has been completed. The MOU for the Construction of the Plant was signed during PM's visit to the Russian Federation. A Memorandum of Understanding in the Peaceful Uses of Nuclear Energy was signed during the visit of President Putin to India in October 2000.

## Regional Cooperation

Strengthening of co-operation between the regions of the Russian Federation and the States and Union Territories of India has been identified

October 2000, an Agreement was signed on the establishment of an Inter Governmental Commission for Military Technical Cooperation (IGCMTC). The first session of the IGCMTC was held in Moscow from June 4-6, 2001 and the second session was held in New Delhi from February 6-8, 2002.

Mr. George Fernandes, the then Defence Minister, paid an official visit to the Russian Federation from April 10-13, 2002. He held detailed discussions on Indo-Russian defence cooperation with Russian Defence Minister Mr. Sergei Ivanov. Mr. Fernandes called on Russian Prime Minister Mr. Mikhail Kasyanov. He also had separate meetings with Chairman of the Indo-Russian Inter Governmental Commission for Military-Technical Cooperation Mr. Ilya Klebanov and Minister of Foreign Affairs Mr. Igor Ivanov.

## Space

India has had extensive cooperation in space with the former USSR. The Soviet side assisted India in the setting up of the Thumba Equatorial Rocket Launching Station and the launching of Indian experimental satellites Aryabhata, Bhaskara 1 and Bhaskara 2. The Indian remote sensing satellites IRS-1A/1B were launched by Soviet launch vehicles



as important element of our bilateral relations. In line with this understanding, the Governor of Samara Region Mr. Konstantin Titov visited India from 26 February - 2 March, 2002. This was the first visit to India by a Regional Governor from the Russian Federation after the signing in October 2000 of the umbrella Agreement between the Government of the Republic of India and the Government of the Russian Federation on the Principles of Cooperation between the Governments of the States and Union Territories of the Republic of India and the Bodies of Executive Authority of the Constitutional Entities of the Russian Federation.

## Other areas of cooperation

There is also active cooperation between the National Security Council of India and the Security Council of the Russian Federation, the Election Commissions of the two countries, the Comptroller and Auditor Generals of India and the Russian Federation and the Judicial authorities of our two countries.

## Trade

Bilateral trade is presently based on payment in freely-convertible currencies, also providing for arrangements such as barter, counter-trade, buy-back etc. Approximately 80% of the trade is on rupee repayment track. Present level of trade is not commensurate with the true potential, even though the total trade turnover showed an upward trend during the year 1999-2000 when it grew by 28.75%. However, trade turnover once again declined by 6% during the year 2000-01 to US\$ 1.4 billion compared with 1999-2000. While exports in Rupee terms fell by 1.28% (6.36% in Dollar terms), the decline in imports was 13.18% (17.65% in Dollar terms). During 2001-02, trade turnover was US\$ 1.33 billion, a fall of 4.31% compared to previous year.

Following are the DGCI&S trade figures:

Rs. billions (in brackets in US\$ billion)

Principal Indian exports to Russia are drugs and pharmaceuticals, tea, coffee, rice, leather and leather products, food products, processed minerals, cotton yarn fabric, etc.

Principal Indian imports from Russia are fertilisers, newsprint

Year	Indian Exports	Indian Imports	Turnover	% Change in Rs. Figures
1998 -99	29.85 (0.71)	22.95 (0.55)	52.80 (1.26)	(-) 9.45%
1999 -00	41.22 (0.95)	26.76 (0.62)	67.98 (1.57)	(+) 28.75%
2000 -01	40.54 (0.88)	23.44 (0.51)	63.98 (1.39)	(-) 5.88%
2001 -02	37.87 (0.79)	25.58 (0.54)	63.45 (1.33)	(-) 4.31%

and paper products, iron and steel, non-ferrous metals, organic chemicals, etc.

## Inter Governmental Commission

An Inter-Governmental Indo-Russian Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation was established in May 1992. The current Chairmen of the IRIGC are the External Affairs Minister Mr. Yashwant Sinha on the Indian side and Mr. Ilya Klebanov, Minister of Industry, Science & Technology, Government of the Russian Federation, on the Russian side. Eight Sessions of the IRIGC have been held so far, the last one being in Delhi in February 2002. 12 Working Groups covering different spheres have been established within the framework of the Commission on: (i) Trade and Economic Cooperation; (ii) Power and Non-Conventional Sources of Energy; (iii) Petroleum (Oil Industry); (iv) Ferrous and Non-Ferrous Metallurgy; (v) Science and Technology; (vi) Culture; (vii) Coal; (viii) Information Technology; (ix) Environment and Natural Resources; (x) Pharmaceuticals; (xi) Cooperation between Regions; and (xii) Cooperation in Civil Aviation. There are 11 Sub Groups under various Working Groups.

The Co-Chairmen of the IRIGC also meet regularly during the Inter-Session period to review the implementation of the various agreements arrived at during the previous session of the IRIGC. Mr. Ilya Klebanov, then Deputy Chairman of the Government of the Russian Federation, visited India for the 8<sup>th</sup> Session of the IRIGC in New Delhi on February 7, 2002. This was co-Chaired by then Finance Minister Mr. Yashwant Sinha and Mr. Ilya Klebanov.

The Inter-Session Review Meeting of the IRIGC was held on 22 November 2002. The meeting was co-chaired by Mr. Klebanov and EAM Shri Yashwant Sinha. The two sides decided to expand cooperation in trade of high value and hi-tech items, as also to increase inter-banking cooperation to facilitate trade and economic ties.

## “North-South” Transport Corridor

An Inter-Governmental Agreement on International North-South Corridor between India, Iran and the Russian Federation was signed in St. Petersburg on 12 September, 2000. This has been ratified by all the three signatory states

and came into force on 16 May, 2002. The Agreement will facilitate easier movement of goods along the corridor connecting India through the sea route to Iran and then via the Caspian Sea to the Russian Federation and beyond. This new initiative is expected to reduce transit time and cost of transportation of goods to the Russian Federation and European countries.

## ITEC

Russia became an Indian Technical and Economic Cooperation (ITEC) partner country in 1993. Since 1993, a total of 284 Russian nominees have availed of ITEC courses in various faculties.

## Science and Technology

Our extensive cooperation in the field of science and technology is proceeding well. There is interest in both the countries for further intensification of cooperation in the field of science and technology. The Integrated Long Term Programme of Cooperation in Science and Technology (ILTP) was signed between India and USSR in July 1987. It was decided (April 1992) to convert the ILTP from Indo-



Soviet to an Indo-Russian Programme. An Agreement to extend the ILTP by a further 10 years until 2010 was signed during the visit to India by President Putin.

There is an Indo-Russian Center for Advanced Computing Research at the Institute for Computer Aided

Design (ICAD) of the Russian Academy of Sciences in Moscow. The Centre has acquired C-DAC's latest PARAM 10000 supercomputer, which will be used for development of various software applications of mutual interest.

## Culture

India's most extensive cultural cooperation programme is with the Russian Federation. Cultural, academic, scientific, educational, sports and other exchanges are being actively promoted under the various sections of the Culture Exchange Programmes (CEP). Under the CEP, the "Days of Russian Culture" were organised in India from December 1-15, 1995 and the "Days of Indian Culture" were held in Russia from September 16-28, 1996. "Days of Moscow" in Delhi were held from September 23-27, 1998. "Days of Delhi" in Moscow were held from October 26-30, 1999.

Exchanges have also been taking place on a regular basis between academics and scholars of the two countries. To increase Russian interest in Indian culture at the regional level, "Days of India" are being organised in various Regions

of Russia. Under its auspices, a series of Indo-Russian Seminars "India-Russia: Perspectives in the New Century", and an exhibition on "the History and Activities of Parliament of India" are also being organised in various cities of Russia by the Indian Embassy along with the Institute of Oriental Studies, Moscow.

A Mahatma Gandhi Chair of Indian Philosophy was formally inaugurated on February 16, 1999 at Institute of Philosophy, Russian Academy of Sciences. The establishment of the Chair has given a fresh impulse to Indian studies at the Institute and has facilitated further strengthening and expansion of our bilateral relations with Russia.

MOUs to set-up Chairs at the following Institutes of the Russian Federation were signed during the PM visit in November 2001: (i) India Centre of the Institute of Oriental Studies, Moscow; (ii) School of International Relations of the St. Petersburg State University; (iii) Kazan State University, Tatarstan; and (iv) Far Eastern State University, Vladivostok. These Chairs have started functioning from 2001-02.

A Hindi-Russian Dictionary website was launched on the Internet on 24 May 1999 by EAM during his visit to the Russian Federation.

## UN Security Council Expansion

Russia has been supportive of India's candidature for permanent membership of the UN Security Council. Such expressions of support have been repeatedly voiced by the Russian leadership at the highest political level.

## International Terrorism

India and Russia consider the growing menace of international terrorism, extremism, ethnic separatism, trans-border organised crime and drug trafficking as a significant threat to international peace and stability. Both sides have underlined the importance of joint efforts for establishing solid international legal basis for cooperation in combating international terrorism including through the adoption of the Comprehensive Convention on International Terrorism and the Convention for the Suppression of Acts of Nuclear Terrorism.

India resolutely condemned the hostage crisis in Moscow in October 2002 and stated that outside forces were often involved in such terrorist acts. Our Prime Minister wrote a letter to President in which he expressed concern on the cowardly terrorist act and solidarity and sympathy of the Government and people of India. After the crisis was resolved, our Prime Minister spoke to President Putin and conveyed India's heart-felt sympathies to the families of those who died in the tragedy and stated that they had joined thousands of others who had become victims of international terrorism.

...



## For Comprehensive economic co-operation

# Indo-Russian Study Group on the Cards

Union Minister of Commerce & Industry Kamal Nath has proposed the setting up of a Joint Study Group on a possible Comprehensive Economic Cooperation Agreement between India and the Russian Federation with a view to enhancing bilateral trade and economic relations.



Russia's Deputy Prime Minister Alexander Zhukov welcomed the proposal mooted by Kamal Nath during an hour-long meeting with the Russian delegation in New Delhi recently and said that such an expert Group would impart a fresh impetus to trade between India and his country.

Recalling the strong trade ties that India traditionally had with Russia, Shri Kamal Nath called for substantive steps to reverse the declining trend in the volume of trade between the two countries and urged Russia to step up its imports of tea, tobacco and manufactured goods from India.

Zhukov suggested the establishment of joint ventures in Russia based on tobacco sourced from India. Shri S.N. Menon, Commerce Secretary, was present at the meeting along with Shri Kawal Sibal, India's Ambassador to Russia and other senior officials.

Mr. Zhukov, who is in India ahead of the forthcoming visit of President Putin, said that Russia hoped to become a member of the World Trade Organisation (WTO) by 2005 and would be keen to cooperate with India in the WTO.

During the discussions, Kamal Nath flagged the issues relating to the high duty differential on import of bulk and packaged tea which discouraged export of quality package tea to Russia and the grant of Geographical Indication (GI) status for Darjeeling tea. The differential duty structure was meant to be

temporary and hence, India has been seeking its revocation. The issue of GI for Darjeeling tea is being pursued with the Russian side during the ongoing negotiations for their accession to the WTO.

Kamal Nath conveyed India's concern over dwindling tobacco exports to Russia, especially since Russia had traditionally been the single largest overseas market for Indian tobacco.

The potential for cooperation in diamonds was also discussed as India is the largest processing centre for rough diamonds, while Russia is one of the world's largest producers of rough diamonds.

The Russian side expressed concern over anti-dumping investigations in India against certain goods of Russian origin and requested recognition of market economy status for Russia for anti-dumping purposes. Shri Kamla Nath allayed the apprehension expressed by Mr. Zhukov by pointing out that no anti-dumping investigations had been initiated involving Russia by the Directorate General of Anti-Dumping (DGAD) since November 2003 and hence, the concern on this account was not based on any specific decision of the DGAD.

India's exports to Russia amounted to US \$ 708.68 million in the year 2003-2004, showing a decline of 0.66 % compared to 2002-2003, while imports from Russia stood at US \$ 959.51 million.



# BrahMos

- Symbol of Indo-Russian Might



BrahMos. Does it sound as mysterious as Cosmos? Yes, it should. BrahMos is a deadly supersonic anti-ship cruise missile jointly developed by Russia and India. BrahMos was successfully launched on November 3. The cruise missile, capable of destroying targets at the range of up to 300 km was launched from the Indian combat ship, Rajput on the Bay of Bengal, near the coast of India's eastern state of Orissa.

The missile derives its name from the combination of initial letters of two great rivers from both countries - the Brahmaputra and the Moscow - their running and swirling waters exuding energy, power and movement.

Since 2001, India has conducted six successful test launches of the missile. The first test launch of the missile was conducted on June 12, 2001 from the Chandipur-on-sea test site of the Indian Navy.

Experts from the Indo-Russian joint venture and scores of sub-contractors - laboratories, institutes and firms of both countries -- participated in the development of the missile.

According to military experts, the BrahMos cruise missile, equipped with liquid (propellant) ram jet system, is 2-3 times faster than subsonic missiles. It is very effective for coastal defense and designed to hit both combat ships and landing vessels. The missile can be also launched from land-based mobile launchers.

Technical characteristics of the missile allow it to attack surface targets from altitudes of 10 meters to 14,000 meters. Nine meters long and weighting 3,000 kg, it is capable of carrying warheads of up to 300 kg.

Experts also highly praise its supersonic speed at all stages of the flight and the capability of utilizing a variety of flight trajectories, covering 360 degrees.

The BrahMos, a derivative of the Yakhont, was developed by a joint-venture between India's Defence Research & Development Organization and Russia's NPO Mashinostroyeniya. Registered in December 1995, the company was set up as a result of an inter-governmental agreement between Russia and India, eventually signed in February 1998, to design, develop, produce and market a supersonic cruise missile jointly.

India and Russia plan to begin the induction of the jointly-developed BrahMos supersonic cruise missile into their armed forces by the end of 2003. However, according to some reports military officials believe it is several years away from induction into the navy or the air force.

The BrahMos missile is a two-stage vehicle that has a solid propellant booster and a liquid (propellant) ram jet system. This technological achievement places India among a small group of countries to acquire the capacity of producing cruise missiles.


What, however, makes the jointly produced cruise missile distinguishable from others is that it travels at a supersonic speed i.e. more than twice the speed of sound. Almost all other contemporary anti-ship missiles fly at subsonic speed. Its other distinguishing feature is that the Indo-Russian cruise missile is a state-of-the-art product.

Its unmatched speed is its high point, making it invincible. The supersonic speed imparts it a greater strike-power as well. Possessing stealth characteristics, the 6.9-meter cruise missile weighing three tons has a range of 280 km.

Its another outstanding feature is that it is highly accurate and can be guided to its target mainly with the help of an onboard computer. This has been established by the test-flight. The computer and the guidance system have been designed by India whereas Russia has provided the propulsion system.

...





# Investment in Armenia

## Smallest of CIS holds Brightest Hope

-Deepak Vohra

-Deepak Vohra

Commercial relations between India and Armenia date to the medieval period, the first recorded visit being that of Armenian trader Thomas Cana who reached the Malabar Coast in 780 AD. In the 16th century, Armenian communities emerged in Kolkata, Chennai, Mumbai and Agra. In the Soviet era, Armenia (the smallest of the Soviet Republics and the most industrialized) was an important market for Indian products like medicines, textiles, garments, leather goods and light industrial items.

India's trade with independent Armenia remains insignificant despite a Trade Agreement. According to the National Statistical Service of Armenia, bilateral trade in 2003 was US\$ 6 million, most of it (US\$ 5.97 million) being Indian exports of foodstuffs (essentially meat), electrical equipment, car batteries, optical equipment, plastics, pharmaceuticals and other chemical goods. Since 2003, Indian sugar, rice and cars are coming in. Armenia's exports consisted of non-ferrous metal scrap and raw rubber.

The growing but still low volume of direct bilateral trade is probably due to unfamiliarity with each other, the blockade on the eastern and western borders by Azerbaijan and Turkey (leading to much higher transportation costs) and import of Indian goods from Moscow or Dubai which are not reflected as Indian exports.

To promote bilateral trade and investment, the Indian Embassy, which focuses on commercial issues, has formulated a non-exclusive “four plus one” policy of sector-specific cooperation. The four sectors in which Armenia seeks India's assistance are small and medium industries (including light engineering), Information Technology, agriculture, and science and technology (including health), while the plus one” is investment by Indian companies in export-oriented industries in Armenia.

## Business-related Agreements signed

- ## 1. Agreement on Trade and Economic Cooperation - New Delhi, March 1993

2. Treaty of Friendship and Cooperation New Delhi, Dec 1995
3. Agreement on Economic and Technical Cooperation New Delhi, Dec 1995
4. Air Services Agreement - New Delhi, Dec 2002.
5. Agreement on the Intergovernmental Commission on Trade, Economic, Scientific and Technological, Cultural and Educational Cooperation - Yerevan, July, 2001
6. Agreement between the Bureau of Indian Standards and Department for Standardisation, Meteorology and Certification of Armenia in Standardization, Certification and Accreditation - Yerevan, July 2001
7. Bilateral Investment Promotion Agreement New Delhi, May, 2003
8. MoU between FICCI and Union of Businessmen and Manufacturers of Armenia (UMBA) New Delhi, May 2003
9. Agreement on Avoidance of Double Taxation, New Delhi, October 2003
10. MoU of Cooperation on Information Technology, New Delhi, October 2003
11. MoU between Confederation of Indian Industry and Chamber of Commerce and Industry of Armenia, Yerevan, October 2004

## Information Technology (IT)

IT is one of the fastest growing sectors of the economy, and the only one to receive special treatment. Some 50 domestic and 15 foreign software companies presently operate in Armenia, including Leda Systems and Heuristics Physics Labs Inc. Some American-Armenians have already established incubators to service US-based clients. Armenia seeks to position itself as a provider of IT enabled services in niche areas.

In July 2000 the Armenian Minister of Industry and Trade wrote to EAM seeking India's assistance in promoting



information technology, especially IT administration and legislation, as well as in setting up technology parks. In May 2002, the US Embassy in Yerevan offered to fund (USAID) a visit by Indian experts to explain the Bangalore concept to Armenia. India participated in an EU-sponsored international conference of Information Technology on "E-development for Caucasus region" in Yerevan in April 2002. The India-Armenian Inter-governmental Commissions (July 2001 and May 2003) stressed the importance of cooperation in this area. An MoU on cooperation in Information Technology signed during the Armenian President's visit in October 2003 provides the framework for bilateral cooperation. Additional Secretary, Ministry of Communications and Information Technology visited (privately) Armenia in April 2004 and during informal meetings Armenian side expressed great interest in a Centre for Excellence in Information technology with Indian assistance.

Under a World Bank funded project in 2002, MDP Consultants, New Delhi worked (unsuccessfully) on Integrated Financial Systems Management software for the Armenian Treasury. NIIT has explored opportunities to set up its training operations in Armenia.

At the initiative of the Embassy, the World-Bank funded Enterprise Incubator Foundation of Armenia (estd April 2002) is in touch with NASSCOM to explore possibilities for placement of Armenian ICT entrepreneurs in successful Indian companies for internship purposes.

## Industry

Armenia was possibly the most industrialized of the former Soviet Republics, producing a range of light and heavy industrial goods (automotive equipment, machine tools, power plants, forklift trucks, lathes etc.) for the other Republics and for Eastern Europe. The implosion of the Soviet Union and the collapse of its assured markets saw a dramatic reduction in capacity utilization. The machine tools industry, for example, operates at 8-10 per cent of its capacity. Aware of the near impossibility of reviving the heavy industrial sector, the Government focuses on small and medium industry (in October 2002, the President of Armenia referred to an army

of small and medium entrepreneurs in Armenia) that, during the Soviet era, contributed some 30 per cent of state revenue. Following an ITEC funded visit to India in February 2003 by the Director and Deputy Director of Armenia's Small and Medium Entrepreneurship Development National Centre, we hope to arrange an exhibition of small and medium industries from India in Yerevan in 2005.

Diamond cutting and polishing (some 30 companies) contributes a fifth of Armenian exports. Raw diamonds were being imported from Russia at preferential prices (under a five-year quota system) and re-exported after value addition. However, following price "liberalization" by the Russian company Alrosa, Armenian factories are importing from wherever they can. In March 2004, an Indian diamond exporter made the first export of cut and polished diamonds to Armenia.

The Armenian textile sector offers some possibility for bilateral cooperation, since garments manufactured in Armenia enjoy duty and quota free access to CIS, and quota free access to Europe and North America.

## Agriculture

Agriculture contributes approximately a quarter of Armenia's GDP. Some 38 milk-processing enterprises produce 320,000



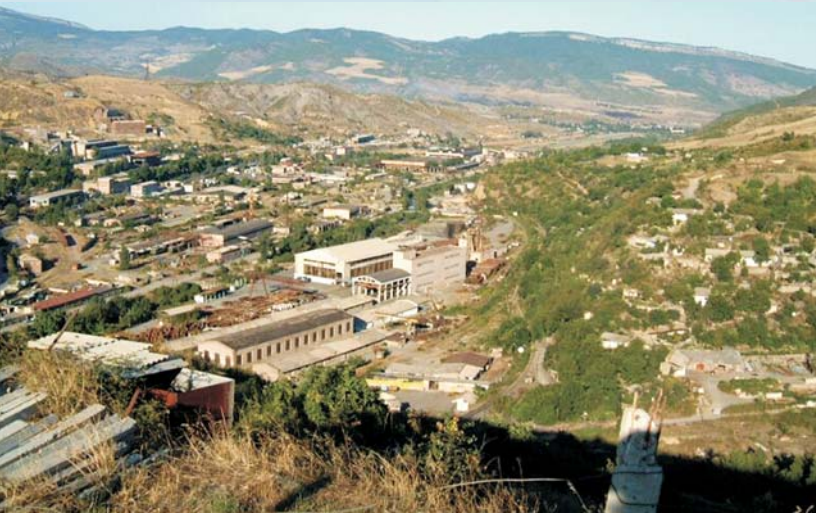
tonnes of pure dairy products and 22,000 tonnes of cheese annually. Four concrete areas in the agricultural sector have been identified for cooperation rain water harvesting, buffalo breeding (improvement of Armenian stock), poultry farming, and dry land farming. The visit of an Indian team of experts is awaited. Indian tractors should arrive in Armenia in 2004 against a US\$ 5 million Indian Government grant.

## Direct flights

Following a bilateral air services agreement and MoU initialled in February 1996 (signed in December 2002) Armenian Airlines flew twice a week between Yerevan and Delhi from June-October 1998 (carrying 4,905 passengers both ways). Flights were suspended owing to alleged mismanagement (both by Armenian Airlines and their Indian agent) and several heads rolled. Armenian Airlines owes substantial sums of money to at least two New Delhi hotels. All Armenian leaders constantly stress the need to resume direct flights to boost bilateral commercial relations.

## Banking

In 1994, Armenia proposed an inter-bank agreement between their Central Bank and Reserve Bank of India.





Although our RBI does not have formal MoUs with any Central Banks, and prefers cooperation through visits, correspondence etc. the matter is under discussion.

In 2003, EXIM Bank launched a programme in association with the European Bank of Reconstruction and Development, London, to support Indian exports to CIS and East European countries. The programme envisages an EBRD credit enhancement facility to enable EXIM Bank to confirm Letters of Credit from designated banks and covers all types of goods and commodities, transport, and other services.

## Armenia and the North South Transport Corridor

India-Armenia trade mainly goes through the Iranian port of Bandar Abbas. Armenia formally applied to join the May 2002 India-Russia-Iran North South Transport (Mumbai-St Petersburg) Corridor Agreement that seeks a cheaper and faster alternative to the Suez route.

## India-Armenia bilateral trade

There is substantial divergence between official figures from the two countries, partly explained by the routing of Indian exports via Dubai or Moscow.

(In US\$ million)

	1997	1998	1999	2000	2001	2002	2003	2004 (Jan-Aug)
India's Exports	0.67	3.67	3.94	3.04	4.7	4.3	6.0	4.4
India's Imports	0.02	0.26	0.04	0.04	0.3	0.3	0.04	0.29
Total Turnover	0.69	3.93	3.90	3.04	5.0	4.6	6.04	4.69

(Source: National Statistical Service of Armenia)

The Embassy's target for 2004-05 is a 25% rise in Indian exports.

## Indian Investment in Armenia

Faced with financial problems in 1999, First Dynasty Mines of Canada sold 42 per cent of its Ararat Gold Recovery Company (a joint venture established in 1998 with Armgold of Armenia) shares to Sterlite Industries of India. Some 25 Indian experts now run AGRC that plans to recover 14 tonnes of gold by 2007, and is seeking to expand its investment. There is also a large investment by Indian diamond cutting and polishing major Rosy Blue in two factories. All are reported to be doing well. An Indian-owned British company (Ransat PLC) took over Nairit Rubber Factory in 2001, but the deal soured (with ferocious mutual recrimination) in 2002 and was cancelled in mid-2003.

## Recent Developments

Following his visit to India (arranged by the Embassy), a leading Armenian car dealer tied up with Mahindras (April 2003) to introduce the Scorpio (Mahindra vehicles are also assembled in Georgia). The first Scorpions were launched on 15 August 2003 to a spectacular response. Some 150 vehicles had been sold by end-2004.

The first ever business delegation from India (exporters of rice, wheat, sugar, tea) led by a Joint Secretary in the Ministry of Consumer Affairs, Food and Public Distribution visited Armenia in April 2003 and identified business partners. Indian rice and sugar entered the Armenian market in July 2003.

The Federation of Indian Chambers of Commerce and Industry (FICCI) and the Union of Businessmen and Manufacturers of Armenia (UMBA) signed an MoU in May 2003.

Following a very successful visit to Armenia by Secretary, Indian Systems of Medicine and Homeopathy in the Ministry of Health and Family Welfare along with a business delegation in June 2003, Indian Ayurvedic medicines should enter the Armenian market in 2004.

The first ever buyer-seller business meeting for Indian products in Armenia and Georgia was organized by the Embassy in end-August 2003 in Yerevan and Tbilisi in cooperation with the Council for Leather Exports. The response was overwhelming. The Embassy plans to organize at least one such business meeting every year.

A spectacularly successful CII exhibition "Enterprise India" was held in Yerevan in October 2004. As many as 17 companies (automotive spares, pharmaceuticals, tea, coffee, cosmetics, beauty aids, ready-mades etc.) participated. Business worth an estimated

US\$ 2 million was generated. A FIEO Business Development Meeting is expected in late 2004.

Indicating Armenia's interest in boosting commercial ties with India, a 25-member Armenian business delegation visited India in October 2003 with President Robert Kocharian, who addressed a joint FICCI/CII meeting. Several agreements were inked.

## Market surveys

The Mission has carried out market surveys for the following sectors in the Armenian market: leather, jewellery, automotive components, pharmaceuticals, textiles, wheat, and information technology. These are available on request to Indian industry.

## Further information

Business enquiries could be directed to the Chamber of Commerce and Industry of Armenia at:

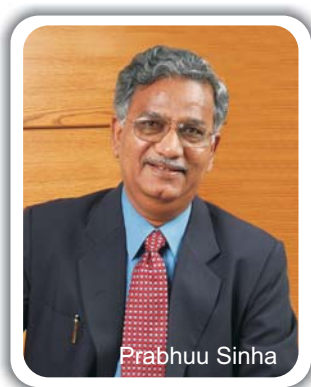
email: armcci@arminco.com.

Indian exporters are welcome to visit us at [www.indianembassy.am](http://www.indianembassy.am) or contact: Commercial Officer

Embassy of India, 50/2 Dzorapi Street, 375019 Yerevan

Email: [commercial@embassyofindia.am](mailto:commercial@embassyofindia.am)

Phone: 00 374 1 539173/4/5. Fax: 00 374 1 533984



## 'More A Business Strategy than Cost-Cutting Move'

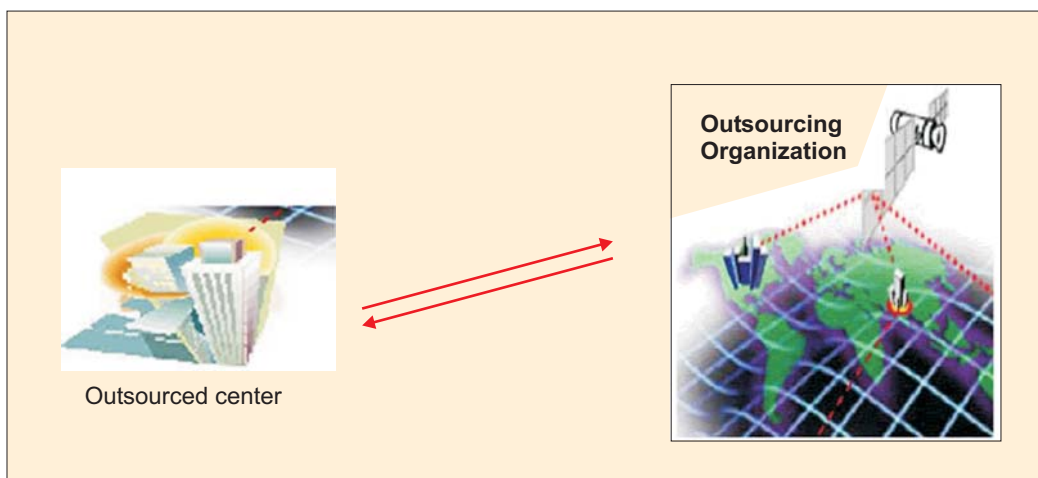
The global outsourcing spent was 320 \$ Billion in year 2004 and in year 2005 it is expected to be 585 \$ billion and 827 \$ billion in year 2008.

- Renodis Global services

Less than half of large U.S. and European companies say outsourcing is cost effective  
75% Multinationals use out sourcing services, 29% expect to increase the usage.

- PWC Survey

IT Outsourcing has actually gained momentum in the post Y2K era which established the fact that countries such as India have the IT skills and potential to quickly master the knowledge business and provide the required support to organizations across the globe. Just as the '70s and '80s had witnessed the migration of certain manufacturing facilities to overseas locations, IT followed suit in a massive exodus of sorts, post 2000.



### The Trend

To give an outstanding example of the increasing dependence on outsourcing, the US economy itself is expected post an increase in IT Software and Services from 2.3 per cent in 2003 to 6.2 per cent by 2008. This is expected to boost the savings from off-shoring from \$6.7 Billion to \$ 20.9 Billion in the same period.



## Rewards from Outsourcing

### A Sample of the Pay-offs

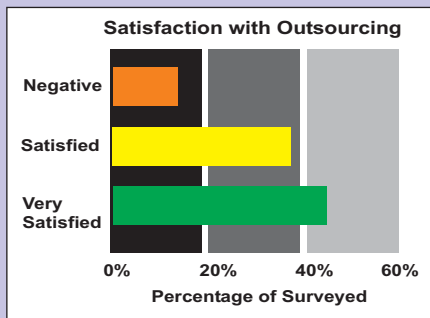


Table 10

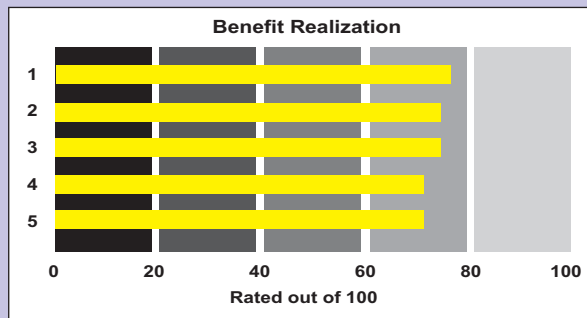


Table 20

(Source: Strategic outsourcing survey PA consulting group)

**Increased Productivity** The productivity ratio observed with outsourced firms with that of companies having resources in the U.S. and Europe vary with the difference of 5.0 per cent to 35 per cent. Reasons identified

A look at the past four years, highlights the benefits of outsourcing that have been reaped by organizations, especially in the US and Europe.

### Cost saving and better return of investment

Studies indicate that a majority of organizations in US and Europe spend more than 80 per cent of their IT budget in maintenance and services.

The reduction of IT operational cost is primarily achieved by splitting of mainstream activities that require a complete focus and the non-priority activities such as IT support functions and maintenance and help desk services. The non mainstream activities can be outsourced to cost effective geographies, without affecting the actual output.

Countries like the US derive a double benefit. The Renodis survey talks about The U.S reaping maximum benefit from outsourcing with \$1.12 to \$ 1.14 of every \$1.45 to \$1.47 in value creation coming back to the US.

### Access to a large resource pool

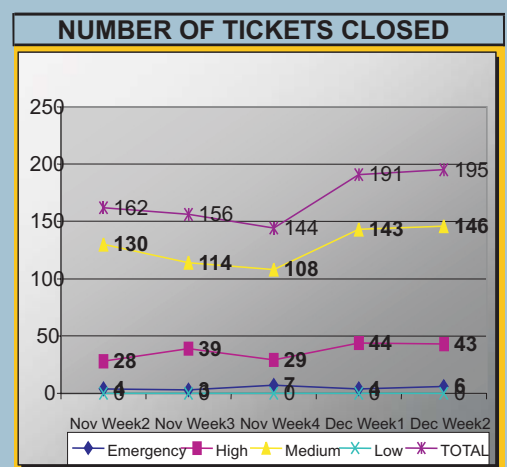
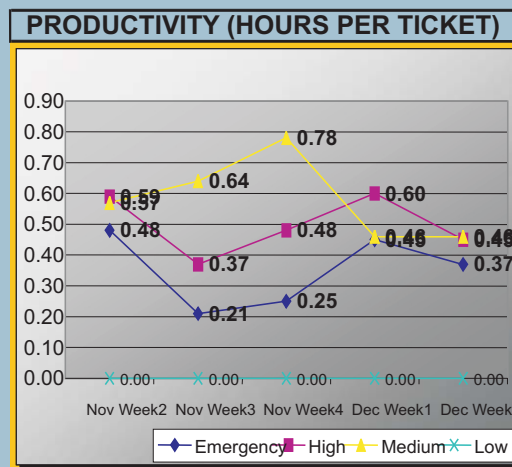
The availability of large numbers of skilled manpower in countries such as India, is an added advantage to the outsourcing activities, apart from the obvious cost saving. The ability to get on with business quickly by enabling a quick ramp-up in case of critical requirements in

IT projects have enhanced the scalability limits of organizations who outsource. All this ultimately translates to rapid business growth and increased ROI.

for this variance include matured processes, a faster learning curve, the ability to adapt to a change in business environment and finally, the optimization of their services to the extent possible. This provides the real advantage to outsourcers to boost their business activities and reduce time to market for their services and products.

This has also triggered a healthy competition and identification of room for improvements between the outsourcing staff and outsourced organizations.

The following graph showcases an outsourced organization demonstrating the trend of productivity improvements and resolution of tickets for IT support functions on a weekly basis:



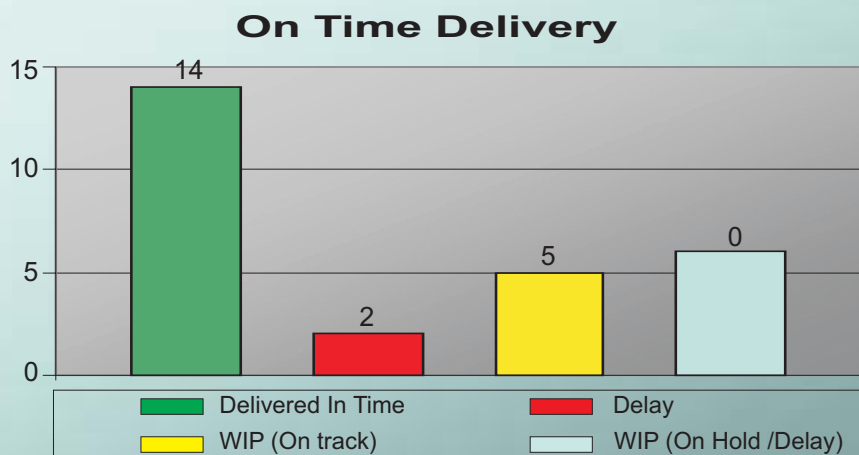
Source: Satyam ODC

### Quality

Most of the Indian firms have been successful in implementing the best practices from quality models at an early stage of providing services such as CMM, CMMI, ISO 9000 and thus

they have optimized processes to handle all IT related services in an effective manner. In fact, the country houses 75 per cent of the world's CMM Level 5 software centers and 8 of the 9 successful CMMI assessments across all levels - globally!

This is one of the distinguishing factors which provide considerable advantages in streamlining IT services at early stages. The outsourced organizations show increase in trend of on time delivery because of matured processes (see the graph below)



Source: Satyam ODC

## Communication Infrastructure

The communication revolution has made the world a smaller place. The growing need of affordable communication across the global marketplace has been fuelled by booming communication across telecom and the internet. This has enabled organizations to rapidly establish communication channels with partners across the globe and has made the outsourced organizations an extension of the client organization.

## Improved education levels and short learning curves

Countries such as India have chosen English as the medium of instruction and communication. This, coupled with the culture of high education levels across the working class have made it easy for outsourcing organizations to hire English spoken work forces with superior talent. This has resulted in a relatively short learning curve to understand the clients' business processes while providing support to IT functions.

## Benefits from Low Costs of living

The cost of living in India and other lower wage countries such as China and Mexico are as low as one-tenth of that in most countries of the West. The work forces in these countries are more than happy to deliver the same level of knowledge work

at high levels of quality at reduced wage rates. According to the Information Technology Association of America, over 104,000 IT jobs moved offshore between 2000 and 2003, and nothing suggests that the trend is going to change or even slow down.

## Other advantages

- One of the many advantages that IT outsourcing has provided to Outsourcing countries is being able to jump-start work in many of the service sectors. The PWC and Renodis survey points out that all reputed Indian Outsourcing firms have more than 70 percent IT services tied up in the finance, banking and insurance sectors and they are running more than half a dozens Offshore Development Centers (ODC's) for each of these at any given time. The vertical experiences of similar sectors prove advantageous for similar customers by cutting down the time needed for knowledge acquisition and understanding of the business. This also helps the gathering of best practices

from competitors by re-using the same resource.

- Some outsourcing organizations claim that time zone differences between the outsourcing and outsourced countries give them a good advantage in running their background and maintenance activities before the start of their working day. This avoids interruptions to the business during the business critical hours.
- The separation of critical complex work that requires intensive business knowledge and interactions with key stakeholders, from normal routine maintenance and self identifiable work gives the Outsourcing organizations the flexibility to focus on business interests.
- Outsourcing also allows organizations relief from duties of workforce training, retention of the resources and mundane day to day HR activities while simultaneously getting access to some of the best resources in the business across the globe.
- IT services attract higher levels of taxation in many Western countries. Outsourcing helps outsourcers gain tax benefits by outsourcing these IT functions.

## Situation of Repenting

Outsourcing is not always a smooth sailing ship, it comes with

strings attached. While the benefits of outsourcing are unquestionable, yet there have also been failures and pitfalls in the same. An analysis of the failed attempts at outsourcing, bring out the lapses and reasons as to why a concept well-established by time and history across industries, does have its bad moments in the IT business.

## Lack of sense of ownership and shared vision

While outsourcing firms have to be seen as partners and a virtual extension of the parent organization, it has to be remembered that they are no more than just contracting firms.

Differences in cultural backgrounds, lack of common vision, best practices suited to different work ambiances and limited business knowledge many a times cause friction in IT operation and support services. Outsourcing and outsourced firms have to clearly understand that success and failure of relationship is always joint responsibility, and therefore they must work with a win-win vision.

## Hidden costs, transparency issues and improper cost benefit analysis

It is very essential to understand upfront, all cost elements of outsourcing, with clear cut demarcation of responsibilities. Improper judgments and wrong interpretations of operational aspects of IT services can lead to unnecessary draining of estimated savings.

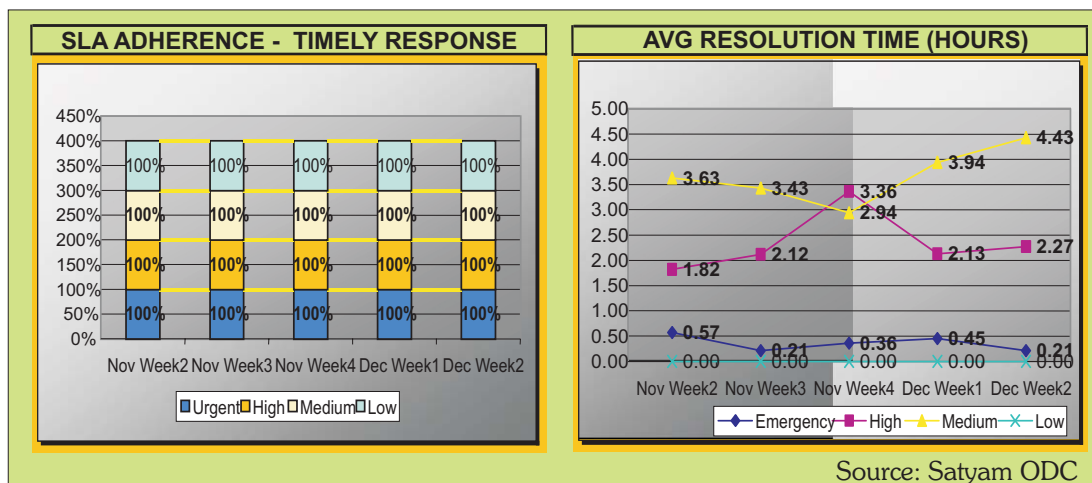
## Insufficient governance model

- A lack of strong governance mechanism to continuously monitor the performance measures results in poor management control leading to chaotic conditions. This does not provide visibility to the management of outsourcing organization in knowing whether all is going well or not.
- The steering committees at high and middle level need to periodically review the key performance indices and take corrective actions wherever appropriate.
- The Governance mechanism requires a holistic view at looking at the entire outsourced relationship in an integrated fashion instead of looking at just the review of a few business process performances. For example, this would mean that it is not only just important to ensure that the outsourced payroll functions is smoothly operational but also all sub processes

related to compensation are handled as an integrated system. This can only provide outsourcing organizations optimal benefits from their outsourced partners.

## In adequate and ineffective performance models are SLAs

- Outsourcing Organizations have the very precarious role of setting up realistic performance metrics and processes which have a direct relationship with the return of investment and other measurable parameters such as percentage increase in business and profit, percentage improvement in response to their customers and Percentage reduction in time to market. The lack of a proper mechanism for the same would end up in adding cost to the relationship. In the IT support and maintenance environment, it is especially essential to set up dash boards of SLA adherence (see examples below) in terms of response time to problem resolution and time of resolution. The following example shows the 100 per cent adherence of SLA to the contractual requirement:
- While setting the SLA, it is essential to provide attention to



the appropriate definition of performance parameters which have impact on each other. For example, when a problem query is raised by the support team on account of tickets raised by the end user, the end user needs to respond in a specified time to help the query to get resolved otherwise the SLA of resolution time cannot be honored. The lack of such parameters in the SLA often account for failure in the outsourcing relationship.

## Cultural and communication issues

A commonly observed phenomenon is that cultural and language differences between the outsourced and outsourcing organizations have a bearing on morale of resources. Accommodating the cultural and language issues and hierarchal relational issues of both organizations is essential by setting-up a clear role-and-responsibility structure and acceptable communication protocols.



## Expecting too much in too little time

Some of the failures in outsourcing relationships are observed on account of expecting too much within too little time and often this phenomenon falls out of contractual obligations.

## Improper Transition

It becomes a responsibility of outsourcing organization to handle the change management related issues very smoothly. They have to take their staff in to confidence for handling change management, knowledge transfer, technical and business due diligence and shared responsibility with underline assurance of reorientation of their own resources to more challenging work without losing them. Failure to do the same causes issues and results in business losses.

## SUMMARY

***In summary, IT outsourcing is not just a buzz word, but in reality, an effective method to remaining competitive in a changing environment. If outsourcing is managed as a business strategy and not only as a cost cutting measure, the results are bound to be positive***

## References:

1. Realizing the value of offshore sourcing by Praba Manivasager Renodis Global services
2. Article: Smart outsourcing by Traci Purdum and John Teresko published in Industry Week.com on Date 10.1.2004
3. Article in Barometer Survey published by Price water house Cooper: Management Barometer by Mike Davies
4. Article in CIO Magazine on How to Outsource- Proof Your IT Department A NEW GAME PLAN by CHRISTOPHER KOCH.
5. WHITE PAPERS ON IT OUTSOURCING FROM CANADIAN INSTITUTE OF CA
6. IT OUTSOURCING: MAKING IT WORK-A WHITE PAPER BY ROB AALDERS

## ABOUT THE AUTHORS

### Prabhu Sinha



Prabhu Sinha is the Senior Vice-President, Satyam Computer Services Limited, India. Under his leadership, Satyam became one of the first few organizations to achieve SEI CMM Level 5, the first to attain ISO 9001: 2000 under the Tick IT scheme, receive the Ramakrishna Bajaj National Quality Award (India's equivalent of the Malcolm Balridge) in 2001 and achieve the BS7799 certification for Information Security. Prabhu is currently guiding the implementation of People-CMM in Satyam to improve people management processes.

Currently Prabhu heads Quality Consulting at Satyam, which provides process-consulting services to leading global corporations. Under Prabhu's leadership, Satyam is leveraging its experiences of implementing e<sup>scmSM</sup>, CMM®, CMMI®, ISO 9000, SPICE, Six Sigma etc. to organizations like GE, Toshiba, World Bank, Ford.

Prabhu is a member of the e<sup>scmSM</sup> Advisory Board at Carnegie Mellon University. Satyam as a founding member of the consortium supports the eSourcing Capability Model.

In November 2000, Prabhu received the prestigious QIMPRO SILVER AWARD for his contribution to implementation of company-wide Quality Management Systems of global standards.

Prabhu has over 33 years of service in various industries, including Oil and Gas, Construction, Manufacturing and Information Technology where he led the implementation of several prestigious projects and quality initiatives.

Prabhu has presented several papers on IT and Software quality and given lectures on special IT-related topics in several international forums.

### Sunil Tadwalkar



Sunil Tadwalkar is working as a Senior Consultant with Satyam Computer services Hyderabad. Sunil has more than 8 years of experience in the field of IT outsourcing, project management, quality assurance. He has successfully implemented best practices of quality models such as CMM, CMMI, PCMM, PMBOK, and ISO9000, ITIL in various Organizations and off-shore development centers.

## GAZPROM & GAIL to sign pact on oil, gas exploration in India

India and Russia are expected to sign shortly an agreement on exploration of oil and gas reserves in the Bay of Bengal.



Alexei Miller, Chief Executive of the Russian natural gas giant Gazprom, and Proshanto Banerjee, CEO of Gas Authority of India Ltd. (GAIL), an Indian government-owned company involved with the transportation of gas, have had discussions on collaboration in the field of oil and gas in Moscow during the last week of October, 2004.

Miller also had a meeting with India's Petroleum Minister Mani Shankar Aiyar.

According to a Gazprom press release, Miller and Banerjee examined cooperation options in tapping India's oil and gas reserves and developing its gas transportation infrastructure. They also considered some of the issues related to the implementation of the product sharing agreement on an Indian gas field in the Bay of Bengal. This agreement had been signed between the two companies and the Indian Government.

Miller and Banerjee discussed prospects for Russo-Indian cooperation in the various segments of the oil and gas industry. The two officials agreed it was necessary to step up Gazprom's cooperation with oil and gas companies of India, such as GAIL and ONGC, in tapping that country's oil and gas

reserves, developing its gas transportation infrastructure, including underground storages, and implementing projects to supply natural gas.

The execution of the product sharing agreement on Indian deep-water gas reserves in the Bay of Bengal also came under consideration. According to Miller, Gazprom operations in this offshore gas field are part of the company's globalization strategy.

"Globalization implies the existence of a complete cycle production and distribution chain in more than one continent. We are now involved in a whole number of hydrocarbon reserves development projects overseas. India figures prominently among these projects. We intend to expand our activity in that region further," the press release quoted Miller as saying.

Gas Authority of India Ltd. is a leading Indian company involved with the transportation and distribution of natural gas. It controls some 95 percent of the sector's infrastructure.

The product sharing agreement on India's offshore gas field in the Bay of Bengal was signed on October 4, 2000, between GAIL, Gazprom, and the Indian Petroleum Ministry. It provides for joint exploration, recovery and distribution of the deposit's hydrocarbons. The recoverable fuel reserves, believed to lie 4,000 to 6,500 meters below the sea level, total an estimated 248 to 376 million tonnes, including 319 billion cubic meters of natural gas, 37.6 million tonnes of gas condensate, and 18.8 million tonnes of crude oil. The exploration program is designed for a seven-year period.

GAIL (India) Limited and Gazprom of Russia are in talks for cooperation to develop projects in the gas sector in India and abroad. Both the companies have initialed an agreement for strategic cooperation in Hydrocarbon sector in India, Russia and other countries.

Both GAIL and Gazprom will establish a joint coordination committee which will identify the specific projects in the oil and gas sectors. The plan includes pipeline projects of gas supply as well as gas processing. GAIL and Gazprom will explore the gas processing & downstream opportunities in Russia and other countries. Both the companies are already working jointly in India for Block-26 in Bay of Bengal.

In Eastern Russia, facilities like establishment of gas processing & petrochemical plants are envisaged where the fuel gas and feed stock for chemical plants and other value added products may be produced. As GAIL is presently operating seven gas processing plants and gas cracker plant in India to produce petrochemicals, GAIL can add value to this area due to its core competence and like to explore jointly in the proposed gas processing plants and other related activities in pipelines in Russia. The transportation of gas and supply to India from other countries has been included in the spheres of Cooperation.

...



# Turning India into Gold Trading Hub

## Panel to draw up strategy

Minister of Commerce and Industry Kamal Nath has constituted a committee to examine the regulatory structure of the Indian gold industry with a view to making India a gold trading hub.

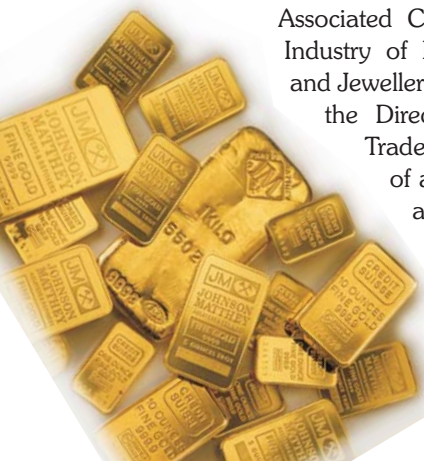
The 12-member Committee, headed by the Secretary, Department of Commerce, Ministry of Commerce and Industry, as Chairman, includes the following : Joint Secretary, Ministry of Finance, Department Of Economic Affairs; Joint Secretary, Department of Consumer Affairs; Representatives from the Reserve Bank of India (RBI); the Security Exchange Board of India (SEBI); Forward Market Commission; Bullion Association; National Commodity and Derivative Exchange; Associated Chamber of Commerce and Industry of India (ASSOCHAM); Gems and Jewellery Export Promotion Council; the Directorate General of Foreign Trade (DGFT) and a representative of a nominated agency, besides any other person, as and when required for the purpose of the Committee.

The issues to be looked into by the Committee are as follows: 1) Improving the scope of measures to be undertaken to facilitate

banks to hedge in Futures Markets on Gold; 2) Recommend measures to facilitate Mutual Funds to invest in gold; 3) Recommend measures to improve the ability of the banks to implement Gold-Linked Saving Schemes; 4) Recommend appropriate customs and foreign trade measures that are required to be undertaken to facilitate manufacturing and trading in gold; and 5) Any other recommendation required to be made to improve trading in gold and also, on measures required to ensure quality of the goods being traded.

The Committee will submit its report within six weeks from the date of its first meeting, according to the office memorandum dated 10 November 2004 issued by the Ministry of Commerce and Industry.

The proposal to set up the Committee was mooted by Kamal Nath at the International Gold Summit here on 30 October 2004. He had pointed out on the occasion that till last year India did not figure as a major trading centre of gold and silver in the international market despite being the world's largest importer and exporter of value-added jewellery items as well as the world's largest consumer of gold. Global gold trading is concentrated in the UK, Switzerland, Dubai and Hong Kong. "With the commencement of futures trading in gold in India, the scenario appears to be changing. In the short span of less than a year, the performance of trading in gold shows the robustness of the Indian gold industry. Therefore, India can longer be looked upon merely as just 'a price taker of gold', but also as a 'price settler' in the international market, because of its status as the largest importer of gold, as well as one of the most vibrant market places for the yellow metal", he said.







## Exim Bank Steps Up Aid Under Softer LOCs

# Bringing CIS Back Into India's Focus

After the disintegration of former Union of Soviet Socialist Republics (USSR), 15 countries came into existence. Of these, 12 countries namely, Russian Federation, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Krygyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan are members of Commonwealth of Independent States (CIS). CIS region stretches from Central Asia to East Europe. Traditionally, India's relationship with the CIS region has always been close and cordial. After collapse of the Soviet Union, however, India's economic ties have not grown commensurately with the new states. Some of the reasons that have hindered India's trade relationship with CIS are distance, language, inadequate information about business opportunities, macro-economic instability and lack of direct and regular interaction among the business entities & inadequate banking facilities in the CIS countries, besides phasing out of bilateral rupee repayment arrangements.

CIS region has immense potential and is an important region for India. Recognizing this, GOI launched "Focus CIS Program" with a view to boosting bilateral trade with countries in CIS region. In tandem with GOI's Focus CIS Program, Exim Bank has been extending Lines of Credit (LOC) to CIS countries, to enable growth of India's exports of technology, equipments, goods and services on deferred payment terms. Currently, Exim Bank has extended three LOCs, with aggregate credit amounts of US\$ 45 mn, covering 12 countries in CIS to support supply of Indian equipment, goods and transfer of technology from India to the CIS region. Four more LOCs to the CIS are in the pipeline.

Exim Bank extends LOCs to overseas governments, financial institutions, regional banks and other overseas entities, to enable them to import Indian machinery, goods and services, on credit terms. Under the LOCs, importers in the host countries make advance payment, which is normally 10 per cent of contract value and credit is provided by Exim Bank for the balance 90 per cent of contract value to borrowers in those countries. Exim Bank reimburses Indian exporters on shipment of goods. Thus, it is a safe mode of non-recourse financing option to the Indian exporter, particularly small and medium enterprises (SMEs). Exim Bank also operates LOC on behalf of the Government of India. These LOCs, are usually on softer terms.

Exim Bank has been using the LOC mechanism for promoting India's exports to markets in developing countries, such as CIS market, which need deferred credit for buying Indian goods. LOC is a catalyst for export promotion and by virtue of being a non-recourse, risk-free facility to Indian exporters, it helps exporters to penetrate and develop new markets. Exporters receive cash payment for exports under LOC on shipment from Exim Bank and do not have to wait for the importers to pay. It is an arrangement for financing a number of exports contracts under one-umbrella and it is particularly relevant for SMEs. LOCs thus serve as a market entry tool for India's exports.

The eligible items for finance under the LOCs are capital and engineering goods, consumer

durables and spares and commodities. The main export items under the LOCs to CIS region have been capital goods and pharmaceuticals.

**Given below is a table showing status of operative LOCs to CIS countries:**

(Amount in USD)		
S.No.	Borrower	Amount of Credit
1	Vnesheconombank, Russia	US\$ 10 mn
2	Vneshtorgbank (Bank for Foreign Trade), Russia	US\$ 25 mn
3	Bank TuranAlem, Kazakhstan***	US\$ 10 mn

\*\*\* Covers 12 CIS countries viz., Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

**Salient features of these LOCs are given below:**

#### **Vnesheconombank (Bank for Foreign Economic Affairs), Russia**

Exim Bank and Vnesheconombank (VEB) signed an Agreement for an LOC of US\$ 10 million to finance exports from India to Russia. VEB is a specialized financial institution 100% owned by the State. The Bank's short-term and long-term credit ratings are in line with Russia's sovereign credit rating. Russia's exports rose to an estimated US\$ 127.7 billion in 2003 from US\$ 107.2 billion in 2002, due to increase in the value of oil and oil product exports. India's main exports to Russia during 2003-04 were readymade garments of cotton including accessories, drugs, pharmaceuticals and fine chemicals, tea, processed minerals, and coffee.

#### **Vneshtorgbank (Bank for Foreign Trade), Russia**

Exim Bank and Vneshtorgbank (VTB) signed an Agreement for an LOC of US\$ 25 million to support India's exports to Russia. VTB is one of the leading universal banks in Russia and the largest one in terms of authorized capital. Government of the Russian Federation holds 99.9% of the issued share capital. VTB enjoys the highest possible ratings available to any Russian bank, i.e. equal to sovereign ratings of Russia. Russia being located strategically provides an advantage to serve as an entry point to neighboring markets to other CIS countries. Under this LOC, Exim Bank has financed export of pharmaceuticals to Russia. An additional LOC to VTB is in the offing.

#### **Bank TuranAlem (BTA), Kazakhstan**

Exim Bank and Bank TuranAlem (BTA) have concluded an Agreement for an LOC of US\$ 10 million to support

India's exports to Kazakhstan. Bank TuranAlem is one of the largest commercial banks in Kazakhstan. While initially the LOC was meant for financing exports to Kazakhstan, the scope of the LOC has now been expanded to cover all the 12 countries in the CIS region.

Interested companies may visit Exim Bank's website [www.eximbankindia.com/loc.htm](http://www.eximbankindia.com/loc.htm) for further details on the above LOCs. It is advisable for Indian exporters to consult Exim Bank regarding insurance and other service charges, wherever payable, before finalizing the

terms of the contract with the overseas importer. Indian exporters are encouraged to approach Exim Bank for information on buyers, market conditions. Exim Bank facilitates export transactions for coverage under LOCs. If an LOC to a particular market is not in place, Exim Bank considers the possibility of extending a fresh LOC, if the credit proposition is otherwise considered support-worthy and acceptable.

#### **Institutional Linkages**

Exim Bank has a wide network of alliances with financial institutions, trade promotion agencies, investment promotion agencies, export promotion agencies, chambers of commerce and information providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalisation.

To promote two-way trade and investment, Exim Bank has Memoranda of Understanding with various institutions/ organizations in CIS countries to promote two-way trade and investment, as for instance:

- UZBEKINVEST - National Export-Import Insurance Company, Uzbekistan
- Export Import Bank of the Russian Federation
- Vnesheconombank of Russia

The Bank thus seeks to create an enabling environment for supporting technology transfer, trade and investment. Bank has developed working relationships with International Finance Corporation (IFC) to support various initiatives/ project facilities promoted and sponsored by IFC to develop private sector enterprises in developing countries in Asia, Africa, South Pacific, and Europe.

The Bank facilitates, for instance, the utilisation of Indian consultants, IFC's Private Enterprise Partnership (PEP), which helps development of private sector enterprises in CIS countries.

...



# Индия и СНГ: Широкая Перспектива на Двустороннем Торговом Инвестиционном Потенциале

**Г. Т.К. Венкат Субраманиян**

Председатель и Руководящий Директор, Экспорт-Импорт Банк Индии

Улучшенная макроэкономическая стабильность и снижающаяся инфляция в регионе, поддержанная в основном упругостью Российской экономики, завершилась результатом крепкого экономического роста в регионе СНГ (Содружество Независимых Государств) в недавних годах. В течение 2003 г., регион зарегистрировал реальную норму роста ВВП до 7,9 %, от 5,4 % в течение предыдущего года, подкрепленного множеством факторов типа высоких цен на нефть, оживленного потребительского роста и роста заработной платы, и сильного роста инвестиции в некоторых странах. На внешнем фронте, страны СНГ поддержали сальдо в текущих счетах (составляющий 6.4 % ВВП в 2003 г.), прежде всего благодаря сильному сальдо, зарегистрированному чистыми экспортерами энергии от региона.

## Indo-CNH Торговые Отношения и 'Программа Фокус' СНГ ('Focus CIS' Programme)

Торговля Индии со странами СНГ резко повысилась в течение 2003-04 г., благодаря росту экспорта на 11,2 % вместе с резким подъемом импорта на 49,3 %. Экспорт Индии в СНГ составлял 1,03 миллиард долларов США, в то время как импорт держался на 1,26 миллиарда долларов США, с дефицитом торговли на сумму 237 миллионов долларов США, в отличие от торгового излишка, зарегистрированного в течение предыдущих лет. В результате, вся торговля (экспорт и импорт) резко повысилась от 1,77 миллиард долларов США в 2002-03 г., до 2,29 миллиард долларов США в течение 2003-04 г., пересекая 2-х миллиардный показатель.

'Программа Фокус' СНГ, начатая Правительством Индии с 1 апреля, 2003 г., сосредоточивая внимание первоначально на семи

странах, а именно, Казахстан, Кыргызстан, Узбекистан, Туркменистан, Таджикистан, Азербайджан и Украину, была расширена с 1 апреля, 2004 г., охватив, пять остальных стран, а именно, Российская Федерация, Армения, Белоруссия, Грузия и Молдова. Программа теперь охватывает все двенадцать стран СНГ. Помимо идентификации определенных стран, программа также идентифицировала определенные группы продукции для фокусного подхода, и также призвала к всеобъемлющему подходу, вовлекающему все заинтересованные учреждения и агентства для увеличения двусторонних торговых и инвестиционных отношений.

## Инициативы Эксим Банка(Exim Bank)

Эксим Банк, главное учреждения в Индии для экспортного финансирования, имеет диапазон средств обслуживания и программ, чтобы обеспечить и стимулировать торговлю с регионом СНГ. Для того чтобы стимулировать двустороннюю торговлю, и, в частности, увеличивать экспорт в регион СНГ, Эксим Банк продлил Линии Кредита (LOCs) с Внешэкономбанком и Внешторгбанком России и с Банком ТуранАлем в Казахстане. В дальнейшем намечены планы для Линии

Кредита со Сбербанком России, Правительством Таджикистана и Правительством Азербайджана (для энергетического проекта). В Центральном и Восточно-европейском регионе Эксим Банк также имеет Линии Кредита с Румынией, Венгрией и Польшей.

Эксим Банк имеет сотрудничество с Европейским Банком Реконструкции и Развития (EBRD), чтобы продвинуть экспорт Индии в страны СНГ и Центрального и Восточно-европейского региона. Эксим Банк имеет соглашение о





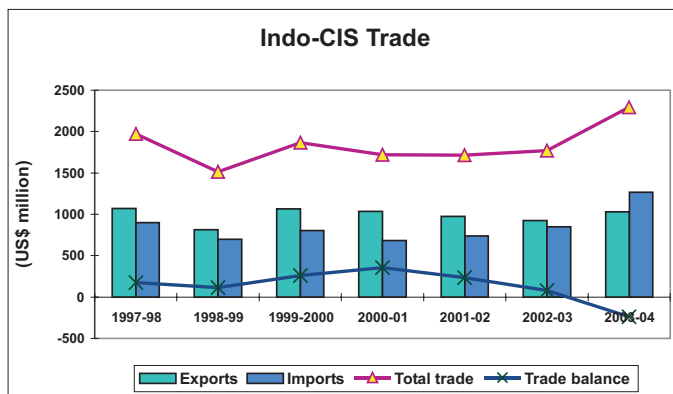
структуре сотрудничества с Европейским Банком Реконструкции и Развития, чтобы облегчить Индийское участие в проектах / программах, поддержанные EBRD, договоренность о совместном финансировании Эксим Банком в таких проектах, и товариществе в программе Торговой Помощи с Европейским Банком Реконструкции и Развития. Далее, Эксим Банк начал программу в сотрудничестве с Европейским Банком Реконструкции и Развития, чтобы поддержать Индийский экспорт в 27 стран заемщиков с Европейским Банком Реконструкции и Развития. Программа предусматривает услуги повышения кредита, предоставленного Эксим Банку Европейским Банком Реконструкции и Развития для подтверждения Аккредитивы (L/Cs), полученные Индийскими экспортерами от предварительно одобренных банков в 27 странах Европейского Банка Реконструкции и Развития.

Для того чтобы создавать благоприятные условия для увеличения сотрудничества в торговле и инвестиции, Эксим Банк поддерживает установленные отношения с множеством ключевых агентств в регионе СНГ, включая Экспор-Импорт Банк России, Внешэкономбанк России и УЗБЕКИНВЕСТ, национальной Экспортно-импортной Компании Страхования Узбекистана. Эти усилия являются неотъемлемой частью всесторонних отношений Эксим банка поддержанных в СНГ и Центральном и Восточно-европейском регионе; Эксим Банк также поддерживает отношения с Хорватским Банком Реконструкции и Банка Развития (НБОР), Хорватия; Чешским Экспортным Банком (СЕВ), Прага; Венгерским Экспортно-импортным Банком Лтд., и Венгерским Агентством Развития Инвестиции и Торговли (ИТДН), Венгрия; Польским Агентством для Иностранной Инвестиции (РАИЗ), Польша; ОРГАНИЗАЦИЯ ООН ПО ПРОМЫШЛЕННОМУ РАЗВИТИЮ Индустриальное Сотрудничество и Обслуживание Инвестиционному Содействию, Польша.

Совместное Предприятие Эксим Банка, Глобал Прокьюермент Консультантс Лтд. (Global Procurement Consultants Ltd.), Муибай, выполнил работу по консультированию, финансируемую Мировым Банком в России, Армении и Грузии.

## Потенциал для Увеличения Торговых и Инвестиционных Отношений

Страны СНГ - важные партнеры торговли для Индии, и усилия увеличить двустороннее торговое и инвестиционное отношение влекли за собой бы идентификацию потенциальных изделий экспорта и импорта, как также потенциальные области инвестиции.



К этому времени, в потенциальные изделия экспорта в страны региона включили бы машины и механические приборы; электрические машины и оборудование, и запчасти; одежды и принадлежности; изделия; транспортное оборудование, запчасти и принадлежности;



железо и сталь; пластмассы и пластмассовые изделия; фармацевтики; сахар и сахарные кондитерские товары; медицинские или хирургические инструменты; изделия кожи. В то же самое время, в потенциальные изделия импорта из региона СНГ включили бы минеральные топлива; удобрения; бумага и картон; органические химикалии; естественный и искусственный жемчуг.

Страны СНГ также предлагают возможности в инвестиции. Обработка Продовольствия, Розничная торговля, фармацевтики, информационная технология, текстиль, нефть и газ, энергетики, развитие инфраструктуры, среди других, держит) потенциал для Индийских инвесторов. Индийское присутствие в регионе СНГ, в виде совместных предприятий и полномочных филиалов, находится главным образом в области фармацевтики, готовых одежд, текстили, пластмасс, кожаных изделий, страхования.

Помимо участия в инвестиционных действиях, которые продвинуты соответствующими правительствами в регионе СНГ, 'Программа Усилия' мог бы также быть на финансируемых проектах многосторонних агентств, и участия в них. Многосторонние агентства финансирования типа Мирового Банка финансируют множество проектов в странах СНГ в секторах типа воды, очистки, контроля наводнения, здоровья, энергетики,

образования, промышленности и торговли, и лесоводства. В то же время, усилия участвовать в подготовке проектов и консультационные услуги в таких финансируемых проектах служили бы увеличить коммерческое присутствие Индии в регионе.



# ЭКОНОМИКА СНГ

## Стабильность означает сильный рост Валового Внутреннего Продукта (ВВП)

**Арджит Сарасвати**, Менеджер Экспорт-Импорт Банка Индии

В 2003 г. Общий темп роста ВВП стран достиг высокого показателя 7,9 % в 2003 г., по сравнению с 5,4 % в 2002 г. Это говорит о здоровом росте

экономики в большинстве странах-членах СНГ. Энергичный рост в 2003 г. объясняется рядом факторов, таких как высокие цены на нефтепродукты, повышение потребительской способности и зарплат, и лучшее потребление инвестиции в некоторых из этих стран. Способность Российской экономики выстаивать все падения и подъемы способствовала продолжению здоровой экономической тенденции в СНГ, и также улучшению макроэкономической стабильности и сокращению инфляции. На внешнем фронте, страны СНГ продолжают поддерживать сальдо в текущем счете (равняющемуся до 6,4 % ВВП в 2003 г.), в основном благодаря хорошему сальдо, зарегистрированному экспортерами энергетики из этого региона.

Россия продолжала показывать сильный рост и адаптацию к высоким ценам на нефть, помогающим выдерживать сильный рост в производстве и большое сальдо в текущих счетах. Реальный рост ВВП увеличился от 4,7 % в 2002 г. до 7,3 % в 2003 г., и как ожидается, останется на уровне 7,3 % в 2004 г. Снижение уровня инфляции от 15,8 % в 2002 г. до 11,2 % в 2003 г., сопровождалось длительным сальдо, который составлял 8,3 % ВВП в 2003 г. Сальдо в текущих счетах и частное заимствование из-за границы, как ожидается, выдержат давления на рубль, несмотря на оттоки капитала. Сильный рубль и увеличение управляемых цен должны помочь дальнейшему замедлению инфляции в 2005 г. и 2006 г. Благодаря приросту резервной иностранной валюты и сокращению внешнего долга, организация Standard & Poor пересмотрела суверенный долг России в январе 2004 г, а организация Moody подняла все Российские суверенные долги до инвестиционного стандарта в октябре 2003 г.

На Украине, рост ВВП увеличился до 9,4 % в 2003 г. от 5,3 % в предыдущем году, подкрепленный сильным внутренним ростом спроса, и также крепким ростом экспорта. Индустриальный сектор, и особенно производственный, продолжает быть главным сектором расширения экономики Украины. Производства дает три четверти индустриальной продукции, и продолжает быть наиболее динамической частью индустриального сектора. В течение 2003 г., производственный сектор

вырос на 18 % в следствие продолжающегося внутреннего спроса и благоприятных условий экспорта. Отражая улучшение доступа к международному рынку капитала, Украина выпустила 600 миллионов долларов США в Евро-облигациях (Eurobonds) в феврале 2004 г., следуя за выпуском 1 миллиард долларов США в Евро-облигациях в 2003 г. Выпуски облигации, в свою очередь, внесли вклад к быстрому созданию основы иностранных обменных запасов страны.

Сильный внутренний спрос с отражением повышающегося внутреннего потребительского спроса и оживленной продажи в Россию увеличился реальный рост ВВП Белоруссии до 6,8 % в 2003 г. по сравнению с 5,0 % в 2002 г. Инфляция зарегистрировала резкое замедление - от 42,6 % в 2002 г. до 28,4 % в 2003 г., и как ожидается, замедлится дальше до 19,5 % в 2004 г., следуя более строгой валютной политики, улучшения политики обмена валюты, умеренных условий инфляции во всем регионе, и восстановления внешнего спроса. Несмотря на эти улучшения, инфляция остается намного выше нормы, зарегистрированной в любом другом месте в регионе.

В Казахстане рост продукции продолжал держаться на 9,2 % в течение 2003 г., главным образом из-за роста инвестицией в нефтяном секторе. Индустриальная продукция продолжает быть сконцентрирована в ключевой огнотопяющей отрасли промышленности, особенно в нефтегазовом секторе, хотя большое повышение продукции было также зарегистрировано в текстильной отрасли и секторе строительных материалов. Повышению роста также помогли увеличение спроса России, главный экспортный рынок Казахстана не углеводородных изделий. В течение 2004 г. рост продукции, как ожидается, останется сильным на 9,0 %, с помощью излишек на текущих счетах.

Страны СНГ-7, в их числе Армения, Азербайджан, Грузия, Киргизская Республика, Молдова, Таджикистан и Узбекистан, в общем поддерживали сильный экономический рост за последние годы с поддержкой высокой производительности крупных стран региона. Эти страны, как группа, регистрировали уровень реального роста ВВП до 7,2 % в 2003 г. от 6,4 % в 2002 г., в их числе, Армения, Азербайджан, Грузия и Таджикистан, регистрировали норму роста в двузначных числах.

Сильный рост ВВП с двузначным числом в размере 13,9%, зарегистрированный Арменией в 2003 г. был

вторым последовательным случаем, с сектором строительства, несущим самый большой вклад. Деятельность в секторе строительства была повышена завершением проектов, финансируемых Линси Фоундэшн США, который внес вклад около 170 миллионов долларов США в дело строительства жилых помещений и дорог и восстановления нескольких культурных учреждений в стране. Однако, в течение 2004 г., ожидается замедление роста продукции из-за завершения проектов и низкого внутреннего спроса, возникающего от ограниченного доступа частных компаний к возможным финансам.

В Азербайджане, рост продукции остался крепким в размере 11,2 % в 2003 г. по сравнению с ростом в размере на 10,6 % в 2002 г., стимулированный высокими уровнями прямой иностранной инвестиции в нефтяном секторе. Сектор строительства также извлек выгоду из увеличения инвестиции, вследствие потребности строить трубопроводы и другие гидроводородные инфраструктуры. Норма Инфляции осталась умеренной на 2,2 % в течение 2003 г., хотя повышение цен пищевых продуктов может привести к росту инфляции до 5,3 % в 2004 г. Прямая иностранная инвестиция, связанная с продолжающимся развитием нефтегазовых полей, останется главным фактором, ведущим к росту экономики в следующем году. В течение 2004 г., отражая замедление в производстве нефти, Рост ВВП замедлится составит примерно 9,1 %, до ускорения роста до 11,4 % в 2005 г. после завершения нефтепровода Баку-Тбилиси-Сейхан.

Благодаря сильному индустриальному росту вместе с оживленностью в секторе розничной торговли увеличился общий рост в Таджикистане. Реальный рост ВВП увеличился с 9,1 % в 2002 г. до 10,2 % в 2003 г. Таджикистан разносторонне развивает экономику далеко от зависимости от алюминия и хлопка. В пределах индустриального сектора производство потребительских товаров повысилось на 13,5 %, указывающее на внутренний рост, в то время как резкий рост в розничной торговле повысил уровень роста сектора услуг на 14,7 % в течение 2003 г. Однако, инфляция, увеличилась, коснувшаяся к 16,4 % в 2003 г., намного выше цели - 9 %, главным образом из-

за расслабления валютной политики и острых повышений цен на продовольствие.

В Грузии рост Валового Внутреннего Продукта ускоренно достиг до 11,1 %, самая быстрая норма роста с 1997 г., под влиянием резкого увеличения в строительстве, связанном с нефтепроводом Баку-Супса. Рост в сельскохозяйственном секторе удвоился в 2003 г. благодаря улучшенным погодным условиям и продолжающей земельной реформе, приводя к удвоению производства винограда и повышенному производству вина, которое является одним из главных товаров экспорта Грузии и одним из наиболее ярких производственных секторов. Норма Инфляции уменьшалась до 4,8 % в 2003 г. от 5,6 % в предыдущем году.

В других странах региона оживляется внутренний спрос, который управляется денежными переводами и сильным ростом экспорта, повысил рост Валового Внутреннего Продукта на 6,3 % в течение 2003 г. в Молдове. Восстановлением Кумторского золотого рудника, который возмещает плохие результаты сельскохозяйственного урожая, реальный рост Валового Внутреннего Продукта Республики Киргизии вырос на 6,7 % в 2003 г., хотя рост в 2004 ожидается к замедлению - к 5,5 % в 2004 г., частично из-за снижения золотой продукции. Показатели Узбекистана остались пониженным в 2003 г. с замедляющимся ростом Валового Внутреннего Продукта на 1,5 %, по сравнению с 3,1 %, зарегистрированным в предыдущем году. Однако, инфляция цены потребителя снизилась резко от 44,3 % в 2002 г. до 14,8 % в 2003 г. и далее ослабиться в течение 2004-05. Более высокие нефтяные и газовые цены добавили к более высокому экспорту из Узбекистана, который значительно улучшил текущие расчеты страны.

**Таблица: Страны СНГ - Реальный Валовой Внутренний Продукт, Потребительские Цены и Текущий Баланс**

Страны	Реальный Рост ВВП (Изменение в %)			Потребительские Цены (Изменение в %)			Текущий Баланс (% ВВП)		
	2002	2003	2004P	2002	2003	2004P	2002	2003	2004P
<b>СНГ</b>	<b>5.4</b>	<b>7.9</b>	<b>8.0</b>	<b>13.8</b>	<b>12.0</b>	<b>9.9</b>	<b>7.0</b>	<b>6.4</b>	<b>8.3</b>
Россия	4.7	7.3	7.3	15.8	13.7	10.3	8.9	8.3	9.9
Украина	5.3	9.4	12.5	0.8	5.2	8.3	7.5	5.8	10.2
Казахстан	9.8	9.2	9.0	5.9	6.4	6.8	-3.5	-0.2	2.1
Белоруссия	5.0	6.8	6.4	42.6	28.4	19.5	-2.6	-2.9	-3.6
Армения	12.9	13.9	7.0	1.1	4.8	3.0	-6.6	-7.1	-5.9
Азербайджан	10.6	11.2	9.1	2.8	2.2	5.3	-12.3	-28.3	-24.2
Грузия	5.5	11.1	8.5	5.6	4.8	5.8	-6.0	-7.5	-8.1
Киргизия	-	6.7	5.5	2.1	3.1	4.5	-2.2	-2.3	-3.7
Молдова	7.8	6.3	5.0	5.3	11.7	10.7	-6.0	-9.3	-6.6
Таджикистан	9.1	10.2	10.0	12.2	16.4	7.2	-2.7	-1.3	-2.2
Узбекистан	3.2	1.5	2.5	44.3	14.8	11.8	1.2	8.9	8.2.7

P - Расчетный

Источник: Мировая Экономическая Перспектива, сентябрь 2004 г., МВФ (Международный Валютный Фонд).





## « Больше деловая стратегия, чем сокращение расходов. »

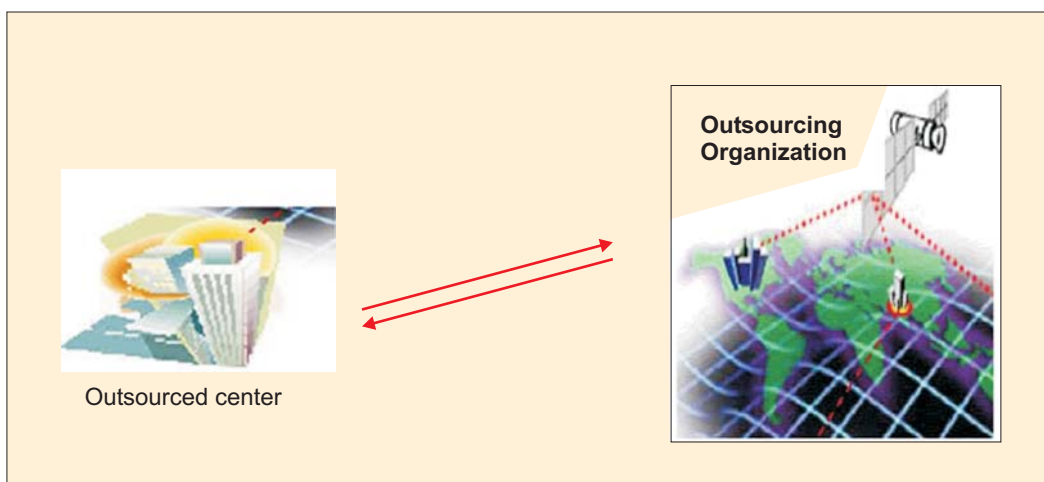
В 2004г. расходы на глобальный экспорт труда составили 320 миллиардов долларов и ожидается, что в 2005 он составит 585 миллиардов и 827 миллиардов долларов к 2008 году.

- Глобальные услуги Ренодис

Менее чем половина крупных американских и европейских компаний заявили, что экспорт труда является экономичным. 75% транснациональных компаний используют услуги зарубежных служащих, 29% увеличат использование.

- Обзор PWC

ИТ(информационно технологический) экспорт труда обрёл инерцию после эры У2К, что подтверждает тот факт, что такие страны, как Индия имеют экспертизу и потенциалы для быстрого освоения делового знания и предоставления необходимой поддержки организациям мира. Подобно тому, как в 70ых и 80ых годах наблюдалась миграция некоторых производственных условий за рубеж, ИТ последовала этому примеру массированным выходом, а период после 2000 года.



### ТЕНДЕНЦИЯ

Приводим яркий пример роста зависимости от экспорта труд. Американская экономика увеличит услуги ИТ от 2.3% в 2003г. до 6.2% в 2008г. Как ожидается, это увеличит сбережения от офшоринга от 6.7 миллиардов дол. до 20.9 миллиардов дол. за тот же период.

## ВОЗНАГРАЖДЕНИЯ ОТ АУТСОРСИНГА

### Пример выгоды

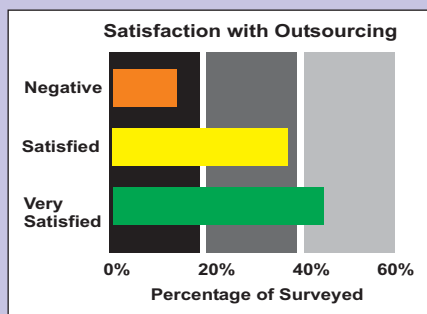


Table 10

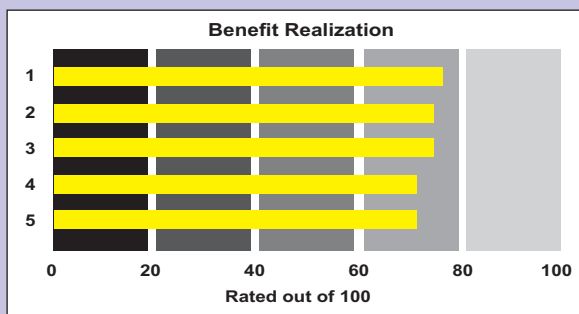


Table 20

(Source: Strategic outsourcing survey PA consulting group)

Рассматривая последние 4 года, можно увидеть пользу от аутсорсинга, которую получили компании, в частности США и Европы.

### ЭКОНОМИЯ И ЛУЧШАЯ ПРИБЫЛЬ ОТ ИНВЕСТИЦИИ

Изучения показывают, что большинство компаний в США и Европе расходуют больше чем 80% своего ИТ бюджета на обслуживание и услуги. Сокращение ИТ операционных затрат в основном достигли разделением основной деятельности на неприоритетные работы такие как, ИТ поддержка, тех уход и справочная помощь, для которых нужно полное сосредоточение. Эти не основные работы можно экспортировать в страны с дешевой рабочей силой, не влияя на действительную производительность.

Такая страна как, США извлекает двойную пользу. Обзор Ринодиса показывает, что США извлекают максимальную выгоду от аутсорсинга от 1.2 до 1.14 доллара от каждых 1.45 до 1.47 доллара, созданных дополнительно и возвращающихся обратно в США.

### ПУТЬ К КРУПНОМУ РЕССОРСОВОМУ ПУЛУ

Наличие огромного числа квалифицированной рабочей силы в таких странах как, Индия даёт преимущество деятельности аутсорсинга, помимо подъема организаций экспортирующих труд. Всё это, в конечном счете, приведёт к быстрому повышению

бизнеса.

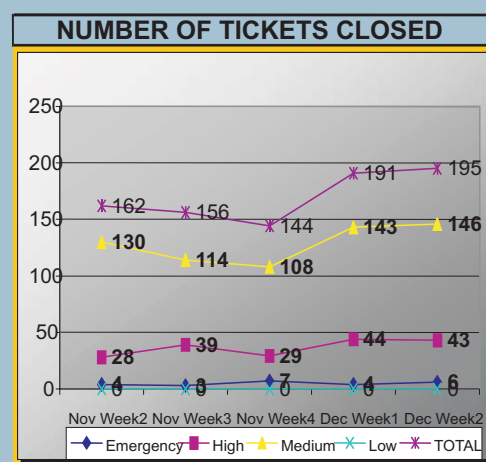
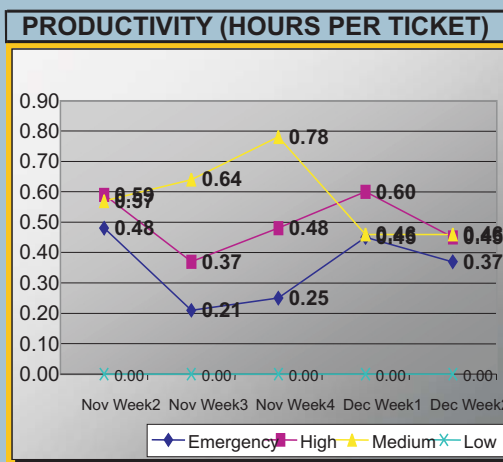
### ПОВЫШЕННАЯ ПРОДУКТИВНОСТЬ

Коэффициент продуктивности, наблюдаемый в фирмах экспортирующих труд, вместе с компаниями имеющими ресурсы колеблется от 5.0% до 35%. Причинами этого колебания являются более зрелые процессы, более быстрая способность освоения и

способность приспосабливаться к быстро изменяющейся экономической обстановке. Это даёт реальное преимущество аутсорсингу, импульс их бизнесу и сокращает время на маркетинг услуг и продукции.

Это также вызвало здоровую конкуренцию и дало возможность определить меры по улучшению связи между нанятыми за рубежом кадрами и организацией по экспорту труда.

В ниже данном графике показано улучшение продуктивности организаций экспортирующих труд на еженедельной основе.



Source: Satyam ODC

### КАЧЕСТВО

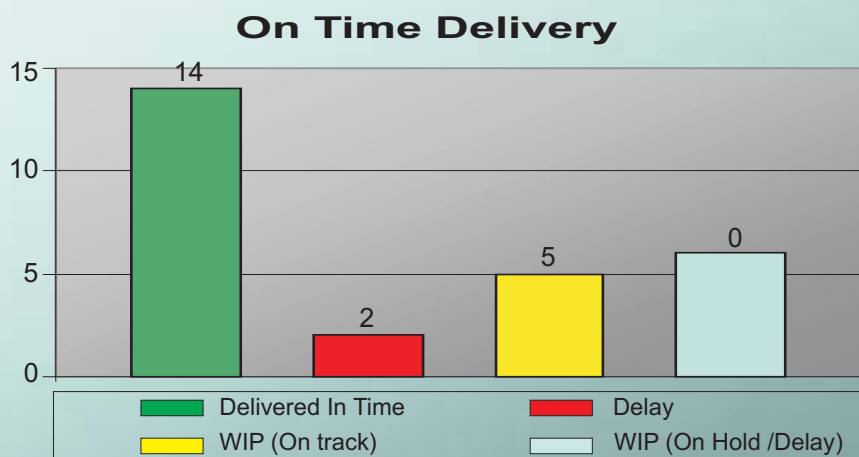
Большинство индийских фирм внедряют в самом начале лучшую практику качественных образцов, предоставляя услуги таким организациям как, СММ, СММ1, ISO 9000, таким образом, оптимизируя процесс осуществления всех ИТ услуг эффективным образом. Фактически в Индии сейчас работают 75% центров мира успешно достигнув уровни 5СММ, 8 и 9 СММ1.

Это является одним из факторов обеспечивающих упорядочное функционирование ИТ услуг на начальных этапах. Организации, экспортирующие труд показывают рост в тенденции своевременной доставки, благодаря зрелым процессам.

годами, и нет ни каких признаков, что эта тенденция изменится или замедлится.

## ДРУГИЕ ПРЕИМУЩЕСТВА

• Одним из многих преимуществ даёт ИТ аутсорсинг аутсорсинговым странам, это значительное опережение других в индустрии услуг. Обзор, проведенный ПБС и Ренодисом указывает на то, что все видные аутсорсинговые фирмы имеют более чем 70% ИТ услуг в финансах, банковском деле и страховании и каждая из фирм оперирует свыше 6 центров офшорингового развития. Вертикальный опыт подобных отраслей оказался выгодным для подобных клиентов, путём сокращения сроков



Source: Satyam ODC

необходимых для обретения знаний и понимания бизнеса. Это также помогает сбору лучшей практики от конкурентов, путём повторного использования того же ресурса.

• Некоторые аутсорсинговые организации заявляют, что разница во времени между экспортирующими труд странами и импортирующими его даёт им хорошие преимущества для завершения тех ухода и подготовительной работы до начала трудового дня. Это устраняет перерывы во время рабочих часов.

• Отделение критически важной и основной работы, требующей глубокого знания дела и взаимодействие с основными акционерами от рутинного профилактического обслуживания и поставления обычной информации даёт организации достаточно времени, чтобы успешно справиться с основным бизнесом предприятия.

• Экспорт труда освобождает экспортирующую организацию от задачи обучения рабочей силы, обычной, ежедневной деятельности развития людских ресурсов, и в тоже время даёт возможность использовать самые лучшие ресурсы в бизнесе по всему миру.

• ИТ услуги облагают более высокими налогами во многих западных странах аутсорсинг помогает аутсорсерам или экспортёрам труда получить налоговую выгоду, благодаря аутсорсингу этих ИТ функций.

## ИНФРАСТРУКТУРА СВЯЗИ.

Коммуникационная революция сделала мир меньшим местом. Увеличивающаяся необходимость дешевой связи между рынками мира возросла, благодаря телекоммуникационной и интернетной связи. Это способствовало организациям быстро устанавливать связь с партнёрами во всём мире и сделало организации, от куда наняли рабочую силу, частью клиента- организации.

## УЛУЧШЕННЫЕ УРОВНИ ОБРАЗОВАНИЯ И КОРОТКАЯ КРИВАЯ ОЗНАКОМЛЕНИЯ.

Страны, такие как Индия, выбрали английский язык, как средство информации и сообщения. Это совместно с культурой высокого ценза грамотности рабочего класса облегчило работу наёма рабочей силы, говорящей на английском языке, аутсорсинговыми организациями. Это привело к более короткому сроку ознакомления с процедурой бизнеса клиента.

## ПРЕИМУЩЕСТВА НЕДОРОГО УРОВНЯ ПРОЖИВАЕМОСТИ.

Расходы на проживание в таких странах, с низкими зарплатами, как Индия, Китай и Мексика составляют 0.1 тех, что в странах запада. Рабочая сила в этих странах более чем счастлива поставлять такой же уровень работы на высоких качественных уровнях, получая гораздо меньшую зарплату. Согласно американской ассоциации ИТ, свыше 104.000 ИТ работ были отосланы за границу в период между 2000 и 2003



## СИТУАЦИЯ РАСКАИВАНИЯ

Аутсорсинг не всегда похож на гладкое плавание. Есть и некоторые проблемы. Хотя и нельзя сомневаться в пользе аутсорсинга, на его пути бывают ухабы и выбоины. В анализе неудачных попыток аутсорсинга указаны промахи и причины того, почему в хорошо установленной временем и историей концепции бывают плохие моменты в ИТ бизнесе.

## ОТСУТСТВИЕ ЧУВСТВА ВЛАДЕНИЯ И ОБЩЕГО ВИДЕНИЯ

В то время как аутсорсинговые фирмы должны рассматриваться как партнёры и виртуальное продление родительской организации, но нужно помнить о том, что они являются не более чем контрактующей фирмой. Не одинаковая культурная среда, отсутствие общего видения и когда лучшие практики подходят к различным рабочим средам и ограниченное деловое знание часто приводят к недоразумениям и трению в ИТ операционных и подсобных службах. Аутсорсинг и аутсорсинговые фирмы имеют чёткое понимание, что успех и неудача в отношениях являются совместной ответственностью и поэтому они должны работать, имея цель обоюдной победы.

## АНАЛИЗЫ СКРЫТЫХ ЦЕННОСТЕЙ, ПРОЗРАЧНОСТИ И НЕВЕРНЫХ ОЦЕНОК.

Очень важно точно понять все элементы ценности аутсорсинга, чётко определить ценность, неправильное понимание может привести к ненужному расходу расчётных сбережений.

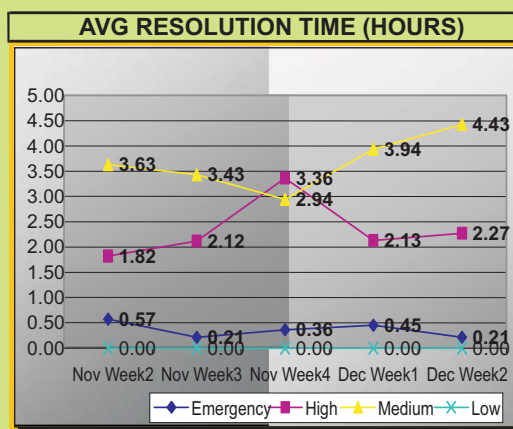
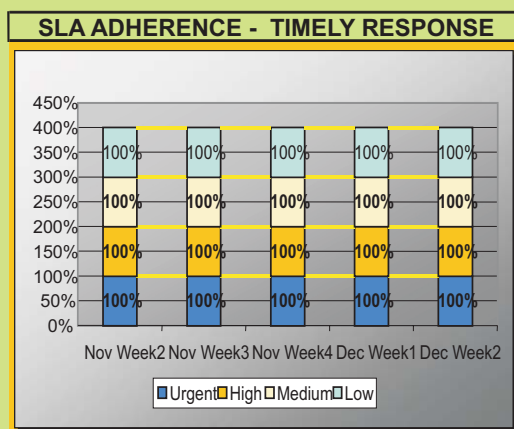
## НЕДОСТАТОЧНЫЙ ОБРАЗЕЦ УПРАВЛЕНИЯ

- Отсутствие сильного управленческого механизма постоянного наблюдения за работой приводит к плохому контролю механизма и в свою очередь к хаотическому положению. Это также не даёт прозрачности аутсорсинговой организации узнать идёт ли всё хорошо.
- Руководящие комитеты, высокого и среднего уровня, должны периодически проводить обзор ключевых индексов функционирования и принимать коррективные меры.

•Управляющий механизм должен с холистической точки зрения рассматривать весь процесс аутсорсингового отношения в интегрированной манере, вместо того, чтобы рассматривать только несколько работ делового процесса. К примеру, это означает, что важно не только обеспечить, в рамках интегрированной системы, гладкое функционирование аутсорсинговой платёжной ведомости, но и также всех процессов касающихся компенсации. Это только будет содействовать аутсорсинговым организациям получать оптимальную выгоду от партнёров по аутсорсингу.

## НЕАДЕКВАТНЫЕ И НЕ ЭФФЕКТИВНЫЕ ОБРАЗЦЫ ИСПОЛНЕНИЯ В SLA's

Аутсорсинговые организации играют очень рискованную роль установления мерок и процесса реалистичного образца работы, которые имеют прямое отношение к полученной прибыли от инвестиции и других измеряемых параметров, таких как, процентное увеличение повышения бизнеса и прибыли, процентное улучшение в отношении к их клиентам и процентное сокращение времени маркетинга. Отсутствие подходящего для этого механизма, приведёт к усугублению напряженности отношений. В ИТ поддержке очень важно установить панели по придерживанию к SLA (см. пример ниже) в терминах отношения времени ответа к решению проблем и срока. Следующий пример показывает 100% придерживание SLA к контрактным требованиям.



Source: Satyam ODC

- Устанавливая SLA очень важно уделить внимание правильному определению параметров выполнения работ, которые влияют друг на друга. К примеру, когда подсобная группа поднимает вопрос о билетах, заданного последним пользователем, он нуждается в ответе в специфическое время, чтобы помочь решить вопрос, в ином случае невозможно придерживаться ко времени установленному SLA. Отсутствие таких параметров в SLA часто приводит к проблемам в аутсорсинговом отношении.

## КУЛЬТУРНЫЕ И КОММУНИКАЦИОННЫЕ ВОПРОСЫ

Часто отмечаемым феноменом является то, что различные культуры и языки между аутсорсующей и аутсорсинговой организациями влияют на мораль и ресурсы. Принятие культурных и языковых вопросов и иерархических вопросов обеих организаций является очень важным установлением четкой структуры ролей и ответственностей и приемлемого коммуникационного протокола.

## ОЖИДАНИЕ МНОГОГО ЗА ОЧЕНЬ КОРОТКОЕ ВРЕМЯ

Некоторые проблемы в аутсорсинговых отношениях возникают из-за ожидания многого за очень небольшое время и часто этот феномен выпадает из контрактных обязательств.

## ОШИБКИ В ПЕРЕСТАНОВКЕ КАДРОВ

Аутсорсинговая организация должна быть ответственна за гладкий процесс изменений в менеджменте. Она должна оповещать служащих об изменениях в менеджменте, передаче знаний, технических и деловых процессах, и разделять ответственность, подчёркивая заверение в реориентации их собственных ресурсов на более вызывающие работы, не теряя их. И если это не будет сделано, то это приведёт к вопросам и потере бизнеса.

## ЗАКЛЮЧЕНИЕ

В заключении можно сказать, что аутсорсинг не является просто модным словом, в реальности он является эффективным методом оставаться конкурентоспособным в изменяющихся условиях. Если с аутсорсингом обращаются как с деловой стратегией и не только как урезающей мерой, то результаты, несомненно, будут положительными.

## Ссылки

1. Realizing the value of offshore sourcing by Praba Manivasager Renodis Global services
2. Article: Smart outsourcing by Traci Purdum and John Teresko published in Industry Week.com on Date 10.1.2004
3. Article in Barometer Survey published by Price water house Cooper: Management Barometer by Mike Davies
4. Article in CIO Magazine on How to Outsource-Proof Your IT Department A NEW GAME PLAN by CHRISTOPHER KOCH.
5. WHITE PAPERS ON IT OUTSOURCING FROM CANADIAN INSTITUTE OF CA
6. IT OUTSOURCING: MAKING IT WORK-A WHITE PAPER BY ROB AALDERS

## ОБ АВТОРАХ

### Прабху Синха



Прабху Синха является старшим вице-президентом компании Satyam Computer Service limited India. Под его руководством Satyam стала одной из первых нескольких организаций достигнувшей уровня 5 SEI CM, первой получившей ISO 9001: 2000 в соответствии с программой TICK IT, в 2001г. получил национальную премию им. Рамакришна Баджадж за

отличное качество (премия равносильная Малколму Балриджу) и достиг сертификации B57799 за информационную безопасность. Сейчас Прабху направляет осуществление программы Народ - CMM в Сатьяме, с целью улучшения процесса управления.

Он также возглавляет консультации по качеству в Сатьяме, предоставляя услуги процесса консультирования ведущим глобальным корпорациям. Под предводительством Прабху Сатьям осуществила escv.sma1, CMM, CMM1@, ISO 9000, SPICE, Six Sigma и т.д. в таких организациях как ДЖЕ, Тошиба, всемирный банк, Форд.

Прабху является членом совета университета Карнеги в Мельтоне. В 2000г. Прабху получил престижную премию QIMPO SILVER в честь его вкладов осуществление систем глобальных стандартов по менеджменту качества.

Прабху служил свыше 33 лет в различных отраслях, в их числе, нефтяная и газовая, строительная, производственная и ИТ.

Прабху написал несколько статей об ИТ и качестве программного обеспечения и давал лекции по касающимся ИТ темам в различных международных форумах.

### СУНИЛ ТЕДВАРКАР



Сунил работает старшим консультантом в отделе компьютерной службы Сатьяма в Хедрабаде

У Сунила 8ми летний опыт в ИТ аутсорсинге, управлении проектами, контроле качества. Он с успехом осуществил качественные модели такие как, CMM, CMM1, PCMM, PMBOK, ISO9000, ITIL в различных организациях.



# The Man Who Created Space History

Before him, there was just space. No history. On April 12, 1961, the first human being since creation defied the gravity of the earth and stormed the endless beyond. In the Spaceship Vostok 1, Senior Lieutenant Yuri Alexeyevich Gagarin orbited the earth at an altitude of 302 km for 108 minutes at a maximum speed of 28,260 km per hour. And he saw the planet Earth as God saw it. Gagarin was the first man to tell that Earth was indeed round, indeed mostly water, and indeed magnificent.

Gagarin has since remained as the First and Brightest Star of space history. Seven years later, his tragic death in an air crash at the age of 34, only magnified his glory.



Gagarin was born on March 9, 1934 in Klushino, a small village 100 miles west of Moscow. He was the third of four children. During the war, the Nazis threw his family out of their home and took away two of his sisters. Yuri helped his parents dig a dugout where they lived until the war was over, then the family moved to Gziatsk.

When he was a teenager, he witnessed a Russian Yak fighter plane make a forced landing in a field near his home. It was just returning from battle, its wings bullet-ridden. When the pilots emerged he was awe-struck. He dreamt of becoming a pilot.

Trained in a technical school, Gagarin became a foundryman. After 18 months at the trade school, Gagarin joined a four-year technical school in Saratov. In his fourth year at school he was offered the chance to join a flying club. And so began the realization of his dream to become a pilot.

Gagarin took his first solo flight in 1955. He was praised for his ability to handle a plane and his skill in making a smooth landing; "He'll make a wonderful pilot," one of his instructors said. Yuri was so excited about flying that he spent an entire

summer in a tent next to the airfield.

Pretty soon, it became obvious that young Yuri had a natural talent for flying, and when he graduated from college in 1955, he joined the Soviet Airforce. It became evident that Gagarin's abilities as a pilot were beyond normal, and he was taken off normal duties to work as a test-pilot, flying new and experimental aircraft.

Soon Yuri went to his officers and volunteered to become a cosmonaut. His officers were stunned, since no-one had ever before volunteered for such a mission, and consequently there were no procedures for this. However, Gagarin's name was passed on to the people in charge of the top-secret Soviet space-project, and after a while he was contacted by some representatives who wanted to test him.

Yuri Gagarin was selected among a special group of the then Soviet Union's six best test-pilots. These went on to further training, while the others returned to test-flying. During the very tough and difficult training-period, Yuri obtained top grades.

Gagarin, as part of the psychological training, sat in a soundless, lightless room for 24 hours. The instructors described him as a man who "...is always sure of his resources... stands out among his colleagues thanks to his active attention, bright mind and quick reaction".

At the age of 27, Gagarin left the earth. It was April the 12th, 9.07 Moscow time (launch-site, Baikonur). 108 minutes later, he was back. Gagarin's flight into space was headline news all over the world, and he was awarded the medal and official title Hero of the Soviet Union.

Gagarin died seven years later, on March 7, 1968, in an air crash, flying the MIG-15 as a test-pilot. He did not die in the true sense. He was already a Star. A carter on the Moon was named after Gagarin.

