



Indo-Russian
Co-operation

Soaring to a New High


Focus on

**Kazakhstan
& Ukraine**

In This Issue

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 Readers are however requested to verify the facts before making
 business decisions using the same.



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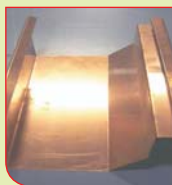
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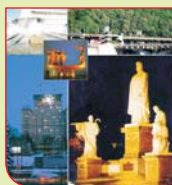
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Dear Readers,

Greetings. We are delighted to offer you the second issue of Indo-CIS Business, which has plenty on its platter. May and June were eventful months in further strengthening Indo-CIS relations. First, the Prime Minister, Dr. Manmohan Singh visited Moscow to participate in the 60th Commemorative Ceremony of the Victory Day on May 9 and seized the opportunity to meet Russian President Vladimir Putin, besides Tazikistan President Rakhmanov and Kazakhstan President Nazarbayev. He described the informal talks held in the sidelines of the ceremony as very significant. In the third week of May, Indian President, Dr. A.P.J. Abdul Kalam visited Russia and later Ukraine in the first week of June to sign important joint declarations with his counterparts in both countries. We present Dr. Kalam's visit, during which he delivered erudite and scholarly addresses to the academic and scientific communities, as the cover story of the publication. The current issue focuses on two countries - Kazakhstan and Ukraine, highlighting their economic growth and investment potential. While stability has added vigour to the Kazakh economy, Ukraine has derived its strength from diversification to meet the challenges stemming from change. Besides, both countries offer immense tourism potential. We have touched both angles in our detailed write-ups. T.C.Venkat Subramanian, Chairman and Managing Director of the Export Import Bank of India, explains in an analytical article how the robust growth of the CIS region is boosting India's bilateral trade with those countries. Arijit Saraswati, Chief Manager, Exim Bank, looks at the Indian economy from different angles, through the eyes of financial pundits. The CIS is one region where the growing Indian pharmaceuticals exports have a potential market. Dr. Arvind Pandalai, Chairman and Managing Director of the State Trading Corporation of India (STC), writes about the bottlenecks faced by Indian exporters and suggests the ways and means of overcoming them. Indo-CIS Business recalls its own inaugural launch, at the hands of the Russian Ambassador to India Vyacheslav Ivanovich Trubnikov at a seminar organized by the Exim Bank in Mumbai in April 2005. We present a photo feature. The seminar on "Indo-CIS Partnership also turned out to be an appropriate forum for the release of an Exim Bank study on the opportunities existing in the Central Asian region. We carry a separate report.

Wish you happy reading



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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)

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Peace will Pave the Path to Prosperity

The Indian President, Dr. A.P.J. Abdul Kalam, a scientist-turned statesman, visited Russia in the third week of May 2005, where he addressed the academic community, scientists and technocrats on various developmental issues and challenges confronting the present day society. At one of the functions held at Duma, Dr. Kalam shared his wisdom with members of "Nation Builders of Russia", on the crucial role of peace in bringing about a global prosperity. Excerpts.

I wish to state that at this point in the history of the world, it is not good for our planet earth to live to be a unipolar one. For us to have peace in this planet, we need a multi-polar world. India and Russia are strategic partners who share this concept and they should work together to strengthen this to work for world peace. You were with us and the people of Russia were with us, when our country was attacked many times. Every time, you gave us strength and support. We will always love the people of Russia.

When we are surrounded by nuclear armed countries, we didn't have any alternative but to become a nuclear weapon state. Though India has not signed NPT, India is a non-proliferator of Weapons of Mass Destruction (WMD) and a very responsible nation. Our Parliament has recently passed a Bill called 'The Weapons of Mass Destruction and their Delivery Systems (prohibition of unlawful activities) Bill 2005', that emphatically confirms India will never be a proliferator.

The developed world has realized how responsible India is on international issues. All nations want India to be their friend. Recently our Prime Minister and myself met the Pakistan president. The people have started moving between the two countries, and the train journey will also start between the two countries. Prime Minister of China visited India and we had a very good discussion. Our Prime Minister recently met the President of China. Both countries have evolved guidelines for

mutual progress. Definitely the peace is prevailing in our border.

India and Russia Partnership

India has technological co-operations with many nations and in many areas. I was asking myself two questions - which co-operation resulted in a win-win situation for both



The President A.P.J Abdul Kalam with the Prime Minister of Russia Mr. Mikhail Fradkov at White House in Moscow.

countries and which co-operation brought the complimentary core competence of the two nations and synergising and shaping into advanced systems and products for the world. The one unique co-operation between Russia and India, I can think of, is BrahMos, a world class supersonic cruise missile resulted out of \$300 million contribution. BrahMos is rightly named after Brahmaputra and Moscow rivers, when the two rivers meet, civilization emerges, when people meet, best minds result into great events for our two countries. This is the model, a joint venture from design, development, production and marketing will result prosperity of our people of two countries.

The cooperation between India and Russia can enlarge into many new areas, such as knowledge products, knowledge systems and the new area Bio-info-nano technology convergence. This may lead to revolution in the health sector, and in the fields of agriculture and communication. The intensity of the co-operation between India and Russia, especially in the business and trade has to increase to the level of \$25 billion in three years time.

In terms of purchasing power, India is the fourth nation, next to USA, Japan and China. Within few years time we will take the third position. This strength comes from our farmers, industrial workers, scientists and technologists. Our banking system and our industrial investments can play a very important role in economic development of Russia and India.

Aspirations of Young

I would like to share my experience. I have met over 600,000 students during my visit to various parts of the country. Also I have met thousands of children during my visit to various countries abroad during the last two years. After meeting the youth below 17 years and interacting with them I have a message. "Youth only can bring peace and prosperity together to this troubled planet of ours".

It is our responsibility; countries like Russia and India have to work for our children's prosperity, children's happiness and their safety. Future children should never experience the kind of destructions which had happened in Leningrad (St. Petersburg) or Hiroshima and Nagasaki in 1940s. Can we achieve the world of peace and prosperity?

Enlightened Citizens

Dear friends, I would like to share with you a thought which I have evolved

during the last few years. This is the concept of evolution of enlightened citizens for promoting prosperity, happiness and peace on the earth. This has three components ? Education with a value system, religions transforming into spirituality and economic prosperity.

The best part for a person is his or her learning period in his childhood at School. The prime learning period is 6th to 17th year of age. Hence, the school hours for children are the best time for learning, and need the best environment and mission oriented learning with value based educational system. This reminds me the echo from Bestolozzy, a great teacher's saying, "Give me a child for seven years, afterwards, let the God or devil take the child, they cannot change the child." That is indeed the power of the teacher. For parents and teachers, school campus and home have to have an integrated mission: education with value system. If the child misses the 12-year value-based education of 25,000 hours in the school campus, no government or society can establish a transparent society or a society with integrity. Up to the age of 17 years, the father, the mother and the teacher lead a child to become an enlightened citizen.

The world has many religions and each one of them is beautiful. But these religions are important for the man to be the part of the society with virtues. At the same time, the religions are independent Islands and they need to be interconnected for the prosperity of the human kind. That is, the religions have to become spiritual force with perfect fusion.

The vision for the nation's peace and prosperity leads to economic development. Based on country's core competence missions have to be evolved with defined goals of economic inducts. A strong nation needs this prosperity and security to protect it from aggressive nations.



With the above three components enlightened citizens emerge on the globe.

Righteousness

For overall development of citizens and success in whatever profession we pursue, righteousness in thinking, conduct and action is the key. I would like to recite a divine hymn which I heard in a spiritual centre. The name of the hymn is 'Peace in the World':

**Where there is righteousness in the heart
There is beauty in the character.
When there is beauty in the character,
There is harmony in the home.
When there is harmony in the home,
There is an order in the nation.
When there is order in the nation,
There is peace in the world.**

Friends, we can see a beautiful connectivity between heart,

character, nation and the world. How to inject righteousness in the human heart? This is indeed the purpose of human creation - that is divinity. We are going through a complex situation as many of us are completely at war with ourselves, with society and the nation. At every instance, there is a war in our mind, whether we should go in one direction or another. Whenever there is a dilemma, we must seek the wisdom from the Almighty to lead us to the path of righteousness through education with value system.

We are responsible to protect mother earth through our thoughts, policies and actions. Peace and prosperity must prevail throughout the world.

Russia and India have a tradition of knowledge and civilizational strength. Through this strength we can definitely build a prosperous society. A prosperous society with civilizational strength will lead to peace. Let us commence a new journey in this planet to bring global peace. India and Russia are time tested partners and friends to bring peace everywhere on the earth. I wish you all success in your endeavours. ♦

World Bank to rehabilitate 70 Ukrainian hydel units

The World Bank's Board of Executive Directors has authorized \$106 mln loan for the Hydropower Rehabilitation project in Ukraine.

The project will include rehabilitation of roughly 70 hydroelectric units at nine hydro power plants built over 30 years ago. The aim is to increase hydroelectric production by 360Gwh/yr, boost hydro power capacity by 250MW and reduce emissions from thermal power plants.

The loan will be at the Bank's standard interest rate for LIBOR-based single-currency dollar loans; it has a grace period of six years and is repayable in 18 years. The loan builds on the previous Hydropower Rehabilitation and System Control project, which was successfully completed in 2002.

"The objective... is to improve the security, reliability and quality of energy supply. This will facilitate smooth operation of the energy market both domestically and internationally," said Dejan Ostojic, Programme Team Leader.

The Bank says this is the first of a series of projects planned to support its long-term Energy Sector Reform and Development programme in the Eastern European country. ♦

Assistance Center for foreign investors

Ukraine President Viktor Yuschenko has instructed the National Bank, upon concurrence of the government and the Ministry of Finance, to develop measures for liberalization of the foreign currency market. The Center will provide foreign investors in Ukraine with information, analytical, methodical and organizational support.

The main tasks of the Center are following: to create new Ukraine's image which will be positively apprehend by foreign investors; to settle problems which may appear during work.

Sergey Teryokhin Minister of Economy is appointed the head of the Center.

The presidential press service informed Ukrainian News about a meeting between Yuschenko and National Bank Chairman Volodymyr Stelmakh in the Crimea.

"To develop measures for liberalization of the foreign currency market by way of lifting certain hard currency restrictions on banks, and by way of providing enterprises with the opportunity to use hard currency and securities more widely," the report reads.

The President also instructed Stelmakh to curb inflation and remove bureaucratic hurdles on the way of capital export and import and coming investments. ♦

Knowledge creates wealth for nations

-Kalam

In a lecture delivered at the University of Moscow on May 23, Dr Kalam dwells on the power of knowledge and its ability to unite nations for the common good of humanity as a whole. Here is the text of his speech.

Synergy between Universities

When I am at the University of Moscow, I realize that this university has got a great tradition and history. It has been established in the year 1755. Just when I was entering into your campus, I am reminded of an event which took place a few weeks back in India.

I witnessed on 27th April 2005, in the Rashtrapati Bhavan, an agreement being signed between three Indian universities which are hundred and fifty years old namely University of Madras, University of Bombay and University of Calcutta for reinforcing the curriculum of each other, enhancing the research programmes and quality of teaching through synergy between the universities for transforming them into great educational centres of 21st century. The similarity between the University of Moscow and the three universities is that all have a long history and tradition but the three Indian universities are younger by hundred years in comparison to University of Moscow. There are also a few other institutions of learning and scholarship in India which have a long tradition. With its innate strengths in humanities, arts, science, technology and culture, Moscow University and our three universities can have co-operative programmes for exchanging teachers, researchers and students. Even we can establish a school of societal transformation which can transform our nations into knowledge society.

Evolution of enriched societies

We have multiple societies in every nation starting from agricultural society, industrial society, and information society leading to knowledge society. During the 20th

century, societies underwent a change from the agricultural society, where manual labour was the critical factor to the industrial society, where the management of technology, capital, and labour provided the competitive advantage. The information era was born in the last decade. Networking within the country and with the other nations and the software products drove the economies. Some of the nations including India utilized this opportunity. In this decade we are just entering into knowledge society era.

The uniqueness of knowledge society is enriching the



The President A.P.J Abdul Kalam with a model of the latest Sukhoi Aircraft presented to him while on a visit to the Sukhoi Design Bureau in Moscow

information society with innovation and value addition of products. The knowledge also enables value addition to the other three societies. In knowledge society, knowledge is the primary production resource instead of capital or labour. In India, I chaired a task team constituted by the Government of India sometime back for evolving a road map for transforming the Indian society into a knowledge society. I would like to discuss with you how we can work together to make our societies enriched by knowledge and transforming them into knowledge society.

Knowledge can create a comprehensive wealth for the nation and also improve the quality of life, in the form of better health, education, infrastructure, and other societal needs. The ability to create and maintain a knowledge society infrastructure, develop the knowledge workers, and enhance their productivity through the creation, growth, and utilization of new knowledge, will be the key factor in deciding the prosperity of this knowledge society. Whether or not a nation has developed into a knowledge society is judged by the way, it creates and deploys knowledge and skills in the sectors like ICT, Manufacturing, Agriculture, Healthcare and many services.

Dimensions of Knowledge Society

I was studying the dimensions of knowledge society and how will it be different from the industrial economy. In the knowledge economy the objective of a society changes from fulfilling the basic needs of all round development to empowerment. The education system instead of going by text book, teaching will be promoted by creative, interactive self learning, formal and informal with focus on values, merit and quality. The workers instead of being skilled or semi-skilled will be knowledgeable, self-empowered and flexibly skilled and would adapt to newer technologies seamlessly. The type of work instead of being structured and hardware driven will be less structured and software driven. Management style will emphasize more on delegation rather than giving command. Impact on environment and ecology will be strikingly less compared to the industrial economy.

Hence the economy will be knowledge and skill driven and not by established

industries. There will be continuous innovation and enterprise. To realize this special capacity need to be built in education and nurtured among the students. The capacities which are required to be built are research and enquiry, creativity and innovation, use of high technology, entrepreneurial and moral leadership.

Research and enquiry

The 21st century is about the management of all the knowledge and information we have generated and the value addition we bring to it. We must give our students the skills with which they find a way through the sea of knowledge that we have created and continue with life long learning. Today, we have the ability, through technology, to really and truly teach ourselves to become the life-long learners. This is required for sustained economic development

Creativity and innovation

The management of knowledge in the 21st century is beyond the capacity of a single individual. The amount of information that we have around is overwhelming. The management of knowledge therefore must move out of the realm of the individual and shift into the realm of the networked groups. The students must learn how to manage knowledge collectively. When the information is networked the power and utility of the information grows as squared as



predicted by Metcalfe's law. An information that is static does not grow. In the new digital economy information that is circulated creates innovation and contributes to national wealth.

Capacity to use high technology

Every student in our schools should learn to know how to use the latest technologies for aiding their learning process. Universities should equip themselves with adequate computing equipment, laboratory equipments, and Internet facilities and provide an environment for the students to enhance their learning ability. In the midst of all of the technological innovations and revolutions we cannot think that the role of the teachers will be diminished. In fact the teacher will become even more important and the whole world of education will become teacher assisted and would help in tele-porting the best teacher to every nook and corner of the countries and propagate the knowledge.

Entrepreneurship

The aptitude for entrepreneurship should be cultivated right from the beginning and in the university environment. We must teach our students to take calculated risks for the sake of larger gain, but within the ethos of good business. They should also cultivate a disposition to do things right. This capacity will enable them to take up challenging tasks later.

Moral leadership

Moral leadership involves two aspects. First it requires the ability to have compelling and powerful dreams or visions of human betterment. Moral leadership requires a disposition to do the right thing and influence others also to do right things.

In sum, inquiry, creativity, technology, entrepreneurial and moral leadership are the five capacities required to be built through the education process. If we develop in all our students these five capacities, we will produce Autonomous Learner a self-directed, self controlled, lifelong learner who will have the capacity to both, respect authority and at the same time is capable of questioning authority, in an appropriate manner. These are the leaders who would work together as a ?Self-organizing Network? and transform any nation into a prosperous nation. Now I would like to discuss our Scientific Strengths.

Our Strengths

Russia has got a tradition of strength in metallurgy. The periodic table was given to the world by Mendeleev. You

became the pioneers in space launch systems by putting the sputnik in the orbit. Kirchhoff gave the Kirchhoff laws to the electrical network theorists. Kirchhoff and Bunsen discovered two new elements, caesium and rubidium in the course of their investigations.

Kirchhoff was best known for being the first to explain the dark lines in the sun's spectrum as caused by absorption of particular wavelengths as the light passes through gases in the sun's atmosphere. This work started a new era in astronomy. Landau's contributions to theoretical physics are phenomenal.

Korolov was the rocket designer par excellence who launched the first modern liquid-fuelled rocket in 1933. Konstantin Tsiolkovsky of Russia was considered as one of the fathers of space exploration. Tsiolkovsky blended the passion for space with hard mathematical calculations to produce the vision for the future. He imagined a time when space ships would launch from the Earth to large space stations and colonies; from there he proposed these ships would propel humanity to explore the Moon and Mars. His thought has influenced many space scientists and technologists.

Similarly another event which greatly influenced me in India was a war between British in Sri Rangapatnam and one of the warriors in India Tippu Sultan. Tippu Sultan, the ruler of Mysore State, in the war against the British, used war rockets against the cavalries and defeated the British force in 1792. He was the first in the world to introduce rocket forte in the Army. Though India was a latecomer in the modern space activities, it is one of the five nations today placed its own satellite using indigenous GSLV. We in India also remember the pioneering contributions to science made by Chandrasekhar Subramaniam for his Chandrasekhar limit and black hole, Sir CV Raman for his discovery of the "Raman effect", Srinivasa Ramanujan for his contributions towards number theory, JC Bose in the area of microwaves and Meghnad Saha for "Thermo-Ionization Equation".

Conclusion

Russia and India have a tradition of knowledge and have civilizational strength. We also share a common vision of the world of bringing prosperity, peace and partnerships in the whole of humanity. Through these strengths and commonly shared vision, we can definitely build a prosperous society. A prosperous society with civilizational strength will lead to peace. Let us commence a new journey in this planet to bring global peace and prosperity. ♦

A reliable model to predict 'quakes & tsunamis a must

In an address to the members of the Russian Academy of Sciences, Dr Kalam talked about stepping up cooperation between Indian and Russian scientists on a range of issues such as the threats of earthquakes and tsunamis, space technology, nano-science, and impact of Raman Effect on the development of laser science. The excerpts.

From medical diagnosis to silicon lasers The Raman Effect & Impact

Raman Effect has continuously impacted every field of science. Its role in spectroscopy, medical diagnostics and material characterization has been phenomenal. The Raman Effect has been used in many new areas of science and the most recent being in the development of a continuous silicon laser. Instruments and techniques based on Raman Effect make a huge industry all over the world.

In a paper published February 17, 2005 in Nature, Intel researchers disclosed the development of the first continuous wave all-silicon laser using the Raman Effect. They built the experimental device using the standard CMOS manufacturing processes.

Intel researchers incorporated a novel diode-like structure into the silicon cavity laser. This diode combined with the Raman Effect produces a continuous laser beam at a new wavelength. This breakthrough device could lead to many practical applications such as optical amplifiers, lasers, wavelength converters, and new kinds of high efficient optical devices. A low-cost all-silicon Raman laser could inspire innovation in the development of new medical sensors, and spectroscopy devices.

Over the next 5 to 10 years, the computing and communication industries would face increasing challenges to deliver more data and faster. Consumers will be downloading full-length movies, not just photos and music files. People will also require faster access to these large amounts of data. While microprocessors are projected to meet these future demands, the bandwidth of the interconnects needs to be increased to meet the speed of the microprocessors. With the new work of Intel using Raman Effect to produce continuous silicon laser, the material convergence will take place very soon and faster networks would emerge.

Already many laser laboratories of India and Russia have been collaborating in the area of laser science and technology. There are also emerging research opportunities in the area of femto second lasers for probing biological and nano materials and as future communication media. I invite the scientists and laboratories of the two countries to evolve a research and development programme in this important area of laser science and technology. ♦

Challenges before Science community

In the 21st century, there are many new challenges in the planet earth, which need co-operative efforts from many countries to solve. I thought of discussing a few of the challenges with you in science and technology.

Friends, the challenges in front of both India and Russia are many and have a large degree of commonality. Both India and Russia have a vast pool of highly talented scientific manpower and their relationship had been seasoned by years of collaboration in many areas including space and defence. These experiences must be extended to encompass many newer frontiers of science that are relevant to our people today. These include: the science of earthquake prediction, laser physics and applications and

the science

that has emerged due to the convergence of information technology, biotechnology and nano-technology.

Friends, the purpose of my talk is to highlight the opportunities that are in front of both the countries to collaborate. Since the science and technology change rapidly, I am sure we would use these avenues as a framework for carrying out frontline research jointly



Nano-tech is a trillion-dollar business

The world market in 2004 for nano materials, nano tools, nano devices and nano biosensors put together was estimated at over \$100 billion. It has been noticed that the fastest growing area among these is nano-biotechnology. Next ten years will see nano technology playing the most dominant role in the global business environment and is expected to go beyond the billion dollar estimates and cross the figure of one trillion.

Carbon nano tubes and its composites will give rise to super strong, smart and intelligent structures in the field of material science. Molecular switches and circuits along with nano cell will pave the way for the next generation computers. Ultra dense computer memory coupled with excellent electrical performance will give the society low power, low cost, nano size and yet faster assemblies. Nano Bio medical sensors will play a major role in glucose detection and endoscopic implants. Drug delivery system will revolutionize the healthcare to a large extent. The last four decades have also effected the packaging concept. Electronics packaging of the past has given way to the present micro systems packaging and the shift in the trend is now towards the futuristic nano packaging.

Solar Energy

CNT (Carbon Nano Tubes) based Photo-voltaic Cell: Presently silicon based photo-voltaic cell have only an

efficiency of 13 to 15 per cent. This has become a big challenge for converting solar energy into power. Research has shown promise of increasing the efficiency of the photo-voltaic cell to 40 to 50 per cent using CNT. This will enable us to have highly efficient 100 MW solar energy plants in different regions of the country which will



have virtually zero recurring cost.

Recently, India had outlined its vision in nano technology and had identified many areas that include nano materials, nano electronics, nano-bio-sensors, nano drug delivery system. India has developed drug delivery system and nano filters for water purification. Both Russia and India could join together for using the convergence of nano-bio and information technology for the benefit of the society.



between the laboratories in the two countries.

Earthquake Prediction Research

The seismologists have put most of their efforts in studying seismic variations and patterns of foreshocks and aftershocks. In certain countries, earthquakes have been successfully predicted in limited areas using a noticeable increase in background seismic activities. If foreshocks can be recognized early, giving a timely warning can save lives of many people. The stages of a rising seismic activity include, building-up of elastic strain along a fault, development of cracks, increase in stress, decrease in electrical resistance, etc. This theoretical series of events could eventually lead to a way to predict the occurrence of major earthquakes. The events are still theoretical and need much more data to make them useful enough for practical applications. Earthquake prediction research needs an integrated national and international partnership.

Stress forecasting

Earthquakes are complex and extraordinarily varied involving a number of factors and phenomena. Perhaps one common feature is the release of large amount of accumulated stress. I understand that monitoring the build-

up of stress by analysis of shear-wave splitting leads the increasing likelihood of a future large earthquake to be recognized. This is known as stress forecasting. Such stress forecasting would allow appropriate preparations to mitigate hazard that specific short-term predictions would not. It is said that stress forecasting was possible in South West Iceland only because of the unique seismic activities of the onshore transform-zone. It is also said that stress forecasting gives reasonable estimates of time and magnitude but gives little or no information about location. But we should also keep in mind that earthquake prediction is always local. Hence with the help of stress-forecasting if it is known that a large earthquake is going to occur and the rate of increase and the time when fracture criticality could reach is estimated, local information may be able to indicate the fault that would break. Both India and Russia have to cooperate through their research institutes, geoscientists and technologists need to lay more thrust on such positive approach and work for the challenging task of evolving a reliable model for earthquake prediction. The world would remember you for this scientific breakthrough.

Shock embedded tidal wave

Earthquake under the sea floor is the origin for the tsunami

Low cost access to space vital

Expansion of man's activities in Space can and must take place only in a global cooperative manner that will integrate all nations' space capabilities to reduce Man-Planet conflict patterns. This calls for reduction of cost of access to space by several orders of magnitude.

Such a reduction can enable the global space community to move out of the present era of information collection missions into an era of mass movement missions. They can find solutions for energy, water and mineral crisis, which is likely to engulf humankind soon if we are stuck only to the planet Earth. Let me also address a few issues of immediate relevance to those of us living on the planet Earth. Mankind will continue here for many billion years. We need good life here too. In fact for many hundreds of years Earth will be the primary launch base for our planetary humans.

Strategies for space transportation

Formulating of societal missions would lead to better

capacity utilization, and the creation of low cost space transportation. We have to evolve innovative design concepts for both small as well as large payloads into space. Both single and two-stage to orbit RLV concepts can be examined. The goal here is to reduce the cost of access to space by one or two orders of magnitude. Even a small scientific breakthrough, for example, in air breathing propulsion systems may lead to a space transportation revolution. The scientific community assembled here has a huge stake in such a breakthrough research in advanced inter-disciplinary and inter-institutional collaboration. A combined effort between India and Russia is needed to quickly demonstrate the technology for low cost access to space.

Development of reusable launch system

The global space industry has had a forty-year period of unprecedented growth and prosperity. But as would be



waves. Once earthquake occurs, the phenomena of tsunami shock-charged waves get generated. The Pacific nations have got a tsunami warning system, which is signed to protect 27 pacific countries from distant-source tsunamis. After the

earthquake has occurred beneath the sea floor at the shallow depth, it takes three hours to build dynamic waves of large heights. The shock-embedded wave travels at the speed of about 1,000 km per hour. All communities within a three-hour travel time of the epicenter are alerted by the tsunami warning system. A similar system for the Indian sea region and our islands is planned to be established by 2007. Various Indian R&D laboratories and the educational institutions have expertise in multiple areas. I am sure the Russian laboratories have also an equally impressive capability in this area of importance. Together, the laboratories of two countries and the scientists can embark upon Tsunami research. This research should focus on the origination of the earthquake at the seabed and its ultimate manifestation as shock-embedded Tsunami waves. The research for predicting the occurrence of tsunami calls for an understanding the resultant of the interaction between the earthquake at the seabed, sea waves, the characteristics of the seabed and the depth of the sea. This task I am putting forth to you in view of the recent disaster that affected many Asian countries. ♦

seen from the trends, global space markets are declining. The market is rapidly shrinking for information satellites. The geo-stationary orbit is nearly full, and new earth orbits need study and exploration, especially use of small satellites in equatorial low earth orbit. Currently, global space industry has a capacity to launch over 200 tonnes of satellites every year. However, the forecast is that projected demand will consume less than half of this established capacity. Thus a bitter price war is on to capture this limited market. The cost of access to space forbids further expansion of space activities. The Indian concept of hyper-plane, a fully reusable system is an innovation in rocketry providing a payload fraction of 15 per cent drastically reducing the launch cost. Therefore, it is an opportune moment for India and Russia to work together and launch a major universal mission to share the benefit of space to the whole mankind.

Future Aerospace Tech

The technologies derived from the space, missile and aircraft have tremendous potential for developing new systems. With proper technical effort, it should lead to the

development of following systems:

1. I visualize the satellite, missile and aircraft technologies converge together for an unmanned supersonic/hypersonic combat aircrafts. It should happen within the 10 years time.
2. Single Stage to Orbit Hypersonic Reusable Vehicle
3. Solar powered satellite for bringing electrical power through microwave communication.
4. Constellation of satellites for digital contour mapping and aerial imagery for the mission of water resource management.
5. Today in the geo-synchronous orbit there is a crowding of number of satellites which have age between 7 to 10 years. They have become useless and are occupying the orbit slots for many years. I suggest building up of a geosynchronous robot satellite carrying fuel and battery charger and power supplies to be designed. This robot satellite will be used to service the geosynchronous satellites which are about to lose their life. This can be a joint programme between India and Russia. ♦

PM in Moscow for Victory Day



Talks with Putin, Central Asian leaders fruitful

The Indian Prime Minister, Dr. Manmohan Singh visited Moscow, at the invitation of Russian President Vladimir Putin, from 8 to 10 May, 2005, to attend the 60th Commemorative ceremony of the Victory Day (May 9), the day the forces of fascism and Nazism were defeated in Europe. Later, talking to media persons aboard an aircraft on his way back to India, Dr Singh described it as an occasion of great solemnity and significance. It was also an occasion of historical resonance for us in India as well, Dr. Singh recalled, since over two million Indian men contributed to this effort, and several thousand Indian lives were lost in attaining the final victory over fascism. In the sidelines of the ceremony, Dr. Singh met presidents, prime ministers and other celebrities who gathered for the occasion. He quietly canvassed support for India's candidature as permanent member in an expanded UN Security Council, as and when that happens in the wake of the proposed UN reforms. In his interaction with the Press, Dr. Singh answered questions on a vast range of issues. The excerpts.



The Prime Minister, Dr. Manmohan Singh meeting with the Russian President Mr. Vladimir Putin at Grand Kremlin Palace 1, in Moscow

On talks with Putin: We have had a very substantial but brief review of Indo Russian ties. We discussed several important developments since our last meeting in New Delhi in December. Let me say that it was an extremely warm and positive meeting, though brief. I look forward to a longer and a much more comprehensive discussion later this year when we hold our annual summit."

On Central Asia: I had met President Rakhmonov of Tajikistan and President Nazarbayev of Kazakhstan where the focus was on India's growing role in Central Asia, including the two countries. I am convinced Central Asia is not only of great strategic importance but equally so given our historical and civilization ties. We need to invest a great deal of attention in developing strong and many-dimensional ties with our Central Asian neighbours.

On meeting Kofi Annan: My discussions with UN Secretary General Kofi Annan related to developments in our neighbourhood, our relations with Nepal, our relations with Myanmar and also the general state of what is going to happen in the UN General Assembly when it meets later this year.

On UN Security Council: The UN Secretary General says that a movement for the UN reforms is gathering momentum.

On US silence: This is true. The United States has not taken a public position.

There is nothing more that I can say about that.

On India's future veto power: Let me say that there is no use counting the chickens before they are roosted. There are many problems on the way. I think I would not minimize the difficulties. International relations beyond a certain point are power relations. And we know that the power in the world is not equally distributed. Therefore, one has to reckon with all the power equations. We are trying that. I would not like to minimize the hurdles that are still on the way before we reach the goal”.

On ties with Nepal: I had a very good meeting with His Majesty King Gyanendra in Jakarta. My advice to His Majesty was that he should restart the political process, outline a roadmap which would bring back democracy to Nepal, that our conviction was that constitutional monarchy and multiparty democracy are the twin pillars of the Nepalese polity, and that both these pillars must be strengthened and work in harmony with each other.

On India's coalition politics: I think coalition politics have constraints. We have to evolve a common minimum factor. Therefore, it is quite possible that in the process some of the things I and my colleagues want to push we are not able to push. But politics is the art of the possible. The people of India have voted for this coalition. They want all our political parties and the Left to work together. Therefore, we are working in a sincere manner to give a sense of direction to our coalition. I am glad to say that we have had a fair amount of success in that direction.

On government's achievements: It is for you, ladies and gentlemen, to outline. I do not want to boast, I am reasonably satisfied with what we have been able to do.

On the focus in the next four years: The focus has already been stated in the Common Minimum Programme. Our biggest priority is to accelerate the pace of social and economic development in our country, to get rid of, what I say often, chronic poverty, mass ignorance and disease

which is the lot of a very large number of our people.

I think science and technology has made it possible as never before in human history, that chronic poverty does not have to be the inevitable lot of human beings. There are today possibilities, technological possibilities, and also the evolution of the global political system creates new opportunities for us to leapfrog in the race for social and economic change. So, my foremost concern is to make India a major powerhouse of the evolving global economy. This is not a new thing. This is what I said when I presented my first Budget as Finance Minister in July, 1991. I think that fixed vision is still the vision which guides me.

On Iraq: We would like Iraq to return to stability, peace and democratic way of doing business. I had sent a letter of congratulations to Prime Minister Dr. Jaafari. I have in that letter said that we are waiting to work together with the Government and the people of Iraq. We deal with the problems of rehabilitation, reconstruction and development. But we have the Parliament resolution. That will be the guiding principle of what we can do and what we cannot do.

On helping Iraq: We are not going to impose ourselves. But, if anybody asks us for help, I think what we are doing in our country, we are a federal structure and the Indian political system, I believe, has something to tell about the future direction of change in all societies with a multicultural, multi-ethnic multi-religious face. If somebody asks us, we would be very happy to help them.

On consensus on foreign policy: We have, in matters relating to foreign policy, sincerely tried to evolve a broad-based national consensus. That process we are wedded to. Despite difficulties it will be our effort to work to a design where we can carry all thinking segments of our population in matters which have a vital bearing on the future of our polity.

On Kashmir: Let me say that I had stated repeatedly that I am willing to talk to Hurriyat or to anybody else. If they want to talk to us and shun the path of violence, our doors are open to them. I have received several times feelers that they want to come. I had said, and I repeat it publicly, that our doors are open for discussions with all segments of public opinion, those which are represented in the political process of Jammu and Kashmir and also those who are outside the political process. So, there is no mental reservation on my part. ♦



The Prime Minister, Dr. Manmohan Singh with the other Heads of States, at the commemorative events being organised to mark the 60th Anniversary of 'Victory Day' in Moscow



Robust CIS growth boosts bilateral trade with India

Rising revenues from oil and commodities exports have put the Commonwealth of Independent States (CIS) on the firm path of growth, estimated at around 8.0 per cent per annum in the last two years. This resurgence in the economies of the region is bound to further rejuvenate Indo-CIS bilateral trade, which has already been on the upswing, says Exim Bank Chairman and Managing Director T.C. Venkat Subramanian

Economic growth in the CIS region has registered robust growth in recent years, reflecting among others buoyant energy and metals prices and strong domestic demand. Real GDP growth has strengthened from 7.9 per cent in 2003 to 8.2 per cent in 2004. Strong growth momentum in the largest economies in the region, such as Russia, Ukraine, Belarus, Kazakhstan, has supported economic activity in other member countries. During 2005 and 2006, growth momentum is projected to be sustained although at lower level of 6.5 per cent and 6.0 per cent, respectively.

Reflecting increased earnings from oil and commodity exports, the current account surplus of the CIS region have risen further from 6.4 per cent of GDP in 2003 to 8.5 per cent in 2004, and is expected to increase further to 9.4 per cent in 2005. For net energy exports such as Azerbaijan, Kazakhstan, Russia, Turkmenistan and Uzbekistan, the current account surplus was as high as 9.0 per cent of GDP in 2003, which is projected to increase further to 10.3 per cent in 2005. Total exports of the CIS region rose from \$193 billion in 2003 to reach \$263 billion in 2004, representing a growth of 35 per cent, which total imports also rose from US\$ 130 billion to US\$ 171 billion during the same period, showing a growth of 31 per cent.

Among the largest economies, economic activity in Russia has remained buoyant with a real GDP growth of 7.1 per cent in 2004, and soaring exports have strengthened the country's external position. In Ukraine, real GDP growth stood at 12.1 per cent in 2004, reflecting primarily favourable external factors including increased metal prices and exports. Economic activity has also been strong in Kazakhstan and Belarus, with real GDP growth of 9.4 per cent and 11.0 per cent, respectively, during 2004. Strong

regional growth momentum has also contributed to increased economic growth in other CIS countries.

Trends in Indo-CIS Trade and Prospects

Trends in Indo-CIS trade in recent years attest to the renewed synergy in bilateral trade relations. India's total trade (exports plus imports) with the CIS region, which are in the range of \$ 1.7-1.8 billion during 2000-01 and 2002-03, almost doubled in 2004-05, underlined by rise in both exports and imports. This may be interpreted as the outcome of the Focus CIS programme launched in April 2003. An important development in bilateral trade relations in recent years has been the trend in trade balance, which has moved in favor of the CIS countries. Compared to a surplus of \$355 million in 2000-01, India's trade balance with the CIS region moved into a deficit of \$225 million in 2003-04, which has further widened to \$ 810 million in 2004-05 (Table & Chart). While exports rose at a modest pace, India's imports from the CIS region almost trebled between the period 2000-01 and 2004-05, resulting in a shift in trade balance in favor of the latter.

Underlying the trend in trade balance has been the sharp rise in India's imports of iron and steel, manufactured fertilizers, non-ferrous metals, and coal, coke and briquettes from the CIS countries, which has boosted overall imports from the region. Reflecting this, the share of these four items in India's total import basket from the CIS region has risen from 49.4 per cent in 2000-01 to as much as 64.4 per cent in 2004-05. Further, imports of other items including silver, organic and inorganic chemicals, synthetic and reclaimed rubber, from the CIS region have also registered sharp rise during the period.

As regards the trend in India's exports to the CIS region, contraction in exports of important items such as tea, coffee, cotton yarn and fabrics, readymade garments, and leather goods in recent years, has impacted overall exports to the region. Consequently, the share of these items in India's total exports to the CIS region has declined from 58 per cent in 2000-01 to 30 per cent in 2004-05. However, a sharp rise in exports of other important items including drugs and pharmaceuticals, unmanufactured tobacco, plastic and linoleum products, gems and jewellery, processed minerals, meat and preparations, and manufactures of metals, have led to the rise in overall exports to the CIS region.

It is common knowledge that the economic as well as the trade performance of the CIS region is significantly influenced by the performance of Russia, the biggest of the CIS economies. The same can be said in case of bilateral trade. Russia accounted for 57 per cent of India's exports to the CIS region and 68 per cent of India's imports from CIS region in 2004-05. It is noteworthy however, that though there has been consistent rise in imports from Russia in recent years, India's exports to Russia declined from \$ 870 million in 2000-01 to \$600 million in 2004-05. The slowdown in exports to Russia has constrained overall exports to the region. What is heartening is that India's exports to the remaining CIS economies rose sharply from \$167 million in 2000-01 to \$447

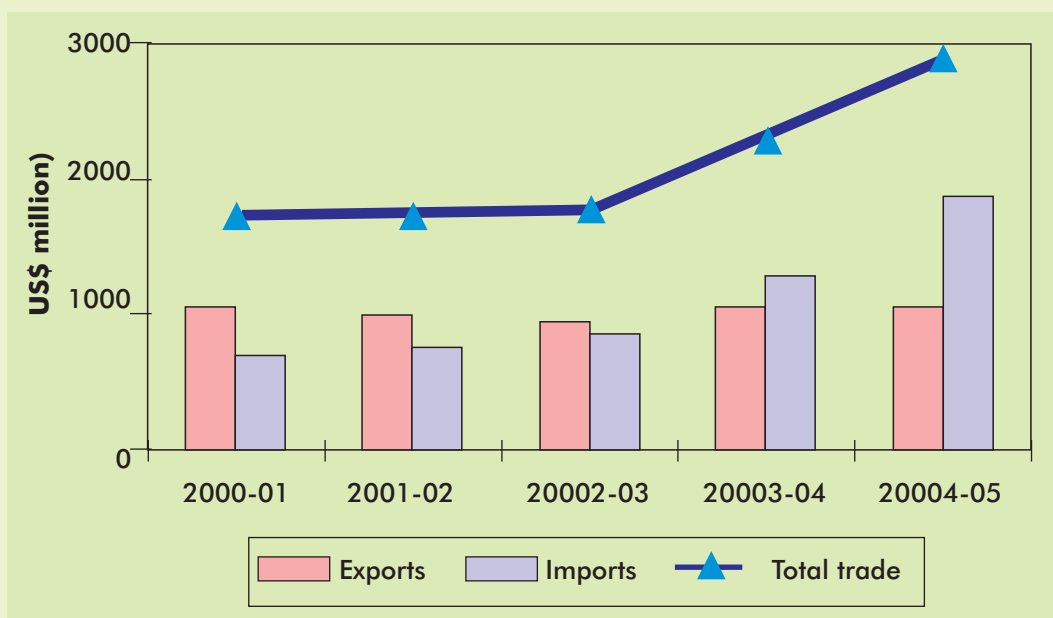
million in 2004-05. While Ukraine and Kazakhstan have led this phenomenon, others like Kyrgyz Republic, Azerbaijan and Georgia have emerged as important destinations for India's exports.

The CIS region is an important trading partner for India and robust economic growth in that region in recent years augurs well for enhanced bilateral trade relations. Despite the rise in India's exports to the region, potential exists to further enhance exports as India's exports to the CIS of US\$1.86 billion in 2004-05 accounts for a marginal 1.1 per cent imports by CIS. Besides identification of potential trade items, increased investment by India companies in select sectors in the CIS countries would serve to enhance bilateral commercial relations. To boost India's exports of goods and services to the CIS region, Exim Bank has extended Lines of Credit (LOCs) to Vnesheconombank and Vneshtorgbank in Russia and Bank TuranAlem in Kazakhstan, and other LOCs are also slated to be concluded with Sberbank, Russia, Government of Tajikistan and Government of Azerbaijan.

Table: India's Trade with CIS Countries

	(US\$ mn)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Exports	1036	975	924	1039	1045
Imports	681	739	846	1264	1855
Total trade	1717	1714	1770	2303	2900
Trade balance	355	236	78	-225	-810

Source: Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce and Industry





Arijit Saraswati

Financial Punters Put their Bets on India An Investors' Paradise

Leading global financial, banking and other economic forecasters have showered praise on India. Its fundamentals are sound, the economy is stable and the growth rate is among the fastest. Arijit Saraswati, Chief Manager, Export-Import Bank of India, takes an analytical look at the Indian economy and says it is one of the world's most preferred investment destinations.

In the recent past, India has emerged as a vibrant economy reflecting strong fundamentals. The potential of the Indian economy can be gauged from the fact that the country's GDP, on Purchasing Power Parity (PPP) basis, ranks 4th in the world, behind that of the US, China and Japan. India has averaged a growth rate of over 6.0 per cent since 1991, the year in which economic reforms were initiated and in 2004-05, it posted a growth of 6.9 per cent.

The services sector, which contributes the bulk of India's GDP has grown at an average of 8.0 per cent in the last decade, while the same for the industrial sector has been around 6.6 per cent. India's foreign trade has also undergone rapid progress in the recent years. Merchandise exports have maintained more than 20 per cent growth for the third consecutive year to stand at \$80 billion in 2004-05. India also envisages doubling its share in global merchandise exports by 2009. Services exports have also been robust, especially in 2004-05, when these more than doubled to \$ 51.3 billion. Continued growth in software exports has underpinned services exports. India's software exports have almost trebled from 2000-01 to touch US\$ 17.3 billion in 2004-05.

Strong accretion to reserves has also underpinned the strong fundamentals in the external sector. India's forex reserves ranks 6th globally at \$ 140.6 billion at end-July 2005 (equivalent to almost 14 months of imports). External debt accounted for a modest 17.4 per cent of India's GDP at the end of March 2005 with short-term debt kept at a low of 6.1 per cent of total external debt.

India's Potential and Prospects

The impressive performance of the Indian economy, has contributed towards its recognition as an attractive destination for investment and a large and growing market for

business. India has emerged as a global player in information technology and is in the forefront of the unfolding new area of knowledge economy, with its large pool of scientific and creative human resources and R&D facilities.

The Goldman Sachs report "Dreaming With BRICS The Path to 2050" released in October 2003 placed immense confidence on the future of the Indian economy. According to the report, "India has the potential to show the fastest growth in the next 30 to 50 years". Higher growth prospects could be translated into higher return on investments, brightening India's prospects as an attractive investment destination. Recent findings of internationally reputed organizations/institutions attest to the inherent strengths of the economy and corroborate the potential for India in the ongoing globalisation and investment scenario.

- In a recent report titled **"Doing Business in 2005: From Obstacles to Growth"** cosponsored by the World Bank and the International Finance Corporation, India has been rated among the top 10 reformers in the world.
- In its recent **"2005 Global Retail Development Index"**, AT Kearney has ranked India as the most attractive destination, overtaking Russia. The report mentions that increasing mobility among the middle and upper class, coupled with greater urbanization have resulted in growing demand for retail goods. It is also noted that recent change in regulatory landscape enhances India's attractiveness.



- As a destination for offshore businesses, India ranks at the top in the **AT Kearney's 2004 Offshore Location Attractive Index**, ahead of countries such as China, Malaysia, Czech Republic, Singapore, Philippines, Brazil, among others. A strong combination of competitive costs and significant depth in human resources, according to the report, has underlined India's

strength in this regard. The report further notes that the labour force in India is familiar not only with the job content but also with work ethics and quality and productivity expectations of major global giants.

- The recent **"2005 Offshore Environment Ranking"** by Economist Intelligence Unit (EIU) has also placed India at the top out of 60 countries covered. In addition to this, EIU in its **"2004-2008 Business Environment Ranking"** has placed India at 41, ahead of Russia.

- According to **AT Kearney's FDI Confidence Index 2004**, India has moved up three notches to third place, behind China and the US, and have overtaken Germany, Poland and Mexico. The report observes that India's strong performance among manufacturing, telecom and utility firms has been largely due to the country's desire to make productivity-enhancing investments in IT, BPO, R&D and knowledge management activities. Further, India's highly educated workforce, management talent, rule of law, transparency, cultural affinity and regulatory environment are judged as the major driving forces.

- The attractiveness of India as a business hub is also brought out in **PricewaterhouseCoopers' 2004/2005 Global Retail & Consumer Study** from Beijing to Budapest, which has recommended India as one of the top six destinations for growth opportunities. The study points out that while China shows the most immediate opportunities in the retail and consumer segment, India offers more long-term potential for investment in the sector.

- India's Competitiveness Index, as given by the **World Economic Forum's Global Competitiveness Report 2004-05**, also augurs well for the Indian economy. According to the Report, India's Growth Competitiveness Index in 2004 stood at 55, above that of Brazil (57), Poland (60) and Egypt (62). Underlying this positive ranking has been India's Public Institutions Index ranking which stood at 53, while India's Business Competitiveness Index ranking at 30.

Conclusion

Given the impressive fundamentals of the Indian economy and the increasing number of global recognition of India as a partner in growth, the prospects of India as an investment destination are brighter than ever. This is reflected in increase in FDI into India from US\$ 4.7 billion in 2003-04 to US\$ 5.5 billion in 2004-05. FII inflows (net) also amounted to US \$ 8.3 billion in 2004-05 driven by positive growth outlook, improved corporate performance and attractive valuations. It can be therefore, rightly concluded that the ongoing process of reforms and the emergence of India as a forerunner in knowledge economy will further strengthen India's position as a key investment destination. ♦

\$45 mln IFC loan for two Ukrainian power supply firms

The International Finance Corporation (IFC), the private sector financing arm of the World Bank Group, has granted loans aggregating \$45 million to two electricity distribution companies in Ukraine - AES KyivOblenergo (KOE) and AES Rivneenergo (RE). The AES Corporation, based in Arlington, Virginia, USA, is a majority shareholder in both companies.

KOE and RE together serve 1.2 million customers from a population base of approximately three million people. KOE supplies electricity to the areas surrounding Kyiv (excluding the city of Kyiv) and RE supplies electricity to the northwest region of Ukraine.

IFC's financing is expected to help both the companies reduce electricity losses, refurbish their distribution network equipment, increase the network capacity in high growth areas, and improve their overall management efficiency through investing in modern communication systems and information technology.

"IFC is committed to meeting Ukraine's infrastructure investment needs, especially with private companies like AES Corporation that are dedicated to high standards of service," said Francisco Turreilles, director of IFC's Infrastructure Department. "IFC's investment will support the improvement of electricity services in Ukraine and provide an important signal for further private investment in Ukraine's energy sector."

"IFC is pleased to have committed its first investment in Ukraine's power sector," said Edward Nassim, IFC's director for Central and Eastern Europe. "IFC's investment will provide the necessary long term financing that is currently unavailable in Ukraine."

"AES is pleased to work with the IFC to support the growth and modernization of Ukraine's electric power system and to contribute to the economic development of the country," said Garry Levesley, AES Vice President, Ukraine.

"Since privatization in 2001, AES has made significant improvements to the operation, reliability and network capacity of KOE and RE. The companies are already among the best performing electric utilities in Ukraine. Through this new, targeted investment, we will extend our commitment to operational excellence and bring additional benefits to our customers and other stakeholders." ♦

STC chief tells pharma exporters to CIS Boost India Brand

Dr. Arvind Pandalai, Chairman and Managing Director, the State Trading Corporation of India (STC), talks about "the problems faced by Indian exporters while exporting pharmaceutical formulations to the Commonwealth of Independent States (CIS) and suggests remedies during the first-ever Indo-CIS health summit organized by CHEMEXIL (Basic Chemicals, Pharmaceuticals and Allied Products Export Promotion Council) to showcase India's capabilities in the health services sector.

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. These states have survived the trauma and turmoil that followed the break-up. They have initiated economic reforms to seize the opportunities from globalization of trade and commerce. India, which also initiated its own economic reforms in the early 1990s, has since redefined its relations with the CIS. India is aware that most constituents of the CIS are on the path to prosperity, having posted a strong GDP growth in the last decade and are opening their markets to imports, investments and joint ventures in a big way.

The task of tapping the full trade potential that CIS offers is both an opportunity and a challenge. With a view to achieving this objective, the Indian Commerce Ministry launched the Focus-CIS programme nearly two years ago, on April 1, 2003.

Now, the time is ripe for both India and the CIS countries to come together and collaborate in several fields of industry and commerce to mutual advantage. One such area is pharmaceuticals. In the recent past, Indian pharmaceutical companies have emerged as leaders in the manufacture of bulk drug as well as formulations. Indian products are well-accepted the world over.

The pharma industry in India today is a \$ 10 billion industry. India has 300 pharma companies of large and moderate size and another 10,000 small and tiny firms. But the top 100 larger companies account for 70 per cent of the production. The industry manufactures about 400 bulk drugs and almost the entire range of formulations. About a third of India's production - close to US \$ 3.5 billion - is exported and exports are growing at 25 per cent per annum. Half a billion dollars worth of exports are to the US

alone, while Germany, Russia, the UK, Canada, Italy and Japan are among others. Large quantities of medicines are also exported from India to China, Brazil, Nigeria and Mexico.

According to recent estimates, Indian pharmaceutical companies account for more than 25 per cent of the \$ 600 million (Rs. 2,760 crore) pharmaceutical market in the CIS countries except Russia. The market, which is estimated to be growing at an annual rate of about 8.0 per cent, currently provides a total export turnover for Indian companies from the CIS market is amounted to Rs. 700 crore.

To further boost India's export to and imports from CIS, both sides need to cooperate and collaborate in removing some of the snags hindering the two-way trade. The thrust of my address is on the "Problems faced by Indian exporters while exporting to the CIS." I shall touch upon a few of them so that these issues could be discussed and taken up by the concerned authorities to ensure a smooth flow of bilateral trade.

First is the problem of language. Most CIS countries are still using the Russian language and many of them have even started carrying out documentation work in their local languages. As a result, a lot of time, money and effort is spent in double translation, like Russian and the second language, be it Kazakh or Georgian.

Another area that needs to be attended to and upgraded is the banking infrastructure in CIS. As I have already mentioned, the CIS is passing through a phase of tremendous development but the normal banking practices and processes like the Letters of Credit, etc are neglected. CIS companies still try to follow the business terms such as payment upon confirmed sales.

The third issue relates to different scientific standards followed by the Indian and CIS countries. The Indian companies follow USP or BP standards, the CIS companies, while recognizing these standards, still compare them with the old Russian standards known as Gos Standart or Gosudarstvennaya Pharmacopoeia or now known as Russian pharmacopoeia.

In the past many Indian pharmaceutical products were well accepted in the Soviet Union. Now with the change of governments and the increasing influence of the Western powers on CIS, most government organizations as well as the people compare the products from the West with those going from India. As a result, big Indian companies are not regarding CIS as their main export destination. Besides, some small unscrupulous manufacturers spoilt the mage of Indian products as a whole in the mid-1990s. This needs to be rectified in the context of the Indian companies' adherence to highest global standards in pharmaceuticals and their image should be refurbished.

Another reason for the slow growth of Indian pharmaceuticals exports to the CIS is the absence of a good Indian organization in that region to bring about coordination and unity among Indian companies, which are still operating in an era of competing with each other rather than fighting the other big companies. We must realize that most big world pharma giants have long passed this stage of confrontation with each other and reached the stage of coordination for mutual benefit.

Also, understanding the local cultures, business practices and habits is essential to promote trade with these countries as a lack of understanding of these crucial issues makes it very difficult to work in those different environments. Many representatives of Indian pharmaceutical companies are stubborn when it

comes to adopting to the practices prevailing in CIS countries and still practice the methods prevailing in India or other parts of the world.

Even as the Indian government and especially the commerce ministry have initiated many steps, including the launch of Focus-CIS Programme two years ago, no recognizable results have been achieved in terms of growth in exports in the absence of understanding of the local rules, regulations and coordination between the importers and exporters.

Besides, Indian companies, having invested up to \$3000-4000 in the processes of registration and working out contracts with distributors, are impatient and start expecting results very fast. Some are just content with exporting, earning DEPB and foreign exchange. They totally neglect the crucial process of "brand building." It is time we start thinking of building good Indian brands in pharmaceuticals in the region if the investments made in CIS are to yield handsome returns.

Indian companies also commit the grave error of comparing CIS with some under-developed countries of Africa or other regions of the world. Such thinking only hinders timely results. In fact, the quality standards set by the Soviet scientists are high and their strict adherence is maintained even now. The Indian manufacturers must compare CIS with other European countries.

And finally a few words about the State Trading Corporation of India (STC) Ltd, which I represent. Our organisation is India's premier state-owned export house. STC posted a record turnover of Rs.6900 crore during the nine-month period from April-December 2004, which is about 30 per cent higher over the same period the previous year. I am glad to mention here, that exports of chemicals & drugs have helped in stepping up the target during the current financial year 2004-05 (April-March). The Corporation hopes to end the year with a turnover of Rs.9000 crore.

With regard to exports of drugs, pharmaceuticals and chemicals, STC has been in the business of exports and imports in this key sector for long. I may mention here that STC's subsidiary, the State Chemicals and Pharmaceuticals Corporation of India used to import life-saving drugs. It was merged with the parent organization in 1981, about the time the Indian pharmaceuticals industry came of age and was in a position to stand on its own feet. ♦



India must invest in Central Asian Joint Ventures

- Exim Bank Study

Occasional Paper, published by the Export Import Bank of India (Exim Bank), and titled "Central Asian Republics, Afghanistan & Pakistan: A Study of India's Trade and Investment Potential" highlights potential areas for enhancing trade and investment relations with the Central Asian Republics. It lays focus is on CARs (viz. Kazakhstan, Tajikistan, Turkmenistan, Kyrgyz Republic, Uzbekistan), Pakistan and Afghanistan, and delineates strategy and recommendations to enhance commercial relations with these countries.

Reflecting, among others, investment-led growth in Kazakhstan, strong increase in industrial output and agricultural production in Tajikistan, and increased mining output in Kyrgyz Republic, the countries in Central Asia have witnessed robust economic performance and growth in recent years. GDP growth has also been robust in Afghanistan and Pakistan, underpinned by rescheduling of external debt and modernization of the textile sector in Pakistan, and strong growth in agriculture, construction and services in Afghanistan.

India's trade with the CARs have witnessed sharp rise in recent years. India's exports to CARs had risen three-fold from US\$ 46.4 million in 1997-98 to US\$ 147.3 million during 2003-04, while imports from the CARs had also increased from US\$ 38.8 million to US\$ 50.9 million during the same period. In the case of trade with Afghanistan, India's exports to the country rose seven-fold over the last 7 years; from US\$ 21.3 million in 1997-98 to US\$ 145.4 million in 2003-04, while imports from Afghanistan were up sharply from US\$ 10.7 million in 1997-98 to US\$ 40.6 million in 2003-04. India's trade with Pakistan also increased in recent years, with exports having risen two-fold from US\$ 143.3 million in 1997-98 to US\$ 287.3 million in 2003-04. As regards imports from Pakistan, they amounted to US\$ 57.9 million in 2003-04, up from US\$ 44.5 million in 1997-98.

Based on India's export capabilities and demand existing in the respective countries, potential exports items to the CARs would include machinery (including harvesting / textile weaving/knitting / construction machinery / food processing / telecommunication / data processing equipments and parts); transport equipment (tractors / motor cars / good transport vehicles / parts & accessories of

motor vehicles / passenger & public transport vehicles); chemical and related products; iron & steel and products; ores and minerals; petroleum products, food products; cotton yarn and fabrics; pharmaceuticals.

In Pakistan, commodities having export potential for India include chemicals and related products (*paints & varnishes / medicaments / antibiotics*); iron and steel products; machinery and transport equipment; food products petroleum products; car/bus & other pneumatic tyres; paper & paperboards; cotton yarn/synthetic filament yarn/textiles and garments; plastic articles. As regards Afghanistan, potential items of exports would include machinery and equipment and parts (*electrical & non-electrical*); transport equipment; iron and steel products; diary produce; tea; sugar & sugar confectionary; cereal preparations; yarn and fabrics; garments; pharmaceutical products.

Based on the opportunities existing in the CARs, potential sectors for investment in the region would include oil & gas sector; power generation; telecommunication equipment; textile machinery; medical equipment & supplies; pollution control equipment; agricultural machinery; food processing & packaging; construction & engineering services; mining and related equipment, medical and pharmaceutical supplies; electrical energy; transportation and communications; environmental technology and services; healthcare and medical industry; agribusiness and related sectors (canning/food processing & farm equipment); eco-tourism; IT sector; and small and medium scale might manufacturing equipment

In Pakistan, sectors which have potential for investment include industry (IT / oil & gas / agriculture / textiles / medical engineering / tourism); services (IT services /

education & technical vocational services / financial services / trade / agribusiness); infrastructure (hydroelectric power generation / roads / railways / ports and handling activities / gas & oil pipelines / urban mass transit); agri-farming (production / processing / packing & export of vegetables, fruits, flowers; high yielding/disease resistant seeds). The potential sectors of investment in *Afghanistan* are housing and construction; agricultural sector; transportation; communications; banking and financial services; and tourism.

Exim Bank operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment with countries in the Central Asian region. The Bank has an operative *Line of Credit* (LOC) of \$ 10 million to Bank TuranAlem, Kazakhstan, which covers all the member countries of the Commonwealth of Independent States (CIS), including the Central Asian Republics. An offer for an export line of credit (LOC) of \$ 25 million has been made to Government of Tajikistan by Exim India at the behest of Government of India.

In the area of *project exports*, Indian companies have secured several contracts in the Central Asian region, with the support of Exim India, across various sectors such as highway/hotel projects in Afghanistan, power project / bauxite project in Azerbaijan, equipment project in Tajikistan, and procurement advisory and auditing services in Georgia and Armenia. Further, Exim India has supported *joint ventures* in the pharmaceuticals sector in Kazakhstan and Uzbekistan in the Central Asian region.

To support Indian consultants for projects in Central and Eastern Europe, Exim India has an arrangement with IFC under the latter's Private Enterprise Partnership (PEP) programme, under which Indian consultants can execute short-term consultancy assignments for IFC sponsored projects in countries such as Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, Ukraine, Uzbekistan and Mongolia. *Global Procurement Consultants Ltd. (GPCL)*, a joint ventures set up by Exim India in partnership with leading consultancy firms in India,

for providing procurement related services to multilateral agencies such as World Bank, Asian Development Bank and African Development Bank. GPCL has undertaken projects in a number of countries in Central Asia and Europe including Armenia, Albania, Bosnia & Herzegovina, Croatia, Georgia, Kyrgyz Republic, Poland, Romania, Russia, Turkey and Uzbekistan.

Exim Bank has also brought out a quarterly, bilingual (English and Russian) publication for the benefit of Indian and Central Asian businessmen and investors. Similar publications are already being brought out by Exim India for Africa and Latin America.

Strategy and Recommendations

Strategy and recommendations to enhance two-way transfer of trade and investment between India and countries in the Central Asian region would encompass: Wider dissemination of information about the opportunities and potential existing in fostering commercial relations; Close linkages with investment promotion agencies in the region; entrepreneurship development and capability creation in the Central Asian region by sharing experience and expertise; technology transfer and development wherein Indian companies could endeavour to emerge as key knowledge and technology partners as also suppliers of machinery and equipment; cooperation in the IT sector wherein Indian IT firms could explore the opportunities in the Central Asian region, and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education; cooperation in the banking/financial sector - opening branches/ representative offices in the region, and developing correspondent relations with select banks in the region; Speedy creation of transport corridor between India and the Central Asian Region to facilitate bilateral trade with countries in the Central Asian Region; Participation in multilateral funded projects - focus on these funded projects and increased participation by India project and services exporters in such projects, as also efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects. ♦



INDO-CIS
BUSINESS

The perfect launch



Indo-CIS Business, a new bilingual (English and Russian) magazine has arrived on the publication scene to a perfect landing at the hands of the Russian Ambassador to India, Vyacheslav Ivanovich Trubnikov.

The quarterly magazine was launched at a seminar on India-CIS Partnership, organized by the Export Import Bank of India (Exim Bank) in Mumbai on April 13, 2005.

Indo-CIS Business, an initiative of the Exim Bank, to help disseminate information of trade and business opportunities in the Commonwealth of Independent States (CIS), comes from the stable of New Media Communications, publishers of eight other transcontinental business publications.

Study on Central Asia Released

Trubnikov, who participated in the seminar, also released Exim Bank's latest study titled "Central Asian Republics, Afghanistan & Pakistan: A Study of India's Trade and Investment Potential." The study forms part of Exim Bank's continued efforts at enhancing the competitiveness of Indian exporters. The acting Russian Consul General in Mumbai, Mrs. Irena K. Bashkirova, graced the occasion.

Speaking at the occasion, Exim Bank Chairman and Managing Director T.C. Venkat Subramanian said that the continued robust economic activity and resilience of the Russian economy had underlined the strong GDP growth of the CIS region.

The importance of the Russian economy in bilateral relations with the CIS region can be gauged from the fact that Russia accounts for more than 70 per cent of India's trade with the CIS region.

Mr. Venkat Subramanian also apprised the participants about the comprehensive range of activities of the Exim Bank in financing, facilitating and promoting India's international trade and investment with the CIS region.

Exim Bank's Study underlines that in recent years, the Central Asian Republics (CARs) have witnessed robust

economic performance, while GDP growth has also been robust in Afghanistan and Pakistan. Further, these countries have also registered significant increase in foreign trade.

The total exports of the CARs rose almost three-fold from \$ 11.1 billion in 1999 to \$ 32.4 billion in 2004, while imports were up from \$ 0.9 billion to \$22.7 billion during the same period. As regards India's trade relations with these countries, the Study highlights the rise in bilateral trade relations, with total trade (exports plus imports) with the CARs rose from \$85.2 billion in 1997-98 to as much as \$198.3 billion in 2003-04, while bilateral trade with Afghanistan and Pakistan have also witnessed robust rise in recent years.

With a view to enhancing bilateral trade and investment relations with these countries, the Study has identified potential export items, as also potential sectors for investment in these countries such as oil and gas, power generation, telecommunication equipment, healthcare, agri-business, tourism, IT, food processing and packaging, housing and construction, banking and financial services, among others.

With multilateral funding agencies such as World Bank, Asian Development Bank, European Bank for Reconstruction and Development supporting and funding a number of projects in these countries in sectors such as energy and mining, agriculture, transportation, health & social services, law and justice, finance, industry and trade, the Study further says that increased focus and participation in such projects would serve to enhance India's commercial presence in these countries.

According to the Study, strategy and recommendations to enhance India's trade and investment relations with countries in the Central Asian region, Afghanistan and Pakistan would encompass: wider and effective dissemination of relevant information about trade and investment potential; fostering closer institutional linkages with key investment promotion agencies in the region; entrepreneurship development and capability creation; technology transfer and development; cooperation in IT, banking and financial sectors; and speedy creation of transport corridor between India and the Central Asian region. ♦



Stability adds vigour & vitality to Kazakh economy

A Flourishing Destination for Foreign Investment

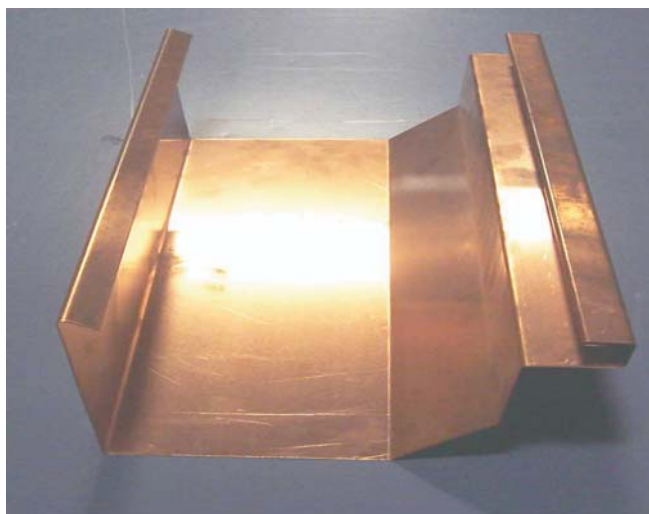
Oil-rich Kazakhstan, a leading member of the Commonwealth of Independent States (CIS), is poised for an impressive economic growth in the years to come, thanks mainly to the favourable policies of a strong and a politically and economically stable government, headed by President N. Nazarbayev.

The government's pro-market policies have created the necessary conditions, much-needed for successful development of the country's bilateral economic relations. These include huge natural resources, advanced industrial climate, availability of well-qualified professionals and skilled cheap manpower, a pretty favorable geopolitical situation, multi-sector economic ties with most CIS states.

Oil and mineral resources

Kazakhstan boasts of 172, oil, 42 condensate and 94 gas fields. The explored and recoverable oil and condensate resources amount to 2.8 billion tonnes while gas accounts for 1.9 trillion cubic metres.

The country also offers immense resources of commercial minerals. Copper, lead, zinc and cadmium mined, refined and exported from Kazakhstan are competitive in world markets. Naturally, the country has well developed ferrous and non-ferrous industries.



The overall economic environment ensured by the Kazakh government has facilitated sufficient inflow of foreign investments into the country. As of now, more than 40 countries from across the world have invested in various sectors of the Kazakhstan economy.

At present, more than 2,700 enterprises are engaged in industrial production across the country, employing more than 812,000 workers, i.e. nearly a third of all those engaged in the production of raw materials.

Kazakhstan also gives utmost importance to power generation. Development of the power sector within the next 5-10 years implies gaining self-sufficiency on its own in terms of power generation.

Pipelines for oil & Gas

Kazakhstan is also expediting the development of pipeline networks to provide the country's refineries with oil and gas and to ensure sufficient supplies of the same to major industrial and administrative centers. Also, construction of pipelines to export oil to the world markets has been launched. As a result, Kazakhstan's production of oil is expected to touch 170 million tones by 2014 as against 40 million tones in 2000.

Kazakhstan's progress is driven by consistent and well-directed policies, based on the openness of the country's economy. Full-fledged participation of international work force in the country's industrial activity is also a contributing factor for its economic growth.

Legal Base

A legal base to regulate economic activities has been created and is being constantly perfected in Kazakhstan. It has been built on the basis of internationally acknowledged principles of law (such as norms and provisions of the General Agreement on Tariffs and Trade and agreements adopted within the framework of the WTO. While regulating its economic activities, Kazakhstan has moved from strict state supervision to considerable liberalization of its external trade.

Features of Liberalization

Following features have significantly contributed to the liberalization of Kazakhstan's external trade:

- Reduction of the list of products subject to licensing;
- Abolishment of export levy on all merchandise products except wheat, oil, gas and non-ferrous metals;
- Abolishment of customs and tax benefits;
- Abolishment of the Institute of Special Exporters for exporting any kinds of products;
- Development of a number of free economic zones;
- Development of preferences for under-developed and developing countries that involves full of partial exemption from import duties;
- Constant improvement of technical quality administration, sanitation, phytosanitation and other types of control to prevent import of low-quality production;
- Introduction of a system of independent preshipment inspection of import contracts.

Kazakhstan's entry into the WTO is of great significance for its observance of international trade norms and regulations.

Kazakhstan's national external trade legislation is also being

brought into correspondence with the WTO standards and principles, bilateral negotiations with main partner-states on conditions of mutual access of commodities and services. A memorandum on Kazakhstan's external trade regime is being elaborated.

Investment-related activities in Kazakhstan are targeted at manufacturing by means of internal and external sources of financing. The state has taken the course to attract foreign capital and create required favorable conditions.

As the Kazakh President says firmly, "our task is to position Kazakhstan as an attractive place for foreign investments and to actively attract investors in the most vital sectors of the economy".

Many representatives of foreign companies and businessmen praise the investment climate in Kazakhstan. Besides abundant natural resources, agriculture and industrial production capacities there is internal political stability and interethnic accord that are of special importance.

Foreign Capital

Declaring that attracting foreign capital is its highest priority, Kazakhstan is consistently taking measures to create an appropriate legal framework to enable the country to integrate into the world economy and to fully turn to open market.

Laws governing the inflow of foreign investment, the state support to direct investment, and securities market have been adopted. Decrees have been issued on "Approval of the List of Promising Industries in Terms of Direct and Foreign Investments and Approval of the Allowances and Preferences being granted to investing contractors".

The package of acts regulating investments relations both at the national and international levels has been widened by the laws "On the State Support to Direct Investments", "On Securities Market" and "On registration of Securities-involving Transactions". Besides, a number of intergovernmental agreements have been signed to mutually support and protect investments.

According to the regulations employed, foreign investors are allowed to invest their money in any facilities and/or types of activities of enterprises of all lawful forms of



incorporation, including through the creation of foreign companies, subsidiaries, joint ventures in which they own a certain share of the property.

Foreign investors are free to use the profits coming from their activities at their own convenience either to reinvest into the economy or to acquire certain goods or for other purposes.

Kazakhstan has been actively carrying out information campaign to attract direct investments in the promising sectors of the economy.

The Foreign Investors' Council (FIC) was established on June 30, 1998. The FIC is intended to ensure direct dialogue with investors operating in Kazakhstan, and solve relevant problems relating to investment activities.

In order to smoothly implement government policies, five working groups have been set up, one each to look into the areas of legislation, taxation, image-building, foreign investment and the oil and gas sector.

These are the main tasks to be addressed by the Council:

1. Submission of proposals to enhance the legislation regulating the investment activities and proposals related to implementation of large Kazakhstani investment programs and projects of international importance to be considered by Kazakhstan President.
2. Working out of recommendations to enhance the investment climate and those related to strategy of attraction of foreign investments into the Kazakhstani economy.
3. Working out of proposals to enable the country to integrate into the world economy processes.

At the sittings of the Council a wide range of issues is discussed, including the following issues:

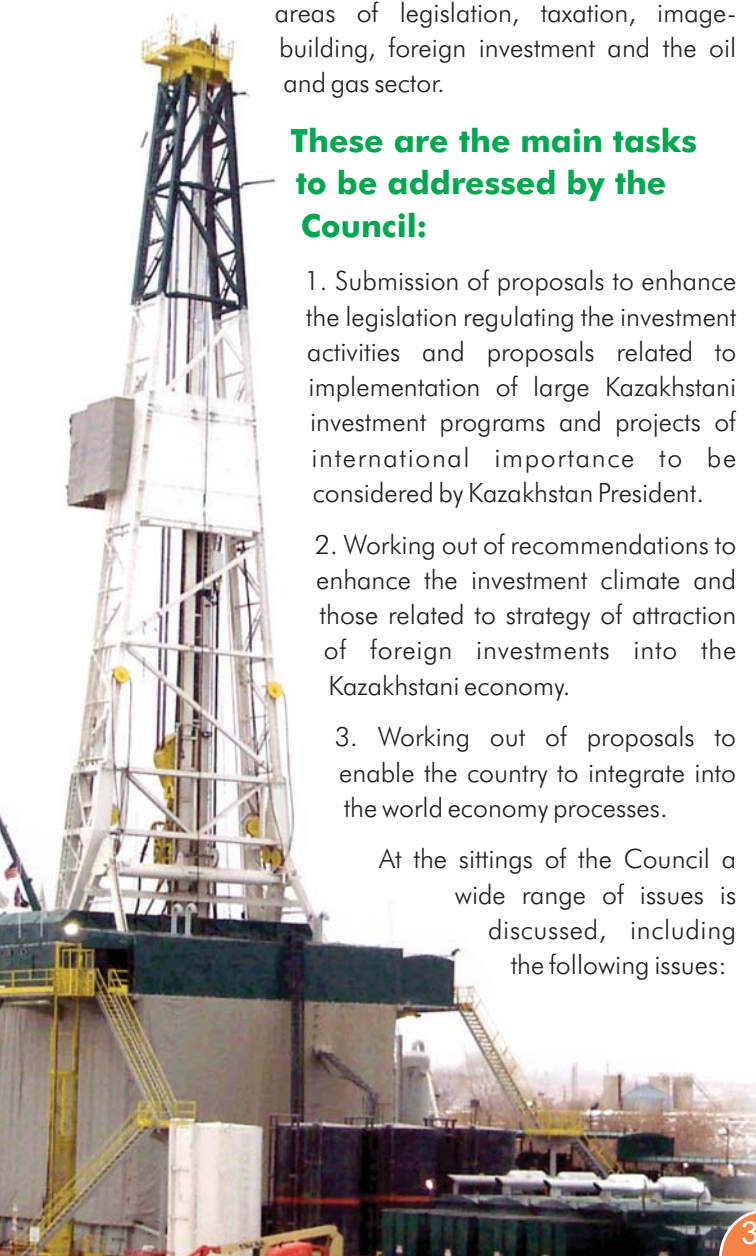
- Enhancement of the investment image of the Republic of Kazakhstan;
- Judicial system;
- Enhancement of the taxation system and tax administration system;
- Provision of greater transparency of the legislative process;
- Licensing of the imported manpower;
- Prevention of conflicts and settlement of investment-related disputes out of court;
- Coordination of the tariff policy with the adjacent countries and transportation tariffs;
- Simplification of procedures regulating entrance into and exit out of the country for the foreign companies top management;
- Struggle against bureaucracy and corruption;
- Insurance of investments against political and regulatory risks.

Summits & Conferences

As far back as in June 1997, first forum "Kazakhstan investment summit" was held in Almaty; leaders and representatives of 52 companies from 17 countries and two international organizations participated in the forum. In September of the same year, London hosted an international conference "Investing to Kazakhstan", the main goal of which was to attract foreign investors' attention to the new investment opportunities in Kazakhstan.

Within the framework of the official visit of Kazakhstan President to the US, in the Washington-based Gallaudet University on November 18-19, 1997 there was the "Trade and Investments Opportunities of Kazakhstan and Its Geostrategic Importance" conference held, with large American and transnational companies participating. On November 27, 1997 Frankfurt am Main hosted the "Kazakhstan: trade and investments" conference.

On June 4, 1999 Almaty hosted the 3rd "Almaty Investment Climate" international forum. It was participated by representatives of 160 companies from 22 countries. In the same month in London, an international summit "Kazakhstan: new capital of the new millennium" was held, organized by Kazakhstan in partnership with the ITE company.



A Land of Rivers, Lakes, Rich Flora & Fauna

Kazakhstan (which means the Land of Kazakhs) is situated in Central Asia, deep in the Eurasian continent with an area of about 2,717,300 sq km. Part of Kazakhstan is mountainous, with most of the mountains located in the Altay and Tian Shan ranges in the east and north-west. Many of the peaks of the Altay and Tian Shan ranges are snow covered year-round, and their run-off is the source for most of Kazakhstan's rivers and streams.

There are 8,500 big and small rivers and about 48,000 big and small lakes in Kazakhstan. The three largest bodies of water are Lake Balkhash and the Caspian and Aral Seas, both of which lie partially within Kazakhstan.

Nature has bestowed Kazakhstan with unlimited wealth. Kazakhstan is well endowed with energy resources, including reserves of coal, oil and natural gas, which makes the republic one of the top energy producing regions of the CIS (Commonwealth of Independent States).

The Kazakh flora contains more than 5,700 species of plants. When speaking about the flora and fauna of the Republic, we have to mention 155 species of mammals, 480 and 150 species of birds and fish respectively and about 250 species of medicinal herbs.

Aksu-Zhabagly Nature Reserve (South-Kazakhstan region)

Aksu-Zhabagly Nature Reserve was set up in 1927. For more than 70 years the mountain woods here are safe from an axe, grass from scythe and rivers from industrial pollution. Fresh greenery is all around. The Graig's Tulip is selected as the symbol of the Reserve.

The whole Tian-Shan has no other places of such juniper woods as in the law-protected preservation of Aksu-Zhabagly.

Quite remarkable is the canyon of the Aksu river: its banks are almost vertical (up to 300-500 m), often fairly inaccessible. This giant canyon is 15 km long and 500 meters deep. The nearest distance between the walls of the canyon is 600-800 meters. Total area makes up 85,300 ha. It embraces picturesque Alpine landscapes of north-west ridges of the Talass Alatau and the Ugam range. In the reserve one can find 1,404 species of plants while the fauna

is represented by 47 and 239 species of animals and birds respectively.

Typical inhabitants - Siberian ibex, roe, Caspian deer, boar, weasel, vulture with rare species among them: snow leopard, Turkestan lynx, red bear, golden eagle, short-toed eagle.

At the altitude of more than 3000 m above the sea level there is a palaeontological preserve with stone inscriptions referred by scientists to the 7th-5th centuries BC.

The reserve plays host to burial places of Karabastau and Akbastau on the slopes of the Karatau mountain. One can witness here the rarest ever imprints of all sorts of fish, molluscs, tortoises, insects of Jurassic period, which once inhabited the sea basin that lapped here some 120 million years ago.

Almaty - Apples from Mountain Slopes

Almaty is situated at the altitude of 600-900 meters above the sea level. Practically every city has its own symbol. For Almaty it is the Zailiysky Alatau Mountains as well as the famous apples. The Zailiysky Alatau is the northern part of



the Tian-Shan mountains. It consists of a mountain chain and valleys between the mountains. It is famous for its eternal mountain glaciers, canyons, alpine meadows, and fir forests. Endless and hot steppes border right on the mountains. The highest point in the nearest Almaty area is peak Talgar (4973m).

Almaty means Father of Apples, a name derived from the apple trees that were common to the area. Almaty is the largest city in Kazakhstan and the former capital of the Republic. The city was set on the place of the ancient settlement Almaty, which dates back from the 3rd century BC. Almaty is on the site of a Silk Road oasis of the same name, which was destroyed by the Mongols in the 13th century. The Russians built a frontier post called Verny here in 1854. In 1887 and 1911 the town was flattened by earthquakes. At the time of the Russian Empire Verny was a place of exile. In 1921 after Bolshevik's Revolution the town was renamed Alma-Ata and became the capital of Soviet Kazakhstan in 1928. The city was connected to Siberia by the Turkestan-Siberia Railway in 1930. During the World War II, entire communities of Koreans and Germans from elsewhere in the USSR were deported here. In the 1950s and 1960s large numbers of Russians and Ukrainians were brought to Kazakhstan to work in the huge industrial complexes. Kazakhs have always been in a minority in their own capital. In 1997 the capital was transferred from Almaty to Astana (formerly called Akmolat).

Having been the capital of Kazakhstan from 1928 to 1997, Almaty remains a big political, business and cultural centre.

The Museum of Folk Music Instruments is a unique collection of traditional musical instruments, each with a recording of its sound. The exposition counts more than 40 types and variants of musical instruments, mostly Kazakh ones.

Panfilov park is the central park of Almaty, a pleasant place full of greenery with such landmark as one of the eight most unique wooden buildings in the world - the Zenkov Cathedral. Zenkov Cathedral (1904) named after its architect was constructed without a single nail. During the Soviet times for many years it was used as a concert and exhibition hall. It was returned to the Russian Orthodox Church in 1995 and is now a functioning place of worship.

The A. Kasteev State Museum of Fine Arts Funds of the museum number over 20,000 storage units: paintings, graphics, sculptures, folk arts and crafts, etc. Acquisition of museum

exhibits started in 1935-36 when The Russian Museum (St. Petersburg) and The A.S. Pushkin Museum of Fine Arts (Moscow) presented Kazakhstan with nearly 200 works of Russian and West European artists. Museum collections are a fine evidence of arts history of both the East and the West from the ancient times to our day.

Central State Museum of the Republic of Kazakhstan displays four exposition halls, in which one can admire objects of material and spiritual culture of Kazakhstan, can witness the age-long history of the country. Natural history, ancient history, contemporary history and ethnography are all here. Traditional Kazakh *yurtas* and clothes, armoury, jewellery, archaeological finds are in the neighbourhood with a miniature replica of the model of the unique "Gold man" found in Issyk Burial Mound. At the moment the funds of the museum harbour over 200,000 exhibits of permanent storage of which only one tenth can be exhibited in main halls.

Medeo. The biggest skating-rink located in the gorge 15 km from Almaty. Medeo is on the altitude of 1961 meters above the sea level. An unusual, immense, splendid structure opens to the eye from a dam, which protects Almaty and Medeo from the landslides. The panorama takes one's breath away - snow-capped peaks sparkling in the sun, the tall Tian Shan fir-trees, and the coolness of the mountain air. To the right of Medeo dam Mokhnatka (in English - shaggy) mound (2278m) is situated. This name was given, because it looks from the city as if covered with forest.

Astana A City Guarded by Snow Leopards

Several years ago Astana was a quiet provincial city with



many old houses and the Ishim river, looking like a swamp covered with cane jungles. Nowadays after the capital was transferred from Almaty to Astana the city has completely changed. Formerly it was named Akmola and until the 1950s was a tiny mining town. Then Nikita Khrushchev announced the Virgin Lands scheme to turn 250,000 sq km of Kazakhstan steppe into wheat fields. Despite wind erosion, which turned a lot of the new wheat fields back into steppe, this project turned the Virgin lands into the grain-growing region. Russians and others from different parts of the USSR came to work here. Akmola became the project's capital and was renamed Tselinograd (Virgin Lands City). After Kazakhstan's independence, it got back its old name Akmola, which means White Tomb. In 1997 the city was renamed Astana.

At the entrance to Astana visitors see a large bridge shining with bright lights. The gate to the capital city is guarded by two snow leopards - one leopard has wings on its back and symbolises Kazakhstan's power and huge area, the other leopard is a female protecting her kittens - this sculpture shows that Kazakhstan's future is with the younger generation.

Astana has many old merchants' houses built under the Russian Empire. One of these old buildings with carved windows and gates now accommodates the Museum of writer Saken Seifulin. Not far from here is the Russian Orthodox Church of Sergy Radonezhsky. During Soviet times this Church served as Club of Railroad Workers, and nowadays the altar stands right on the former stage. A mosque appeared in Astana not long ago. Its red brick building has two high minarets on both sides. The architecture of Astana reflects three epochs - the old city of Akmola, the city of the 1950s - Tselinograd, and the modern city of Astana where new tall buildings and the towers of hotels and business centres grow among old wooden houses inherited from the past.

Burabai Land of Palaces & Pine Forests

Kazakhstani Switzerland is the second name given to Burabai, Kokshetau region that is in the Northern Kazakhstan.

Amidst yellow scorched unending steppe you just encounter the green wall of forest. It harbours wonders: hillocks overgrown with trees, stony ridges, heaps of rocks like fairy giants and ghosts as silent as bewitched lakes.

"Bura " in Kazakh stands for camel. There is an old legend about prophetic camel, which used to live in Burabai neighbourhood. It was he who was the first to anticipate the people's awful lot and then he turned to a *tulpar* (horse) and flew to the peak of Kokshetau thus averting people from the coming misfortune.

Old ship timbers and quiet lakes, full of fish and animals, served for many centuries as a refuge for people. On the territory of Burabai archaeologists found the armoury of primeval bronze epoch. Excavation of settlements and burial moulds belonging to bronze epoch testify to the fact that Burabai was resided not only by hunters, but also by the farmers and cattle breeders.

Burabai lacks any monuments of material culture. But its legends, nature do impress as some grand castles and palaces. The nature kindly gifted Burabai with valuables from its mineral depository. Burabai pine forest is good at any time and in any weather.

In winter the pine forest is covered with white snow, in summer - a light wind blows up the aromatic resinous waves, in autumn - the forest smells the peculiar air, a mixture of wet pine rind with mushrooms and herbs.

Taraz

Taraz is one of the largest tourist centres of Kazakhstan with a population of 310,000 people. The town's past as the 6th century Silk Road settlement of Taraz was discovered by



archaeologists in 1938. In the 11th century it was a capital of the Karakhanid State, which also ruled Bukhara for a while. In 1220 Taraz was conquered by the hordes of Genghis-

Khan and was razed to the ground. At the end of the 18th century near the ruins of old city it rose again under the name Aulie-Ata ("holy aged man") as a northern frontier fort of the Kokand khanate. Its first settlers were Uzbeks, those who came from Namangan. In 1864 the city was occupied by Russian forces.

In 1938 the town was renamed to Dzhambul after the name of the Kazakh poet Dzhambul Dzhabayev. In 1997 the old name - Taraz was given back to the town. On the territory of Dzhambul province there are more than 450 archaeological monuments.

Here one can meet the sites of primitive man of the period of paleolith and late Stone Age, monuments of the Bronze Age (numerous burial mounds, rock paintings), dozens of ruins of medieval towns and fortifications.

Taraz achieved its violent growth in the 10-12th centuries, the testimony of which is the forked network of water pipes made of clay, remains of architectural structures, pavements and paved streets, numerous handmade items of skilful masters, which were found during excavations. The town's bathhouse is referred to that time. The bathhouse had inside fresco murals.

Two mausoleums reminding about ancient Taraz have been preserved in the town, both reconstructed in 20th century.

Karakhan Mausoleum was built in the 11th century above the grave of one of the rulers of Karakhanids' dynasty. It presents portal-and-dome brick structure.

Davitbek Mausoleum (13th century) - was built above the grave of one of the viceroys of Mongol Khans who had been killed in 1262. It is said to have been built lopsided in revenge for the man's infamous cruelty.

There are two memorials located 18 km from Taraz which present particular interest for the tourists. They are situated not far from each other.

Babadzha-hatun Mausoleum was built in the 11th century, and it has the marquee dome of unique construction.

Aisha-Bibi Mausoleum (12th century) is the only in Kazakhstan memorial, entirely faced with carved terracotta with the richest ornamentation with 60 kinds of patterns, cornices and styled inscriptions. Capitals and columns from terracotta blocks are covered as the entire wall with the thinnest paintings, which present the richest composition of motives of folk ornament. On one of the corner towers of mausoleum there preserved the inscriptions: "Autumn... Clouds... The Earth is beautiful".

Turkestan A Place of Pilgrimage

Founded perhaps as early as the 5th century AD, and known as Yasy till the 16th, the town was by the 12th century an important trade and religious centre, on a boundary between nomadic and agricultural societies. Later it became a northerly outpost of the Kokand khanate, falling to the Russian push of 1864.

In Turkestan there is found Kazakhstan's greatest building and an important site of Muslim pilgrimage - **Khodja Akhmed Yasavi Mausoleum**, which according to its size is equal to Bibi-Khanum Mosque in Samarkand. Khodja Akhmed Yasavi, the revered 12th century Sufi teacher and mystical poet, underwent ascetic Sufi training in Bukhara, but spent the rest of his life in Turkestan. He founded the



Yasavi Sufi sect. The legend tells that at the age of 63 he retired to an underground cell in mourning for the Prophet Muhammad who had died at the same age. Khodja Akhmed Yasavi died in 1166 and was buried with great honour in a small mausoleum erected for him, which subsequently became a place of mass pilgrimage and worship for Moslems.

The present mausoleum was built 233 years after his death under the order of Timur in the late 14th century. In numerous bloody battles Timur destroyed the power of the Golden Horde and in honour of this victory he decided to build a new, grandiose memorial complex. Timur had died before it was completed and the front face was left unfinished. In the main chamber there is a vast bronze *kazan* (iron pot) for holy water. *Kazan* is the symbol of unity and hospitality. That's why special significance was attached to its size and exterior. It has diameter 2,45 m., weight - 2 tons and it is made of the alloys of 7 metals. ♦

Like most of the former countries of the USSR, Ukraine has inherited an economy based on heavy industry. Ukraine's main challenge since 1991 has been to diversify from many of the industries steel, chemicals, shipbuilding, coal, machine-tools and weaponry that relied heavily on government subsidies.

As a result, Ukraine's success in diversifying away from traditional sectors has been gradual at best. Since 2000 the recovery from the regional financial turmoil and economic downturn of the late 1990s, for example, relied predominantly on a boost in output from sectors such as metals and chemicals, which benefitted from strong demand in Russia and Asia. Although sectors with the least

Exports & Imports

The product structure of Ukrainian exports is dominated by raw material and products with low added value (ferrous metals and their products, mineral fuels and cereals constitute about 50 per cent of total exports). Import is dominated by energy resources. Machines and equipment, as well as means of transport (mainly cars and trucks) also occupy significant part of import operations. Southeast Asian economies are the second largest market for Ukrainian steel and chemical export.

Privatization

Privatization in Ukraine started in 1992. According to



Challenges of change Diversification is the strategy

government interference (such as food-processing) have recorded strong growth, the weight of these industries in the economy is still less important than the more traditional sectors.

The most attractive economic sectors for the investors remain the food processing sector (16 per cent out of the total investments) and trade sector (16 per cent). The other sectors of interest are machine building (8.8 per cent), financial sector (8.1 per cent), transport (7.2 per cent), metallurgy (5.3 per cent), real estate (4.7 per cent) and chemical and oil processing sectors (4.1 per cent).

figures published by the State Property Fund, 83,953 entities had been privatized as at January 1, 2003. The SPF received only UAH 6.5 billion from privatization on the state property starting from 1992, which makes one of the lowest levels in all CEE regions. Cash privatization is continuing with varying degree of success.

The concept of the State Privatization Programme on 2003-2008 was developed and adopted by the State Property Fund of Ukraine (SPFU). The Program introduces mechanisms and methods for privatization required for implementation of the objectives and goals at this new stage. The plots of land where the privatization facilities are

placed, on desire of the buyer may be privatized or let on a long-term lease. Upon completion of the privatization process in 2007 there shall be organised a ministry for ownership and management of the state property of Ukraine, which will serve as an assignee of the SPFU and the ministries, engaged into the management of the state property.

The State has given up majority ownership in 90 per cent of its industrial enterprises. State budget support for unprofitable enterprises has been greatly reduced, since the beginning of the privatization program. According to the 2001 Land Code, beginning from year 2005, land will become a commodity, subject to sale and purchase.

Foreigners have the same rights to invest in Ukraine as Ukrainian individuals and legal entities. Incentives are offered to encourage investments. Business can be conducted through a number of entities such as joint stock companies, limited liability companies and representative offices.

According to Ukraine's Law "On Foreign Investment Regime" (25 April 1996), foreign investors are subject to the national regime of investment and business activity. Foreigners are also not allowed to participate in the manufacturing of weapons or alcoholic spirits.

A company with foreign investments is defined as a company where at least 10 per cent of the capital infusion belongs to a foreign entity.

Incentives for foreign investors

- Protection for a period of 10 years against adverse changes to the investment guarantees contained in the law,
- Investments cannot be expropriated, except in case of national emergency and with proper compensation,
- Compensation for losses due to negligence of state bodies and the right to repatriate the original investment in the event of termination of the investment
- Foreign investors are entitled to repatriate profit, income or other funds relating to investments without any restrictions, after the payment of any taxes due.
- Conversion of funds for repatriation is effected through the Ukrainian Inter-bank Currency Exchange.
- Payments in foreign currencies between residents in the

territory of Ukraine are prohibited,

- Salaries in the territory of Ukraine must be paid in Ukrainian currency only,
- Ukrainian companies must receive payment for exported goods, and obtain pre-paid imported goods, within a 90-day period.
- Property (except for goods for re-sale) contributed by a foreign investor to the statutory fund of a Ukrainian entity can be imported free of import duty.

Tax incentives

- Favorable investment and tax regimes were introduced for the following special economic zones and areas of priority development:
- Zakarpattya (Zakarpatsky region); Azov and Donetsk (Donetsk region); Slavutych (Kyiv Region); Kurortopolis "Truskavets" and Yavoriv (Lviv region); Porto-franco and Reni (Odesa region); Mykolayiv; Interport Kovel (Volyn region); Port Crimea (Kerch); Kharkiv; certain areas in Crimea, Donetsk, Lugansk, Zhytomyr, Zakarpatsky, Sumy, Chernihiv and Volyn regions.
- Ukrainian legislation permits a foreign investor to conduct business in Ukraine without creating a legal entity by entering into a Joint Activity Agreement with a Ukrainian legal entity.
- A uniform tax at the rate of 30 per cent applies to taxable profits earned by resident entities and permanent establishments of foreign companies. A uniform tax at the rate of 25 per cent applies to taxable profits earned by resident entities and permanent establishments of foreign companies.

Policy Initiatives

- Foreign investment is welcome, especially if it involves technology transfer and capital investment.
- A similar regime of investment and business activity is applicable to local and foreign investors.
- Protection of foreign investments is available under Ukrainian legislation and several international treaties.
- Foreign ownership of most types of business is permitted.
- Restrictions apply to foreign investment in publishing and broadcasting sectors.

- From 1 January 2002 foreign investors are allowed to own non-agricultural land in Ukraine.
- Several special economies zones grant significant tax concessions for investment in specific areas or projects.
- Privatisation of Ukraine's "crown jewels" and several large enterprises.
- Several legal vehicles are available whether incorporates (legal entities) or un-incorporates (joint activity agreements).
- Minimum capital requirements are not high and the corporate and management structure is relatively flexible.
- Shares of joint stock companies (open or closed) must be registered with the State Commission for Securities and Stock Exchange.
- Limited liability companies require less complex structure for capital increase and management.
- Representative offices are used for establishing a presence in Ukraine although they can be used to engage in business activities.
- Buying into or taking over an existing company has its own drawbacks, but a number of successful joint ventures have come through this route.
- Preliminary approval from the Antimonopoly Committee may be required for certain acquisitions of shares or assets.
- A full scope due diligence and proper legal advice are a must, several global service providers operate in Ukraine.
- There is no ceiling regarding the amount of capital a foreign company can invest into a Ukrainian enterprise.
- Foreign investments must be registered with the local authorities to enjoy state guarantees under Ukraine's Law "On Foreign Investment Regime". In most cases, capital movement requires a licence from the National Bank of Ukraine.
- There are no thin capitalisation rules per 'Se (except for financial institutions) but there is a limit on deductibility of financing expenses linked to the taxable profits.
- Dividends, interest and royalties may be freely repatriated.
- Withholding tax of 15 per cent applies to dividends, interest and royalties, but domestic tax law is subordinated to tax treaties.
- Foreign currency may be obtained for repatriating profits and servicing debt.
- Domestic tax treatment applies to foreign corporations and expatriate personnel, with some exceptions and adjustments.
- Ukraine has developed a wide double tax treaty network.
- Exemption from import duties is available in respect of goods traded with ex-USSR countries.
- Tax compliance is very important, as sanctions are rather high.
- Ukraine's labour pool is highly skilled and educated and considers employment with foreign firms desirable.
- The large impact of the shadow economy and the lack of accurate data make it difficult to estimate labour costs as a percentage of production.
- Payroll tax rates are high relative to other industrialised countries, but the tax is paid on a relatively low wage base (payroll taxes are capped).
- Market studies are advisable as market conditions in Ukraine are constantly changing.
- Proposed legislative changes. Several important legislative changes are under consideration of Parliament including the draft Tax Code that will reduce the number of taxes and also lower several tax rates.

Investment incentives

Investment incentives are mainly tax-related and are generally available on an equal basis for both local companies and foreign investors.

A number of special economies zones have been established in Ukraine. These zones offer exemptions from import duty and VAT as well as other tax breaks; mainly corporate profits tax exemption for certain period and reduction for another period.

Significant opportunities exist for foreign investors in the energy, agribusiness, FMCG, construction materials, medical and telecommunications sectors.

India & Ukraine sign pact

Bilateral trade to touch \$5 billion by 2010

India and Ukraine have agreed to establish a high-level group for drafting an action plan for the near two years, with a view of increasing the trade turnover between the two countries to \$ 5 billion by 2010.

"Ukraine and India have high level of cooperation in the sphere of economy and trade, but still there are prerequisites for significant increase of these performances," Ukrainian President Viktor Yushchenko told journalists after his discussions with visiting Indian President A.P.J. Kalam recently.

Kalam arrived in Kyiv, the capital of Ukraine for talks after visiting Russia, Switzerland and Iceland. The talks were held at the Mariinsky Palace in Kyiv.

In one-on-one talks characterised as "extremely friendly and warm", visiting Indian President A.P.J. Abdul Kalam and his Ukrainian counterpart Viktor Yushchenko reviewed 15 ongoing joint projects.

The leaders said there were several areas where bilateral cooperation could be enhanced, including space and defence.

Calling for the development of an "action plan for the next two years", the two leaders said efforts should be made to take bilateral trade to \$ 1 billion by 2006 and to \$5 billion by 2010.

Following delegation-level talks, the two sides signed on a framework agreement on cooperation in the peaceful use of outer space and a pact on standardisation of specifications, a move that will facilitate trade.

At Ukraine's behest, India has also agreed to collaborate in the design, production and marketing of a 100-150 seater aircraft. Three other agreements - culture, education and science and technology - are on the anvil.

According to Yushchenko, negotiations with his opposite number were very fruitful. Both sides discussed a wide range of matters - bilateral relations and cooperation within international organizations.

He an agreement had also been reached to hold a session of intergovernmental Ukrainian-Indian commission in early October, at which a joint action plan will be signed. The Ukrainian and Indian Space Agencies are supposed

to draft their cooperation plan by October, too.

The two Presidents discussed the matter of reforming the UN and enhancing its role in maintaining peace and security.

In particular, the Ukrainian President said India deserved being a permanent member of the UN Security Council. The need to reform the United Nations was a natural phenomenon, proceeding from new tasks and challenges, he said.

According to Yushchenko, the negotiations testified to a huge capability of partnership between the two states.

In his turn, Kalam said the signing of the agreements proved the two countries' intentions for deep cooperation. Kalam extended an invitation to Yushchenko to visit India, which the latter acceptance.

The Indian delegation offered to exchange children's delegations. According to the Indian President, his country has already invited some 100 Ukrainian children to live with Indian families and attend Indian schools for one month. The same number of Indian children were proposed to visit Ukraine.

The Ukrainian and Indian Presidents also agreed to announce the year 2006 the Year of Friendship, Year of Ukrainian culture in India and Indian culture in Ukraine.

Ukrainian Foreign Minister Borys Tarasyuk and Indian Deputy Minister for space studies Madhavan Nair signed an agreement on the use of space in peaceful purposes.

Ukraine and India also signed a memorandum on mutual understanding in the sphere of standardization, metrology, assessment of correspondence and quality between the State Committee of Ukraine for technical regulation and consumer policy and the Bureau of Indian Standards.

The memorandum was signed by Chairman of the State Committee of Ukraine for technical regulation and consumer policy Mykola Nehrych and Indian Ambassador to Ukraine Shekhkolen Kipgen.

Before the meeting the two Presidents made a round of the Guard of Honor, and the Salute of Nations was fired in the honor of the high Indian guest. ♦

A tradition-bound land of ancient cities & churches

Ukraine is a really great travel destination - ancient European cities, eye-pleasing nature and eye-teasing pretty women. A stay in Ukraine can turn into pleasure whatever the purpose behind it business, honeymoon, or just sightseeing. Kiev (also known as Kyiv), the Ukrainian capital, Kharkiv, Donetsk, Dnepropetrovsk, Lviv, Odessa or Crimea each city has its own beauty and brand of hospitality to charm the visitor.

St. Andrew's Church



Kiev is a scenic city of about three million people located on the Dnieper (Dnipro) River. The city's area amounts to 790 sq. km. Woods, parks and public gardens make up over half of its area. Kiev is one of the world's greenest cities and the country's political, industrial, scientific and cultural center. In 1744, the Russian Empress Elizabeth was visiting the home-land of her favorite Alexey Rozumovsky and decided to build her summer residence here. She herself laid the first symbolic brick of the new palace and church. A famous Italian architect Bartolomeo Rastrelly supervised the construction. Now the church-museum catches the eye of the visitors straight away. Its beauty and the aura of history

make the place a must for visitors.

Kiev-Pecherska Lavra



The Cave Monastery was built almost eight centuries ago. There are two caves, one measuring 228 m in length, with a depth of 5-20 m and the other 280 m in length and are 5-20 m deep. The caves were first used to house monks and later as burial places. The unique geological structure of the soil and constant temperature resulted in the natural mummification of some of the interred remains. There are six crypt churches, three in each cave. Besides these monuments, the Cave Monastery contains many examples of civil architecture of the 18th-20th centuries. To enter the caves one will have to buy a candle

Museum of Folk Architecture



The open-air museum is set on 150 hectares of picturesque terrain on the southwestern outskirts of Kyiv. It has over 200 structures moved here from various regions of

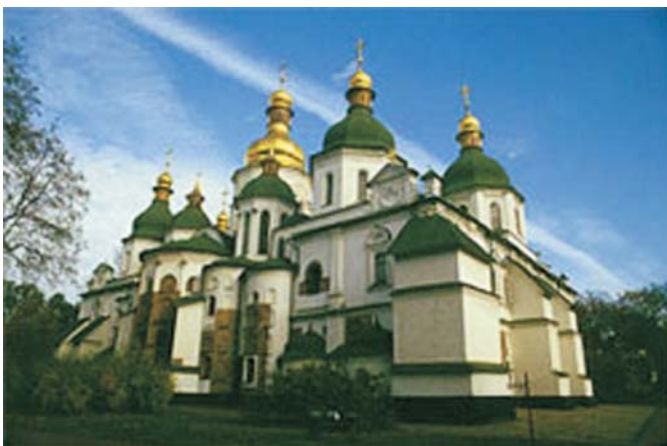
Ukraine or reconstructed on the spot. The museum has some 40,000 ethnographic exhibits, including folk costumes, fabrics, embroidery, carpets, ceramics, articles of metal, wood, glassware, musical instruments, paintings, tools, household articles and the like.

Golden Gate



This fortified wall, defining the limits of the city and serving as a protective barrier from invaders in centuries past, dates back to 1037, the reign of prince Yaroslav the Wise. When Mongol Tatars tried to break through the gates, they did not manage and moved on to search another way to invade the city. The place was restored to its present condition in 1983, and it now serves as the Golden Gate Historical museum. The structure is located in downtown Kiev, just outside the Zoloti Vorota metro station.

St Sophia's Cathedral



Was built in the first half of the 11th century to commemorate the victory over the Pecheneg tribe. Here you

will see portraits painted by unknown painters of the past, will be able to read frescoes on the walls (the 11th century) - people's requests to God, great mosaics (some of them were so unique, that they were stolen by Nazis during the Second world war and are preserved in German museums now). The cathedral preserves a sarcophagus with the remains of Prince Volodymyr. St Sophia is rightfully considered as the treasure of Ukraine and is protected by UNESCO.

National Opera House



National Opera House is situated at the crossing of Khmelnyts'koho and Volodymyrs'ka streets. The beautiful exterior of the building is supported by the impressive majestic interior design. See the ballet "Spartacus" with more than 80 ballet-dancers or the opera "The Fair in Sorotchintsy" - about 100 singers and 40 musicians leave great memories - you will be impressed by the creativity of Ukrainians. The Ukrainian "Scheherezade" ballet is considered to be one of the best in Europe.

Khreshchatik St.

Once upon a time this place (now the city's main avenue)



was a woody valley with a brook on the bottom. The valley was called "Kreschata" (Crossed) and it was crossed with ravines and paths leading from the Upper Town to Pechersk. Now it is a street of restaurants, cafes, shops, etc. Many Kievites and travellers gather here both on cold winter days and hot summer nights to socialize, meet friends, have a rest and enjoy their evenings and week ends.

Independence Square



The reconstruction works finished in 2002 on the square profoundly changed the city's image. During the reconstruction the Lyads'ky Gate was found right on the spot. It was the same gate which was assaulted by Batu Khan in the 13th century, having lost any hope to force his way through the Golden Gate. He managed to destroy the Gate enough to allow his numerous troops to break into the city. You will see the gate as a backdrop to fountains, which gather people around. If you have a chance, visit the underground entertainment center "Globus" right under the square, where you will be able to have a rest from the noisy and crowded street.

A matter of etiquette

There are a few simple rules of etiquette that should be followed when visiting Ukraine. If invited to a family home, it is traditional to bring a gift. A bottle of wine, a cake, or a bouquet of flowers are customary. If there is a child in the house, it is appropriate to bring a gift for them as well.

If planning on giving flowers as a gift, make sure that the number of flowers in a bouquet is uneven (an even number of flowers is considered bad luck). Do not shake hands across the threshold of a door. It is considered bad luck to do so. When eating dinner at someone's home, casual dress is accepted. Also, be prepared to give a toast at dinner, as guests are often asked to do so. Be prepared to

accept all food and drink offered to you when visiting friends. Ukrainians are known for their generosity when it comes to feeding others. Refusing food may be considered rude. Be prepared to take off your shoes upon entering a home. To keep apartments clean, most hosts will provide their guests a pair of slippers.

Be careful when complimenting a host's belongings because they may offer it to you. If wearing gloves, take them off before shaking hands with someone. When using public transportation, seats should be given up to accommodate the elderly, mothers with children, and the handicapped.

Offer to share snacks and cigarettes with those people around you. At the entrance of an upscale restaurant, expect that your coat, briefcase, or baggage will be checked. Be sure to have business cards printed in Ukrainian on one side, and in English on the other. For business, dress should be conservative. Men should not take off their jackets unless asked to do so.

In Orthodox and Greek-Catholic churches, women wear scarves or hats, and men take off their hats. It is considered a very rude gesture to place one's thumb between your first and second fingers. Refrain from doing so.

Odessa

Odessa is the Ukraine's crossroad of cultures, languages and trade. Your visit will include masterpieces of architecture, such as famous Opera and Ballet theatre, designed by Viennese architects, Potiommkinskaya Stairs,

Primorskiy boulevard, the One-wall building. You will enjoy the view of Sea Port Terminal from the upside of Potiommkinskaya Stairs, see the Monument to Duke De Richelieu - the founder of Odessa, and of course, you will learn the history, stories, and legends of Odessa. ♦





T.C. Venkat Subramanian

Интенсивный рост экономики СНГ активно стимулирует развитие торговли стран Содружества с Индией

Возрастающие доходы от нефти и экспорта продукции направили за последние два года Содружество Независимых Государств (СНГ) на твердый курс роста, с показателем в пределах 8,0 процентов в год. «Такое возрождение в экономике региона склонно и далее обновлять двустороннюю торговлю между Индией и СНГ, которая уже находилась на подъеме.» - говорит Председатель и Директор управления Эксим Банка Т.Ч. Венкат Субраманиан.

Экономический рост в регионах СНГ зарегистрировал за последние годы резкий подъем, отражая среди прочего, такие показатели как: плавающие цены на энергию и металл, а также повышенный спрос на внутреннем рынке. Реальный рост ВВП возрос с 7,9 процентов в 2003 г. до 8,2 процентов в 2004 г. Интенсивный рост экономики в таких крупных странах региона как Россия, Украина, Беларусь, Казахстан поддержал хозяйственную деятельность в других странах-членах Содружества. Запланировано, что на период с 2005-го по 2006 год продолжающийся рост сохранится, хотя на чуть более низком уровне - 6,5 процентов и 6,0 процентов соответственно.

Отражая повышенные нефтяные доходы и доходы от вывоза продукции на экспорт, текущий финансовый резерв региона СНГ поднялся с 6,4 процента от ВВП в 2003 г. до 8,5 процентов в 2004 г., и ожидается его дальнейшее увеличение до 9,4 процента в 2005 г. Текущий резервный капитал по экспорту чистой энергии таких стран как Азербайджан, Казахстан, Россия, Туркменистан и Узбекистан достиг показателя 9,0 процентов от ВВП в 2003 г., и запланировано его дальнейшее повышение до 10,3 процента в 2005 г. Совокупный экспортный показатель региона СНГ поднялся с \$193 миллиардов в 2003 г. и достиг 263 миллиардов долларов США в 2004 г., составляя рост в 35 процентов, совокупный показатель импорта также возрос с 130 миллиардов долларов США до 171 миллиардов долларов США за этот же период, показывая рост на 31 процента.

На фоне стран с крупными экономиками, экономическая деятельность России оставалась на подъеме, реальный рост ВВП составил 7,1 процента в 2004 г., а возрастающий объем экспорта укрепил имидж страны за рубежом. На Украине, реальный рост ВВП находился на уровне 12,1 процента в 2004 г., отражая, главным образом, благоприятные внешние факторы, включая повышенные

цены на металл и увеличение экспорта. Также на протяжении 2004 года наблюдалась активность в экономической деятельности таких стран как Казахстан и Белорусия с реальным ростом ВВП составляющим 9,4 процентов и 11,0 процентов, соответственно. Значительный подъем в региональном росте способствовал также увеличению экономической активности в других странах СНГ.

Тенденции и перспективы в торговых отношениях между Индией и СНГ

Тенденции в торговле между Индией и СНГ последних лет свидетельствуют о возобновленной синергии в двусторонних торгово-экономических отношениях. Совокупный показатель торгового товарообмена (экспорт и импорт) Индии с регионом СНГ, который находился на уровне 1,7-1,8 миллиардов долларов США в период 2000-01 и 2002-03, почти удвоился в 2004-05г., подчеркнув тем самым подъем в экспортно-импортной активности стран. Это может быть интерпретировано как исход программы фокуса СНГ, запущенной в апреле 2003 г. Важным в двусторонних торговых отношениях за последние годы явилась тенденция в торговом балансе, которая благосклонно сказалась на развитии стран СНГ. По сравнению с показателем в 355 миллионов долларов США в 2000-01г., торговый баланс Индии с регионом СНГ двинул в дефицит до 225 миллионов долларов США в 2003-04 г., однако далее расширился до 810 миллионов долларов США в

2004-05 г. (**см. таблицу & Диаграмму**). В то время как экспорт товаров наблюдал скромные темпы роста, объем импорта из стран СНГ в Индию почти утроился в период между 2000-01г. и 2004-05 г., смещая акцент в торговом балансе в пользу последнего.

Основной тенденцией в торговом балансе явился резкий подъем ввоза в Индию из стран СНГ железа и стали,

произведенных удобрений, цветных металлов, угля, кокса и брикетов, которая тем самым стимулировала совокупный объем импорта из региона. Отражая данный момент, доля этих четырех пунктов в корзине совокупного импорта Индии из региона СНГ поднималась с 49,4 процентов в 2000-01 году до 64,4 процентов в 2004-05 г. Следует отметить, что ввозы других видов продукции включая серебро, органические и неорганические химикаты, синтетическую и искусственную резину из региона СНГ также претерпели значительный подъем в этот период.

Что касается тенденции наблюдающейся в экспорте из Индии в регион СНГ, то сокращение вывоза за последние годы таких важных видов продукции как чай, кофе, хлопчатобумажная пряжа, ткани, готовая одежда и кожаные товары значительно повлияло на совокупный объем экспорта в регион. Следовательно, доля этих видов продукции в общем объеме экспорта из Индии в регион СНГ снизилась с 58 процентов в 2000-01 году до 30 процентов в 2004-05 г. Однако, значительный подъем экспорта других важных видов продукции, таких как медикаменты и фармацевтические товары, необработанный табак, продукты пластмассы и линолеума, драгоценные камни и ювелирные изделия, обработанные минералы, мясо и мясная продукция, а также металлопроизводительное оборудование привел к повышению экспортного объема в регион СНГ.

В общем известно, что хозяйственная, и также, торговая деятельность региона СНГ подвержена влиянию со стороны России, которая является страной СНГ с самой крупной экономикой. То же самое может быть сказано по поводу

двусторонней торговли. От всего объема экспорта Индии в страны СНГ 57 процентов приходилось на Россию, а импорт из России в Индию составил 68 процентов от совокупного импорта в Индию из стран СНГ в 2004-05 г. Следует отметить однако, что, хотя в последние годы наблюдался продолжительный подъем импортного объема из России, экспортный показатель из Индии в Россию упал с 870 миллионов долларов США в 2000-01 году до 600 миллионов долларов США в 2004-05 году. Замедление экспортных поставок из Индии в Россию снизило общий объем экспорта в регион в целом. Ободоряющим является тот факт, что экспорт Индии в остальные страны СНГ резко возрос с 167 миллионов долларов США в 2000-01 году до 447 миллионах долларов США в 2004-05 г. Пока Украина и

Казахстан лидировали в этом явлении, другие страны, такие как республика Киргизия, Азербайджан и Грузия проявили себя как важные потенциальные партнеры, куда может быть направлен экспорт индийской продукции.

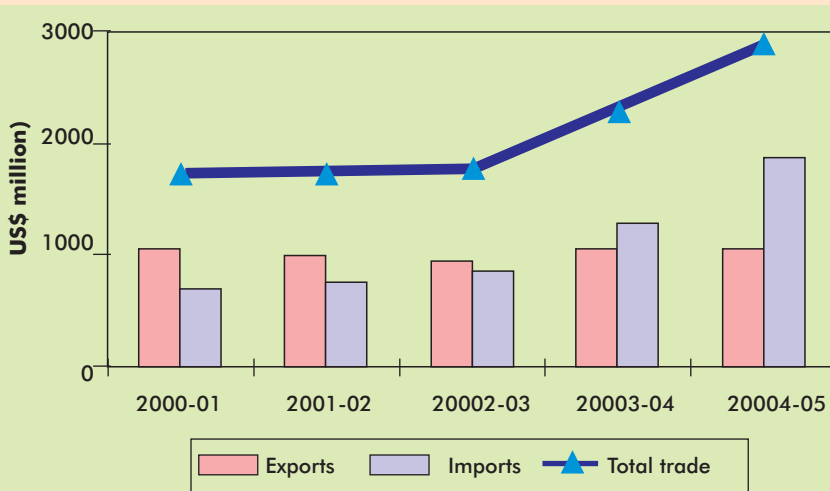
Регион СНГ является важным торговым партнером Индии, интенсивный экономический рост которого за последние годы предвещает увеличение двусторонних торговых отношений. Несмотря на рост экспорта Индии в этот регион, существует потенциал для дальнейшего увеличения экспорта, так как объем экспортных поставок из Индии в СНГ, составляющий 1,86 миллиарда долларов США в 2004-05 году, находится на крайней отметке 1,1 процента импорта из СНГ. Кроме идентификации потенциальных видов продукции торговли, постоянно возрастающие инвестиции со стороны индийских компаний в отдельные секторы стран СНГ могли бы служить двустороннему увеличению торговых взаимоотношений. Для того чтобы стимулировать рост экспорта товаров и услуг из Индии 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.

Таблица: Торговля Индии со странами СНГ

(в млн. US\$)

	2000-01	2001-02	2002-03	2003-04	2004-05
Экспорт	1036	975	924	1039	1045
Импорт	681	739	846	1264	1855
Итоговая торговля	1717	1714	1770	2303	2900
торговый баланс	355	236	78	-225	-810

Источник: Генеральная директората по сведениям коммерции и статистик
(Directorate General of Commercial Intelligence & Statistics)
Министерство Торговли и Промышленности



Финансовохозяйственные понтеры
делают ставку на Индию

Рай для инвестеров



Arjit Saraswati

Ведущие финансовые, банковские и другие хозяйственные прогнозисты осыпали Индию похвалами. Ее принципы являются крепкими, ее экономика стабильной, и темп роста - самым быстрым. Арджит Сарасвати, главный менеджер, Экспорт-Импорт Банка Индии, делает аналитический взгляд на индийскую экономику и говорит, что Индия является одним из самых предпочитаемых мест в мире для инвестиционных вложений.



В недавнем прошлом Индия проявила себя как оживленная экономика, отражающая сильные принципы. Потенциал индийской экономики можно оценивать исходя из того факта, что по ВВП страны и по Соотношению Покупательной Способности (СПС) Индия занимает 4-ое место в мире наряду с такими странами как США, Китай и Япония. В среднем с 1991 года Индия достигла темпа роста, который составлял порядка 6,0 процентов, именно начиная с этого года, были начаты экономические реформы в стране, а в 2004-05 г. показатель роста был уже зафиксирован на отметке 6,9 процентов.

Сфера услуг, которая вносит наибольший вклад в ВВП Индии, выросла в среднем на 8,0 процентов в последнюю декаду, в то же время у промышленного сектора рост составлял около 6,6 процентов. Во внешней торговле Индии также наметился в последние годы значительный прогресс. Объемы экспорта товаров достигли более чем 20 процентного роста третий год подряд и составили в 2004-05 г 80 миллиардов долларов США. Индия также предусматривает удвоить свою долю в глобальном экспорте товаров к 2009 г. Объемы экспортных услуг также возросли, особенно в 2004-05 г., когда они повысились вдвое: до 51,3 миллиардов долларов США. Продолжительный рост экспорта средств программирования подкрепил объем экспорта услуг. Экспорты средств программирования Индии почти утроились, начиная с 2000-01, и достигли отметки в 17,3 миллиардов долларов США в 2004-05 г.

Стабильная аккреция к запасам также усилила крепкие основы во внешнем секторе. По валютным резервам Индия занимает 6-ое место в мире и составляет 140,6 миллиардов долларов США к концу Июля 2005 г. (соответствует почти 14 месяцам импорта). Внешний долг свелся к скромной отметке 17,4 процентов ВВП Индии к концу марта 2005 -го года, уровень краткосрочных долгов составил всего 6,1 процентов всего внешнего долга.

Потенциал и перспективы Индии

Впечатляющее развитие индийской экономики способствовало признанию ее привлекательности для инвестиционных вложений и укрепило ее позиции в качестве крупного и постоянно растущего рынка для осуществления бизнеса. Индия выступила глобальным игроком информационной технологии и находится в ее первых рядах, открывая новую эру информационных технологий со своим большим резервом научных и творческих людских ресурсов и средств исследования и развития

Отчет Голдмэна (Goldman Sachs) "мечтая с BRICS - курс до 2050 г.," вышедший в свет в октябре 2003 г.

высказал большое доверие в адрес будущего индийской экономики. Согласно отчету, "Индия имеет потенциал показать самый быстрый рост в последующие 30-50 лет". Более интенсивные перспективы роста могут быть рассмотрены в качестве более высоких прибылей от инвестиций, преумножая перспективы Индии в качестве привлекательной страны для финансовых вливаний. Недавние заключения известных в мире организаций и учреждений свидетельствуют о прочности индийской экономики и подтверждают потенциал Индии в текущем сценарии глобализации и инвестиции.

❖ В недавнем рапорте озаглавленном "Делать бизнес в 2005 г.: от препятствий к росту", ко-спонсорами которого были Всемирный Банк и Международная Финансовая Корпорация, Индия была признана одной из 10 влиятельных мировых держав.

❖ В своем последнем «Индексе Глобального развития розничной торговли 2005 г.", А Т Кеэрни (A T Kearney) позиционирует Индию как самую привлекательную страну для инвестиций, которая в этом вопросе обгоняет Россию. Рапорт упоминает, что повышающаяся активность среднего и высшего класса, при соединении с большой урбанизацией, привела к растущему спросу для розничных товаров. Также замечено, что недавнее изменение в регламентационном ландшафте увеличивает привлекательность Индии

❖ В качестве ведения офшорного бизнеса, Индия занимает одно из ведущих мест в "Индексе 2004 г. А Т Кеэрни (A T Kearney) по привлекательности офшорных зон», впереди таких стран как Китай, Малайзия, Чешская республика, Сингапур, Филипины, Бразилия, среди других. Устойчивая комбинация конкурентноспособных цен и значительный потенциал в людских ресурсах, согласно данному докладу, подчеркнула прочность Индии в этом отношении. В докладе далее отмечается, что рабочая сила в Индии знакома не только с содержанием работы, но и также с этикой работы и качеством и производительности туда, которые ожидают главные глобальные гиганты.

❖ Недавний доклад "Расстановка офшорной среды 2005 г." проведенный Союзом Экономических Исследований (Economist Intelligence Unit (EIU)) также поставил Индию на верхнее место среди 60 изученных стран. В дополнение к этому, EIU в своей " Расстановке по экономической обстановке 2004-2008 г. " отдал Индии 41-е место, впереди России.

❖ Согласно к «Индексу 2004 г. А Т Кеэрни (A T Kearney) по инвестиционному доверию» Индия продвинулась вверх - к третьему месту, следуя за Китаем и США, и обогнала Германию, Польшу и Мексику. Рапорт наблюдает, что устойчивая позиция Индии среди фирм изготовителей, телекоммуникации и общего назначения

наблюдалась прежде всего благодаря желанию страны сделать инвестиции в ИТ, Информационно технологический Аутсорсинг (экспорт труда), И & Р и деятельности при управления знания для повышения производительности труда. Далее, высоко-образованная рабочая сила Индии, талантливость управления, торжество права, прозрачность, культурное сродство и регламентационная среда были признаны как главные движущие силы.

❖ Привлекательность Индии как делового центра также отмечена в публикации Прайсватерхаус Купэрс (**PricewaterhouseCoopers**) «глобальные розницы & изучения потребительского спроса от Пекина к Будапешту 2004/2005», который порекомендовал Индию как одну из лидирующих 6 стран с потенциальной возможностью роста. Изучение указывает на то, что, пока Китай показывает немедленные возможности в сфере розничной и потребительской торговли, Индия предлагает более долгосрочный потенциал для инвестиции в этом участке.

❖ Индекс конкурентоспособности Индии, как приведено в отчете о «мировой конкурентоспособности 2004-05 г.» Хозяйственного Форума Мира (**World Economic Forum's Global Competitiveness Report 2004-05**) также предсказывает наилучшие перспективы для индийской экономики. Согласно рапорту, индекс роста конкурентоспособности Индии в 2004 г находился на отметке 55, опережая Бразилию (57), Польшу (60) и Египет (62). Подчеркиванием этой положительной расстановки был индекс по расстановке общественных институций, где Индия стояла на 53, тогда как, по индексу конкурентоспособности дела Индия заняла 30 ое место.

Закключение

Учитывая впечатляющие показатели индийской экономики и все большее укрепление авторитета Индии как надежного развивающегося партнера, инвестиционная привлекательность страны увеличилась как никогда. Это отразилось на увеличении прямой иностранной инвестиции в Индию: от 4,7 миллиарда долларов США в 2003-04 г. до 5,5 миллиарда долларов США в 2004-05 г. Чистые иностранные инвестиционные вложения составили 8,3 миллиардов долларов США в 2004-05 гг управляемые положительной перспективой роста, улучшенной корпоративной деятельностью и привлекательными оценками. Поэтому можно в праве заключить, что текущий процесс реформ и выход Индии на мировой рынок в качестве лидера в сфере информационных технологий безусловно выводит ее на позицию наибольшей привлекательности для иностранных инвестиций. ♦