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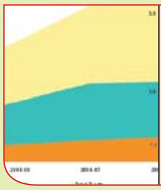
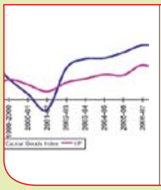
In This Issue





Editorial

Dear Reader,

Greetings. A significant event that got drowned in the din of national mourning in the wake of the November 26 terrorist attack on Mumbai was Russian President Dmitry Medvedev's visit to India in the first week of December, 2008. During his talks with Indian leaders, including Prime Minister Manmohan Singh and External Affairs Minister Pranab Mukherjee, President Medvedev expressed Russia's solidarity with India in its hour of tragedy. His visit, however, brought India and Russia closer than ever before. In fact, the 10 agreements signed between the two countries, covered a vast range of bilateral issues, including the stepping up of two-way trade to $10 billion by 2010 from the present $7 billion. The most significant of all these pacts is a deal on civilian nuclear energy, which will pave the way for India's energy security in the long run. Other areas covered included expansion of cooperation in space, defence, science and technology, banking and tourism. The cover story of the current issue of Indo-CIS Business brings you in detail, the further strengthening of strategic relations between the two countries. In the focus section we have a report on the recently held India-Russia CEOs Council meeting, where several sectors - from banking to ICT and from power to pharma - have been identified for joint investment. Ever since their formation in the early 1990s, the CIS member countries have been initiating reforms to get their economies globalized. In a diplomatic move, Belarusian Minister for Industries A. Rusetsy, who visited India recently, invited Indian companies to participate in the process of privatization of industry in Belarus. The European Bank for Reconstruction and Development (EBRD), which is helping the CIS region in its economic recovery and development, has drawn up a crisis response package for its member countries to effectively cope with the current global economic meltdown. We carry a report. In its Transition Report for the CIS region for 2008, the EBRD has said that investing in education is key to its economic development. We carry a write-up. The issue also presents an article on how the private sector in Kazakhstan has initiated energy efficiency projects, funded by the EBRD. The CIS region, riding on economic reforms, stepped up its total trade by 70 percent to $529 billion in the five years to 2008, according to an in-depth analysis made by Export-Import Bank of India. It also says that bilateral trade between India and the CIS region has more than doubled during the same period. In a separate study, Exim Bank says that the Indian capital goods industry must make efforts to sustain its global presence and strive for market expansion. Then, there is a feature on cotton, the 'white gold', that dominates life in Tajikistan. Plus, there is plenty of news and other regular features.

Wish you happy reading

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India, Russia Ink Pacts on N-Energy, Space, Banking, Tourism & Defence

Strengthening Strategic Ties Further

India and Russia have further strengthened their strategic economic and political relations by signing as many as 10 agreements, including a pact on civil nuclear cooperation and decided to intensify their cooperation in combating terrorism.

The President of Russia, Mr. Dmitry A. Medvedev and the Prime Minister, Dr. Manmohan Singh exchanging the signed Joint Declaration between the Russia and India, in New Delhi on December 05, 2008.

The agreements signed in New Delhi the presence of Prime Minister Manmohan Singh and visiting Russian President Dmitry Medvedev were in diverse areas ranging from space and defence to finance, human space programme and tourism. The new Russian President is accompanied by a host of officials and businessmen from various State-run and private agencies and companies.

Describing the agreement on civil nuclear cooperation as a "new milestone" in bilateral relations, Singh told a joint press conference with Russian President who was on a three-day visit to India from 4 to 6 December, 2008, "The signing of the agreement on civil nuclear cooperation with Russia marks a new milestone in the history of our cooperation with Russia in the field of nuclear energy."

Under the agreement, Russia will build four additional atomic reactors in the Kudankulam nuclear plant in Tamil Nadu. Russia agreed in January 2007 to help India in the construction of four energy blocks at the atomic plant in Kudankulam and nuclear power plants at new sites in India. Separately, OAO Tvel, the Russian nuclear-fuel monopoly, agreed to deliver fuel worth \$700 million to other Indian power stations.

Prime Minister Singh, after signing a joint declaration with President Medvedev, said, "Our strategic partnership with Russia is a vital anchor of our foreign policy. It is a relationship that has withstood the test of time. It is a relationship that is based on strong mutual trust, confidence and convergence of interests. The signing of the agreement on civil nuclear cooperation with Russia marks a new milestone in the history of our cooperation with Russia in the field of nuclear energy. We have taken yet another step forward in the area of space cooperation and have agreed to initiate joint activities in our human spaceflight programme.

Russia's space agency signed a new document with ISRO on cooperation in space exploration, which includes

The President, Smt. Pratibha Devisingh Patil at the ceremonial reception of the President of Russia, Mr. Dmitry A. Medvedev at Rashtrapati Bhavan in New Delhi on December 05, 2008.

plans to send two Indian astronauts to space on board a Russian Soyuz spacecraft in 2013.

Observing that both countries have decided to increase the trade volume from this year's expected level of $7 billion to $10 billion by 2010 through more diversified economic cooperation in the future, Singh said, "We also discussed the possibilities of greater cooperation between Indian and Russian companies in both upstream and downstream sectors in the hydrocarbon sector."

Answering questions, President Medvedev said, "Our cooperation in the energy sector continues to be our undisputed priority. In this context, of course, our cooperation in the nuclear energy sector is of utmost interest to us and it is very productive. I think our cooperation cannot be overestimated because it is future-oriented, it creates new opportunities for the growth of the Indian economy and any growing economy, particularly the Indian economy which is growing quite rapidly.

The two leaders also discussed military cooperation, including technology transfer, T-90 tanks and "issues concerning creating and selling or leasing nuclear powered submarines."

The two countries signed accords on the sale of 80 MI-17V-5 helicopters to India and cooperation in areas including space exploration, financial markets and tourism. According to Rosboronexport officials, the helicopter deal is worth more than $1 billion.

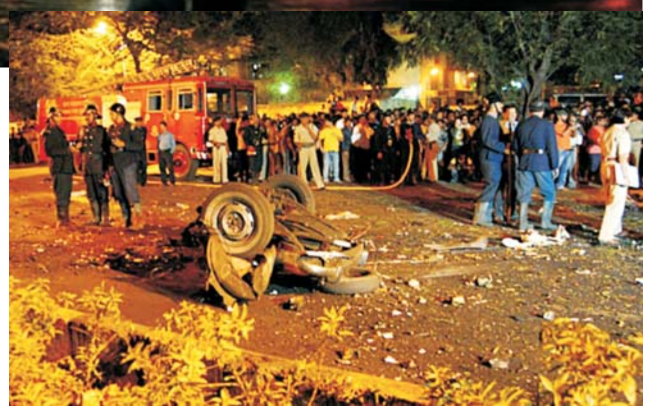
The Russian leader expressed hope that the arms agreement would be extended for the next 10 years. "Our prime task is to move from buy-sell to joint production and development" in missile and aircraft development, he said.

"Some issues remain, but there are not many of them," President Medvedev said. "We have agreed that we will keep these issues under joint control and we'll fully cooperate with each other."

Russia and India have seen a growth in bilateral trade this year, which increased in the first nine months of 2008 by 41.6 percent to $3.8 billion dollars year-on-year.

Both the countries, partners in the BRIC nations, which also include China and Brazil, are looking to boost trade to $10 billion by 2010. The visiting leader, had said in

The Prime Minister, Dr. Manmohan Singh with the President of Russia, Mr. Dmitry A. Medvedev at delegation level talks, in New Delhi on December 05, 2008.



Sao Paulo last month that the BRIC countries should play a greater role in shaping up the new global financial architecture.

President Medvedev also said that Russian companies are planning to enter into the exploration and extraction of natural resources with Indian partners. The two sides are keen to develop relations in areas such as metals, machine building, pharmaceuticals, space, biotechnology and information technology.

Russia's Statistics Service earlier said accumulated Indian investment in Russia totaled $821 million, including $718 million of foreign direct investment. Russia invested $18 million in India in the first half of 2008.

Both countries agreed that in the wake of Mumbai terror attacks efforts should be intensified against supporters and perpetrators of terrorism.

During his stay, President Medvedev also met President Pratibha Patil, Vice President M.H. Ansari, External Affairs Minister Pranab Mukherjee, UPA Chairperson Sonia Gandhi and the Leader of Opposition L.K. Advani. He also presided over the closing ceremony of the 'Year of Russia in India' together with President Patil.

President Medvedev's visit, though significant in view of India's historic association with the CIS region, especially with Russia, did not, however, received huge publicity it deserved, coming as it were, days after the Mumbai terrorist attack on November 26.

Naturally, as the first foreign Head of State to visit India after the Mumbai terrorist attacks that were condemned worldwide, President Medvedev discussed the issue of terrorism during his talks with Prime Minister Singh and expressed Russia's readiness to cooperate with India in every possible way in punishing the perpetrators of the terrorist acts.

Earlier, before his arrival in India, the Russian President and the Prime Minister Vladimir Putin conveyed their condolences to the Indian Government for the victims who died in the inhuman Mumbai terrorist attacks. ■

Joint Declaration - Salient Features

India and Russia have declared that:

Bilateral Trade

Both Sides underline the high priority attached by the two countries to efforts towards increasing bilateral trade, investment and economic cooperation and express satisfaction at the progress towards achieving the target of bilateral trade volume of US $ 10 billion by 2010.

Both Sides note the considerable expanse of complementarities between the growing economies of India and Russia. The increasing competitiveness of Indian and the Russian companies in the world market and opening up of the two economies have enabled them to launch themselves successfully in each other's markets. Both Sides agree to intensify ongoing efforts and take further measures to facilitate trade and commerce between the two countries including simplification and streamlining of procedures, and removal of technical barriers.

Investment

Both Sides appreciate the work of the Indo-Russian Forum for Trade and Investment, and express hope that the Forum will further contribute towards bridging the gap and facilitating exchanges between the business communities of the two countries. Both Sides emphasize the important role of the private sector in developing bilateral trade and investment between India and Russia. Both Sides take special note of the creation of the India-Russia CEOs Council and express hope that the Council would not only provide valuable recommendations to further enhance bilateral commerce but also come up with private initiatives in terms of business tie-ups. Both Sides agree to encourage trade and business chambers of the two countries as well as other business organizations to enhance mutual arrangements and events for trade, investment and business-to-business contacts.

Global Economic Meltdown

Bearing in mind the growing weight of India and Russia in the world economy and the negative impact of the current global financial crisis, the two Sides emphasize the importance of comprehensive reform of the international financial and economic architecture in order to adapt it to the new realities in global economy and agree to cooperate in various formats to promote a more just world economic order based on the principles of multipolarity, rule of law, equality, mutual respect and common responsibility.

India and Russia agree on the increasing importance of energy security for them as two fast-growing economies and major producer and consumer of energy and consequently the need to expand their bilateral cooperation in this field. In this regard, both sides agree to promote, support and facilitate full utilization of considerable opportunities for bilateral cooperation in the oil and gas sector in India, Russia and other countries. They acknowledge regular contacts and ongoing discussions between Indian and Russian hydrocarbon companies on specific upstream and downstream projects and encourage them to conclude mutually-agreeable arrangements.

N-Energy

Both Sides underline the importance of nuclear energy as a clean and safe source of energy to meet growing energy requirements and welcome the recent decision taken by the Nuclear Suppliers Group on civil nuclear cooperation with India. They note with satisfaction the ongoing cooperation in the implementation of the Kudankulam Nuclear Power Project. The two Sides agree to collaborate in setting-up of additional units of the project on the basis of the Agreement between the two governments.

Space

Referring to the respective strengths of India and the Russian Federation in various spheres of peaceful uses of outer space, both Sides note ongoing cooperation in the Russian Global Navigation Satellite System GLONASS, joint lunar exploration, joint development and launch of a Youth satellite for educational purposes and other projects. They agree to direct their respective agencies to intensify ongoing cooperation and identify new areas for further collaboration between them.

Defence

Both Sides agree that military-technical cooperation is a key area of cooperation between India and Russia and support bilateral efforts to diversify and strengthen cooperation in this area and encourage initiatives by respective organizations on both sides to adapt to constantly evolving needs and requirements of each other. They agree that the Long Term Programme of military and technical cooperation has provided a sound collaborative framework and it should be renewed for ten years after it is completed in 2010. Both Sides note with satisfaction the 10th anniversary of the Indian-Russian joint venture to produce state-of-the-art Brahmos hypersonic cruise missiles and the launching of the implementation of the projects on joint development and production of Multi-Role Transport Aircraft and Fifth-Generation Fighter Aircraft and agree to further expedite these projects.

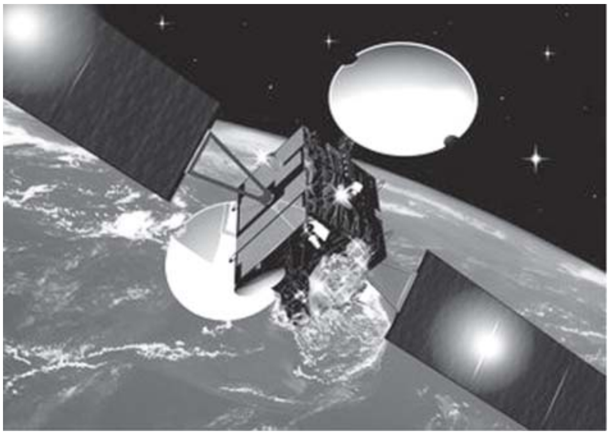
Science & Technology

Both Sides express satisfaction with cooperation in the field of science and technology under the framework of the Integrated Long Term Programme (ILTP) and agree that it should be extended for another period of ten years after its completion in 2010. The two Sides emphasize that joint collaborative ventures should focus on emerging areas of technology such as nano-technology and bio-technology and encourage direct interaction

between research institutions of India and Russia.

Information & Communication Technology

Both Sides agree that there is considerable potential for further cooperation in the area of information and communication technologies. They welcome efforts both in the government and in the private sector towards increasing cooperation in this field. Both sides note the existing and potential problems in the field of information security globally and consider it feasible to



collaborate more actively in its solution in the framework of the United Nations and other international organizations and fora.

Cultural Ties

Both Sides underscore the importance of longstanding and traditionally warm and friendly cultural bonds between the peoples of the two countries. They agree to actively support and promote cultural exchanges, greater contacts at various levels and closer understanding and appreciation of each other's arts,

languages, society and traditions. They express satisfaction at the successful conduct of the 'Year of Russia' in India in 2008 and agree to work together for smooth holding of 'Year of India' in Russia in 2009.

Importance of BRIC

Both Sides welcome growing interaction in the BRIC (Brazil, Russia, India, China) format. They express their confidence that the next stand-alone meeting of BRIC Foreign Ministers to be held in India and the first stand-alone BRIC summit to be held in the Russian Federation in 2009 will be new important milestones in the making of this promising cooperation mechanism of the four most dynamically developing large economies of the world.

Terrorism

India and the Russia strongly condemn terrorism in all its forms and manifestations and reiterate that there can be no justification for any act of terror, wherever, for whatever reason and by whosoever committed. They jointly affirm that bilateral cooperation in combating terrorism is an important dimension of their strategic partnership.

The Russian Federation expresses solidarity and support to the Government and people of India in connection

with terrorist attacks in Mumbai from 26-29 November 2008. Both Sides call upon all states to cooperate actively with and provide support and assistance to the Indian authorities in their efforts to find and bring the perpetrators, organizers, sponsors, patrons or those in any way connected to these barbaric acts to justice in India in accordance with the obligations under international law and relevant UN Security Council resolutions on fighting terrorism. ■

From Banking to ICT & Power to Pharma

Scope Unlimited for Joint Indo-Russian investment

- Kamal Nath

India's Minister for Commerce and Industry Kamal Nath has said that there is immense possibility for joint investments in the areas like banking, information technology, telecommunications, high-technology sectors, power, pharmaceuticals and textiles.

Addressing the India-Russia CEOs Council Meeting in New Delhi recently Kamal Nath said that India and Russia have managed to sustain strong business vibes in recent years and added that the India-Russia Forum on Trade & Investment has underscored the need for investment cooperation in a large number of sectors.

"Indian companies are quickly establishing themselves in Russia and the cumulative Indian investments in the Russian economy amounted to US $ 744.1 million as of 31 March, 2008", he said. The meeting was also attended by G.K. Pillai, Commerce Secretary, Ajai Shankar, Secretary (IPP) apart from CEOs from both the countries.

During the occasion, Kamal Nath also launched the IBEF Website in Russian language for the benefit of the Russian business community. "There is a strong case for Russian companies to invest in India, especially in the power sector, as Russia is energy rich and India's energy requirements are going to increase manifold over the next 10-15 years," he added.

Kamal Nath said critical sectors of the economy, like agriculture, have started a process of revival by growing at a rate of around 4.0 percent. This growth rate is a significant contribution to inclusiveness, which is vital for India as it helps sustain domestic consumption, which will sustain our growth story in the short, medium and long term, he added.

Referring to the global meltdown, Kamal Nath said that "both our economies will bounce back, because of their sound fundamentals and large domestic demand. "We too are taking measures to inject growth dynamism back into our economy; we are cutting bank rates and easing statutory reserve requirements to inject liquidity into the system, we are also looking at creating demand impetus in a number of

Indo-Russian Defence Ties get further boost

India and Russia have recently taken a significant step towards boosting defence cooperation at their first meeting of the India-Russia High Level Monitoring Committee (HLMC). The two-day meeting, co-chaired by India's Defence Secretary Vijay Singh and his Russian counterpart Mikhail Dmitriev, Director, FSMTC.

Both sides discussed issues related to ongoing projects such as Fifth Generation Fighter Aircraft, Multi-role Transport Aircraft, T-90 tanks, AWACS, SU-30MKI upgrade, aircraft carrier Admiral Gorshkov and Medium Lift Helicopters. Cooperation between the defence forces of the two countries was also discussed.

This new forum was established during the last meeting of the India Russia Inter-Governmental Commission on Military Technical Cooperation (IRIGC-MTC) held in New Delhi on 29 September, 2008 under the joint Chairmanship of the Defence Ministers of both countries. The forum's objective is to not only monitor implementation of ongoing Military Technical Cooperation (MTC) activities but also identify new activities for enhancing defence cooperation by way of joint Research & Development and production of military hardware, including transfer of technology and cooperation between the armed forces of the two countries.

sectors, especially consumer driven industries and export-oriented ones".

Bilateral trade between India and Russia during 2008-09 (April-July) touched US $ 1613.56 million. Major items of export are drugs, pharmaceuticals and fine chemicals, RMG cotton including accessories, tea, coffee, tobacco un-manufactured, processed minerals, plastic & linoleum products, machinery & instruments, transport equipments, electronic goods etc. Major items of import are iron & steel, non-ferrous metals, coal, coke, newsprint, silver, synthetic & reclaimed rubber etc.

Cumulative FDI inflows from Russia till August 2008 were US $ 144 million. The top sectors that attracted FDI inflows were medical & surgical appliances, hotel & tourism, food processing industries etc.

MoU on Sustainable Development Scheme in Ukraine

In order to jointly promote sustainable development of the territories of Ukraine, administrative reform, decentralization and good governance, UNDP and the Ministry of Regional Development and Construction of Ukraine have signed the Memorandum of Understanding.

The Ministry of Regional Development and Construction of Ukraine is a focal Ministry for UNDP-led Municipal Governance and Sustainable Development Programme. Based on successful cooperation in creating favourable environment for local self-government reform and strengthening the overall regional development process the both parties signed the MoU.

In cooperation processes, MGSDP systematises and shares the lessons learned, disseminates its findings, organizes capacity building activities for civil servants at the local level and exchange of focal persons among the Programme and the Ministry to promote decentralization principles and strengthening of local self-government.

The MoU ensures support for strengthening decentralized development mechanism through local and regional self-governance, improvement of administrative-territorial situation of Ukraine and improvement of quality of public services which are delivered to residents.

UN Development Programme has been working with the Government of Ukraine to develop capacity of local and national government bodies, private sectors, local communities and civil society organisations to work for addressing development issues together.

Currently, the Ministry is willing to apply innovative approaches and experience for improving regional policy.

According to the MoU, UNDP and the Ministry will cooperate in building local and regional capacity for decentralized development and elaboration and dissemination of the best practices in the area of sustainable regional development (e.g. improving policies/legislation, joint scientific research and communication activities, exchange experiences etc).

In addition, the partners agreed to promote decentralization, administrative and territorial reform through expert assistance, scientific research, building capacity of local and regional authorities to provide quality service delivery. Finally, the focus of the joint efforts will be made on collecting best practices and experiences in the field of local self-governance and regional development and providing policy recommendations based on first hand experience to bodies of local and regional self-governments and local communities.

CIS Total Trade Up 70 pct at $526 bn

Indo-CIS Trade More than Doubles to $5.5 bn in Five Years

The growth of CIS region's contribution to world trade has been robust in recent years. In fact, total trade of the CIS countries has increased by 70.7percent from US$ 526.5 billion in 2003 to US$ 898.7 billion in 2007. While Asia and the CIS region have sustained their pace of growth, the developed countries have reported a lower growth and accordingly a lower share in the total world trade. In an in-depth study, Export Import Bank of India examines the various factors impacting world trade. The study also looks at the trends of bilateral trade between India and the CIS regions, which has been rising at a healthy rate. Bilateral trade between India and the CIS region grew more than two-fold from US$ 2.3 billion in 2003-04 to US$ 5.5 billion in 2007-08, representing a CAGR of 19.1 percent.

International trade is integral to the process of globalisation. Over many years, governments in most countries have increasingly opened their economies to international trade, whether through the multilateral trading system, increased regional cooperation or as part of domestic reform programmes. Trade and globalisation more generally have brought enormous benefits to many countries and citizens. Trade has allowed nations to benefit from specialisation and economies to produce at a more efficient scale. It has raised productivity, supported the spread of knowledge and new technologies, and enriched the range of choices available to consumers. Today, developing countries have become regional and global engines of international trade growth by virtue of a massive upscaling of their productive capacities and under the influence of changing structural diversification of their economies and trade.

Global Trade Scenario

Growth in world output decelerated in 2007. Weaker demand in the developed economies reduced global economic growth to 3.4 percent from 3.7 percent, roughly the average rate recorded over the last decade. At some 7.0 percent, growth in the developing regions was nearly three times the rate recorded in the developed regions and the contribution of the developing countries to global output growth in 2007 exceeded 40 percent. Economic expansion in the least-developed countries fully matched the growth rate recorded by developing countries as a group in 2007, sustaining a pattern that has been maintained since 2000.

Weaker demand in the developed countries provided a less favourable framework for the expansion of international trade in 2007 than in preceding years. Despite a lower contribution by the developed countries, world merchandise exports grew by 15.7 percent in 2007, thanks mainly to the rising share of developing nations, as compared to 15.2 percent in 2006 (Table 1). Lower import growth than in the preceding year was observed in North America, the US, South and Central America, and Asia including Japan. This downward trend outweighed the higher import growth observed in developing countries of Europe, the CIS, Africa and the Middle East. It is estimated that the developing countries as a group accounted for more than one half of the increase in world merchandise imports in 2007. The expansion of real trade exceeded global output growth by two percentage points.

Among the leading traders, China's merchandise trade expansion remained outstandingly strong in 2007 as lower export growth to the US and Japanese markets was largely offset by higher export growth to Europe and a boom in shipments to the net-oil exporting regions. Despite a vigourous domestic economy, weaker demand in some of China's major export markets and a moderate real effective appreciation of the yuan, import growth continued to lag behind export growth.

In 2007, the variation in trade growth among regions remained large, reflecting marked differences in economic activity and relative price developments. South and Central America and the CIS increased their merchandise imports by about 17 percent and 40 percent respectively, more than the global average in 2007. South and Central American exports were up by 14 percent and those of the CIS by 21.3 percent. As mining products account for more than half of African and Middle East merchandise exports, these regions have been major beneficiaries of relative price changes over the last three years. Consequently, these regions increased their import value by about 25 percent while their exports value increased by 11.8 percent in 2007.

Table1: Merchandise Trade by Region, 2005-07, (Annual percent change in terms of value).

	Exports			Imports		
	2005	2006	2007	2005	2006	2007
World	13.5	15.2	15.7	13.3	14.9	16.3
North America	12.0	13.4	9.6	13.5	11.3	4.4
United States	10.8	14.7	12.2	13.6	10.7	5.1
South and Central America [a]	20.4	22.1	14.0	16.2	19.4	16.7
Europe [b]	24.8	21.3	23.3	19.7	26.0	34.9
EU 27	8.1	12.9	15.9	9.5	14.4	15.4
Commonwealth of Independent States (CIS)	28.5	22.1	21.3	31.0	26.1	40.2
Africa and Middle East	28.1	21.6	11.8	18.2	18.1	25.3
Asia [c]	18.1	18.9	17.8	16.4	17.8	17.7
China	28.5	27.2	25.7	17.6	19.9	20.7
India	29.8	25.3	24.2	35.0	37.3	34.7
Japan	5.1	8.7	10.4	13.3	12.3	7.5
Newly industrialised economies [d]	12.0	11.3	6.6	12.6	12.1	16.5

Note: a Includes the Caribbean; b Doesn't include industrial countries; c Doesn't include Japan; d Hong Kong China; Republic of Korea; Singapore and Chinese Taipei.

Source: World Trade Organisation (WTO) & International Monetary Fund (IMF).

Exports from Asia rose by 17.8 percent, while imports also increased in the same rate of growth of 17.7 percent in 2007. Within the Asian region very large variations could be observed on the import side. While China and India recorded double-digit import growth, the comparable figure for Japan was 7.5 percent. The trade performance of the four so-called newly industrialized economies Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei continued to be less dynamic than that of the region as a whole. The newly industrialized economies recorded an excess of import growth over export growth (16.5 percent and 6.6 percent respectively) in 2007. North America's real merchandise

Exim Bank of India LOCs in the CIS Region

A Line of Credit (LOC) is a special financing mechanism through which Export-Import Bank of India (Exim Bank) extends finance to support export of projects, goods and services from India on deferred payment terms. Exim Bank extends Lines of Credit to overseas financial institutions, regional development banks, sovereign governments and other entities overseas. The Indian exporters can obtain payment for eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. Exim Bank also extends LOCs at the behest of Govt. of India. Exim Bank has now in place 108 Lines of Credit, covering over 90 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over US$ 3.49 billion, available for financing exports from India. In the CIS region, Exim Bank has extended 5 Lines of Credit amounting to US$ 65 mn, which include: Vnesheconombank, Russia; Vneshtorgbank (Bank for Foreign Trade), Russia; Absolut Bank, Russia; Bank TuranAlem, Kazakhstan; and National Bank of Uzbekistan (NBU), Uzbekistan. Recently, Exim Bank and National Bank of Uzbekistan (NBU) have signed an Agreement for a Line of Credit of US$ 10 mn to be provided by Exim Bank to NBU for financing India's exports to Uzbekistan. The LOC is expected to facilitate and boost India's exports to Uzbekistan.

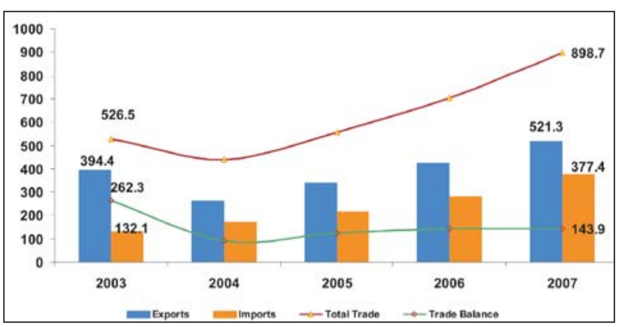
exports rose less than global trade but more than twice as fast as imports. The excess of regional export growth over import growth can be attributed largely to the United States, where import value increased by 5.1 percent, while exports expanded by 12.2 percent in 2007. In North America, when Canada increased both of its export and import value in 2007, Mexico increased its exports compared to a fall in import value.

Merchandise exports and imports of the developing countries in the European region grew by 23.3 percent and 34.9 percent respectively in 2007. Within Europe, individual countries' trade performances differed widely in 2007. Three groups can be distinguished. First, most of the new EU members and Turkey expanded exports and imports significantly. Second, Germany, the Netherlands, Austria, Belgium and Switzerland registered a moderate trade growth, while the third group's trade was almost stagnant (eg, France, Spain, Ireland and Malta).

Trend in Trade of the CIS Region

Total exports of CIS countries have shown an increasing trend, from US$ 394.4 billion in 2003 to US$ 521.3 billion in 2007. Total imports of the CIS countries have also registered a sustained rise, from US$ 132.1 billion in 2003 to US$ 377.4 billion in 2007. As a result, total trade of the CIS countries has increased by 70.7percent from US$ 526.5 billion in 2003 to US$ 898.7 billion in 2007 (Chart 1). Trends in exports and imports of individual CIS members during 2003 2007 are presented in Table 2 and Table 3, respectively.

Chart1: Foreign Trade of CIS Countries, 2003-2007 (US$ bn)



Source: International Monetary Fund (IMF).

Russia dominates CIS trade, accounting for a dominant 68.1percent of total CIS exports in 2007. Other major exporters from CIS are Ukraine (9.4 percent), Kazakhstan (9.2 percent), Belarus (4.7 percent), Georgia (2.4 percent) and Azerbaijan (2.0 percent). As in the case of imports, Russia dominates CIS imports, with a share of 59.2 percent of total CIS imports in 2007, followed by Ukraine (16.1 percent), Kazakhstan (8.7 percent), Belarus (7.6 percent) and Azerbaijan (1.5 percent), Georgia (1.4 percent) and Uzbekistan (1.3 percent).

Table 2: Exports of CIS Countries, 2003-2007 (US$ bn)

	2003	2004	2005	2006	2007
Armenia	0.68	0.72	0.97	0.98	1.2
Azerbaijan	2.6	3.6	4.3	6.4	10.5
Belarus	9.9	13.8	16	19.7	24.3
Georgia	0.46	0.64	0.86	1	12.4
Kazakhstan	12.9	20.1	27.8	38.2	47.7
Kyrgyz Republic	0.58	0.71	0.67	0.79	1.1
Moldova	0.79	0.98	1.1	1.1	1.3
Russia	135.9	183.2	243.8	303.9	355.2
Tajikistan	0.79	0.91	0.91	1.4	1.5
Turkmenistan	3.6	3.9	4.9	5.8	8.9
Ukraine	223.1	32.7	34.2	38.4	49.2
Uzbekistan	3.1	4.2	4.7	5.6	8
CIS Total	**394.4**	**265.5**	**340.2**	**423.3**	**521.3**

Source: International Monetary Fund (IMF).

Table 3: Imports of CIS Countries, 2003-2007 (US$ bn)

	2003	2004	2005	2006	2007
Armenia	1.2	1.3	1.8	2.2	3.2
Azerbaijan	2.6	3.5	4.2	5.3	5.7
Belarus	11.5	16.5	16.7	22.3	28.7
Georgia	1.1	1.8	2.5	3.7	5.2
Kazakhstan	8.4	12.8	17.3	23.7	32.7
Kyrgyz Republic	0.71	0.94	1.1	1.7	2.4
Moldova	1.4	1.8	2.3	2.7	3.7
Russia	76.1	97.4	125.4	164.3	223.4
Tajikistan	0.88	1.1	1.3	1.7	2.4
Turkmenistan	2.5	3.3	3.6	4.1	4.5
Ukraine	23	29	36.1	45	60.7
Uzbekistan	2.7	3.4	3.7	4.3	4.8
CIS Total	132.1	172.8	216.0	281.0	377.4

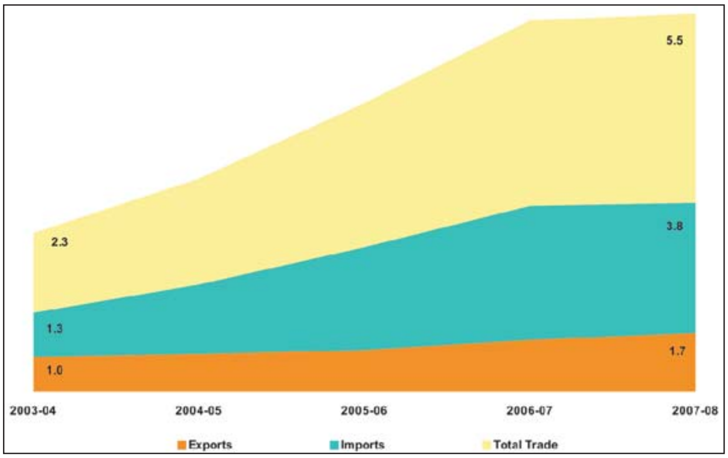
Source: International Monetary Fund (IMF).

Oil, fuel and gas, metals, machinery and equipments, and chemicals are the major commodities exported from the CIS region, while machinery and equipments, food and agricultural products, chemicals, and metals are the major items imported to the region.

Trends in Indio-CIS Trade Relations

The symbiosis in bilateral commercial relations between India and the CIS region can be assessed from the fact that total trade between India and the region grew more than two-fold from US$ 2.3 billion in 2003-04 to US$ 5.5 billion in 2007-08, representing a CAGR of 19.1 % (Chart 2).

Chart 2: India's Trade with CIS Region (US$ bn)



Source: Ministry of Commerce and Industry, GOI

The total merchandise exports of India to the CIS region increased from US$ 1.0 billion in 2003-04 to US$ 1.7 billion in 2007-08. During the same period, India's imports from the CIS region increased by almost three-fold from US$ 1.3 billion in 2003-04 to US$ 3.8 billion in 2007-08. Russia is the major trading partners in the CIS region, with India's exports Russia accounting for 54.1 percent of total exports to CIS region, during 2007-08. Other major export destinations include Ukraine, Kazakhstan, Georgia and Uzbekistan. In terms of India's imports from CIS region, Russia dominates with a share of 65.4 percent of India's total imports from CIS region, during 2007-08. Other major import sources include Ukraine, Azerbaijan, Belarus and Kazakhstan. ■

Russian Meet on Civic Bodies

The third all-Russia conference "Social Partnership and Development of Civil Society Institutions. Experience of Regions and Municipalities" was held on 12 December 2008 at the Russian Ministry of Economic Development. The conference was organized with support of the United Nations Development Program, the World Bank, Commission on Development of Charity and NGO Legislation of the Public Chamber of the Russian Federation, and State University Higher School of Economics.

Participants of the conference were representatives of the federal and sub-national executive authorities, offices of the plenipotentiary representatives of the President of the Russian Federation in federal districts, municipal self-governance bodies, business and NGOs.

Andery Klepach, Vice-minister of Economic Development addressed the conference.

Natalia Zubarevich, a UNDP expert, in her presentation at the plenary session spoke about the social-economic development and planning at the regional level with the use of Human Development Index and regional Human Development Reports.

Liliana Proskuryakova, Head of UNDP Russia Governance unit, moderated the roundtable "Innovative mechanisms of social partnership". ■

Deora Calls for CIS Investment in Indian Oil & Gas Sector

Indian Minister of Petroleum and Natural Gas Murli Deora has said that India welcomes participation of companies from the CIS region for investing in the Oil and Gas Sector in India.

Speaking at the inaugural session of India-CIS Roundtable in New Delhi recently Deora said the possible areas for investments include greenfield refineries and petro-chemical projects, exploration and production through New Exploration Licensing Policy (NELP). The Roundtable has been jointly organized by the Petroleum Ministry and the Federation of Indian Chambers of Commerce and Industry (FICCI).

He said the next NELP round will be launched in early 2009. The Minister pointed out that India is seeking a greater "synergy in energy" with CIS countries. He also referred to the existing cooperation and projects which include Sakhalin-I project in Russia, discussions on import of natural gas from Turkmenistan and on business opportunities in Kazakhstan, Uzbekistan and Azerbaijan, etc.

Elaborating the areas of interest for Indian companies in CIS countries, Deora said, "We are ready to associate ourselves with gas processing and gas based petro-chemical projects, assist in modernization and setting up refineries, impart training to hydro-carbon sector personnel of these countries in the excellent in-house capabilities with our oil public sector undertakings etc.

Deora emphasized that the connectivities and linkages of strong historical and cultural ties between India and CIS countries should be utilized for greater common benefit in the hydro-carbon sector.

In his address as Chief Guest on the occasion, Sergey Shmatko, Minister of Energy, Russian Federation, called for long term strategic relations between India and Russia in the hydro-carbon sector. He said he has proposed a joint working group for encouraging joint enterprise between the companies of two countries during his meeting with Deora.

Before inauguration of the Roundtable, Deora had an hour long bilateral meeting with his Russian counterpart. They discussed the existing cooperation between the two countries and deliberated upon enhancing the mutually beneficial relations.

Deputy Ministers of Oil from Turkmenistan and Tajikistan, Petroleum Secretary R.S. Pandey and H.S. Puri, Secretary (ER), MEA also spoke during the inaugural session. The two-day roundtable was attended by senior government officials and oil company executives from India and CIS countries. ■

Indian Firms Invited to Participate in Belarusian Industry Privatization

Belarus, one of the members of the CIS region, has sought the active participation of Indian companies in the privatization process of the Belarusian industry. This was indicted by the visiting Belarusian Minister of Industries A. Rusetsky during his talks with Dr. Ashwani Kumar, Minister of State for Industry, in New Delhi.

Rusetsky identified heavy engineering, IT, pharmaceuticals and mining and defence sectors as the focus areas for investment in Belarus. Dr. Kumar assured him of government's full support to Indian industry to engage in exploring business possibilities in Belarus.

Speaking at a bilateral meeting in New Delhi recently, he stressed the need to increase the level of trade and economic engagement between the two countries considering the traditional close ties between India and Belarus. Dr. Kumar assured the Belarusian Minister of the Government's full support in strengthening trade and economic engagement with Belarus. He told the visiting Belarusian Minister of India's longstanding relationship with erstwhile Soviet Union and invited Belarusian companies to collaborate with Indian companies.

He emphasized on the need to increase the frequency of exchange of business delegations and bilateral interactions between captains of industry from both sides. Dr. Kumar told the visiting Minister that despite the global economic slowdown, Indian companies would continue in their endeavours to establish global footprints.

During an earlier meeting between the visiting Belarusian Minister and Kamal Nath, Union Minister of

The Minister of State for Industry, Dr. Ashwani Kumar and the Minister of Industry, Belarus, A. Rusetskey signing the Protocol.

Commerce and Industry, the latter said that there is a need to step up cooperation to meet the India-Belarus bilateral trade target of US $ 500 million by 2010, as envisaged during the visit of President A. Lukashenka to India in April 2007.

Both the Ministers agreed to boost bilateral economic engagement so as to achieve the target of US$ 500 million of trade between the two countries by 2010.

Kamal Nath said that although there has been a growth in India Belarus bilateral trade, it is far below the potential. "There is need to explore potential in sectors such as machine tools, metallurgy, radio electronics, drugs and pharmaceuticals, agro industrial machinery, heavy duty road construction, bearings, fertilizers, wood and wood products, tyres, mining equipments and in food processing," he said.

According to the Directorate General of Commercial Intelligence & Statistics, India's bilateral trade between India and Belarus in 2007-08 was US $ 146.39 million, an increase of 36 percent in comparison to 2006-07. India's exports to Belarus in 2007-08 amounted to US $ 21.18 million while India's imports from Belarus totaled US $ 125.21 million.

The delegation from Belarus led by Rusetski, also called upon the Minister of Heavy Industries & Public Enterprises Sontosh Mohan Dev, who recalled India's long and time tested friendly relations with the CIS countries.

Both the Ministers discussed current trade scenario between the two countries and noted with appreciation the amount of bilateral trade touching US$ 300 million during the first nine months of the calendar 2008. They hoped to achieve bilateral trade of US$ 500 million by 2010.

Discussions were also held on wide ranging issues including engaging BHEL for reconditioning Grondno-II Power Plant in Belarus, implementation of an IT project by HMT (International) for Belarus High Technologies Park and exploring business opportunities in India by Belarusian Automobile Works in association with Hindustan Engineering Corporation Ltd. for manufacturing high capacity dumpers.

Dev impressed upon the Belarus delegation to restructure their tariff to facilitate higher exports of Indian tea to Belarus.

The Belarusian delegation evinced keen interest in widening business cooperation between two countries. Both the countries also agreed to leverage their technology for joint ventures and industrial cooperation. The Belarusian Minister extended an invitation to Dev to visit Belarus.

Fallout of Global Economic Meltdown

Crisis Response Package for CIS Region Drawn Up

The Board of Directors of the European Bank for Reconstruction and Development (EBRD) has approved the 2009 Business Plan and Budget which allows for an increase of the Bank's annual business volume in 2009 of about 20 percent to approximately €7 billion. Half of the €1 billion in extra spending are earmarked for Central and Eastern Europe.

The increase in funding comes as part of the EBRD's response to the impact of the global financial crisis on the Bank's countries of operations, which include those from the CIS region.

The Bank's response will be especially to support the banking sectors in the countries where the EBRD invests and to ensure that financing flows continue, in particular to small and medium sized enterprises. The EBRD will also extend its support to the broader corporate sector.

The crisis response package also includes an expansion of the Bank's Trade Facilitation Programme which plays a crucial role in keeping trade flowing to and from the region in times of severely restricted access to finance.

EBRD President Thomas Mirow said: "The year 2009 will be extremely tough for many businesses in our region but no matter what happens, the EBRD is open for business. We have sufficient capital, unanimous support of our owners and we intend to invest more than we have ever done before."

Under the package the EBRD will maintain its core operating principles (sound banking, transition impact and additionality) and respond to individual requests on a case-by-case basis to ensure maximum impact of its interventions. The package is not limited to one specific sector of the economy but applicable to all sectors and all the Bank's countries of operations according to needs, urgency and the Bank's capacities.

The envisaged increase of the EBRD's funding in 2009 will be fully financed from the Bank's reserves. No capital increase or any other additional contributions from the Bank's shareholders have been requested or are needed.

Since the global crisis has started spreading to the Bank's region the EBRD has intensified its engagement with its existing clients. It is working closely together with governments in the countries where it invests to address key policy issues.

At the same time the EBRD is also working closely with other international financial institutions to provide support and to collaborate on financing transactions.

Boost to investments

As part of its crisis response package, EBRD is planning a substantial increase in investments in 2009. EBRD President Mirow recently sent a letter to shareholders outlining a proposal to invest up to €7 billion in 2009, a record amount for any single year since the Bank was founded.

As EBRD investments have typically attracted additional funding from commercial partners at a ratio of at least 2:1, which means EBRD-led financing could top €20 billion in 2009.

Mirow announced the increased spending plans following the November 15 appeal by the Group of 20 nations to international financial institutions to work to their full capacity in reaction to the current crisis.

"The EBRD is financially robust and more than wellequipped and willing to respond with exceptional means to exceptional economic circumstances. Together with other international financial institutions, we will respond to the crisis, bringing our own unique skills to bear in helping to shore up economic confidence in the region," he said.

The plan represents an increase of over €1 billion in investments in 2009, or nearly 20 per cent above existing plans.

The extra investments in 2009 will be targeted across the EBRD's countries of operations, with a specific focus on the Western Balkans and less advanced countries in the Caucasus and in Central Asia.

But the EBRD also plans to reverse a recent decline in investments to central Europe, responding positively to a specific appeal for support from that region. Up to half of the additional planned investments will be dedicated to central Europe.

The EBRD has already pledged to stand by its partner banks in the region, offering financial support in either equity or new loans to viable institutions. The EBRD is a shareholder in some 100 financial institutions in the region and a creditor to a further 200.

The Bank will also continue to help countries boost their competitiveness in this increasingly difficult economic environment by increasing where possible its energy efficiency programmes.

More open trade to stop further downswing

In another significant development, the heads of EBRD and the World Trade Organisation (WTO) have said it was now more important than ever to maintain open trade flows to prevent a further deterioration of the global economic situation.

WTO Director General Pascal Lamy met EBRD President Mirow at the EBRD headquarters in London during a visit to the UK. Mirow pointed out during the discussions that the EBRD was planning to double its financial support for foreign trade within the EBRD's countries of operations. This was a crucial element in the Bank's overall response to the crisis which is now fully hitting the EBRD region.

In response to problems facing companies involved in export trade, the EBRD aims to increase its level of support for foreign trade to up to €1.5 billion from a current ceiling of €800 million via its Trade Facilitation

Programme (TFP). The TFP provides guarantees to cover risks linked to trade financing instruments.

Lamy thanked Mirow for the EBRD's rapid response to the crisis and its efforts to keep trade flowing.

Under its overall response to the current economic crisis, EBRD has increased its planned level of investments in 2009 by 20 percent to €7 billion, targeting in particular the financial sector with a view to keeping open credit lines to small and medium sized enterprises.

Lower Growth Forecast

The EBRD has also revised downwards its 2009 economic growth forecasts, reflecting the prospects of a deepening recession in the developed world, and faster-than-expected slowing in economic activity in its region* in the final months of 2008.

In its latest forecast for economic growth, the Bank still expected the EBRD region to avoid a blanket recession of its own. However, average growth predictions marked some stark variations.

The EBRD now expects an average 2009 growth of 0.1 percent in the 30 countries where it has investments, compared with a prediction of 2.5 percent based on country forecasts made in November last year. It estimates that the region expanded by 4.8 percent in 2008, compared with the prediction of 6.3 percent made last November.

Chief Economist Erik Berglof said, "The EBRD region is feeling the full impact of the global slowdown, mainly because of the region's increased integration within the global economy."

He added, "The ability of these countries to withstand such a major external shock over the longer term will depend largely on the speed of the recovery of the global economy, the combined efforts of individual governments and international financial institutions, including EBRD, to safeguard financial systems in the region, and the support of foreign banks to their eastern subsidiaries."

Despite the lower short-term growth prospects, the mid to long-term expectations call for a rebound. Berglof noted that economic fundamentals throughout the region had strengthened over the last decade, paving the way for the revival of economic momentum once the global economic downturn had abated.

EBRD expects economic growth of one percent in Russia in 2009, down from the three percent predicted last November.

South Eastern Europe was expected to show growth of 1.5 percent this year, down sharply from the 7.3 percent estimated for 2008. "Positive growth in these countries reflects still strong domestic demand, and in some cases lower levels of financial integration, but the risk of an even sharper slowdown is high", Berglof said. Growth in the Central Europe and the Baltics is seen at 0.4 percent this year after 3.9 percent last year. Central Asia was seen growing most robustly this year, showing growth of 2.3 percent, compared with 4.9 percent expansion in 2008.

Despite predicting close to flat growth for the whole of its region, the EBRD expects economic contractions this year in Ukraine, Hungary and the three Baltic states. The Ukrainian economy is expected to shrink by five percent in 2009, Hungary by two percent, with declines of 3.5 percent, five percent and 2.5 percent seen in Estonia, Latvia and Lithuania, respectively.

Stabilization of Banking Systems Urged

Earlier, the EBRD's Transition Report 2008, which tracks the economic performance and progress on reforms across EBRD countries, predicted overall growth would fall to 6.3 per cent in 2008 from 7.5 per cent in 2007 and drop further to 3.0 per cent in 2009. It urged the countries where it invests to place a high priority on the stabilization of their banking systems.

EBRD's chief economist Berglof said continued growth in the region's economy in the early stages of the global crisis was a testament to remarkable reform achievements. But the region now faced a much less benign international environment and outflows of capital from emerging markets, risk aversion and the recession in key OECD economies would test the resilience of transition countries.

Berglof added the rapid slowdown would mitigate the threat of inflation, while stabilization of banking systems would become the key priority for governments across the region. "Stabilization measures will need to be coordinated with other countries both in western Europe and in other transition countries taking account of the inter-linking ownership structures in the region's financial system," he said.

The Transition Report said there was a risk of even slower growth in the region next year if external funding suddenly fell away. "In particular, some countries continue to run excessive current account deficits combined with high foreign currency debt and are therefore prone to significant output reductions if capital inflows fall off rapidly," it said.

In a separate chapter on the impact of the global credit crisis on the region, the report said the deterioration in the overall financing environment could now result in a lasting and substantial slowdown in credit expansion. "If so, the consequences for the overall growth of economies in the transition region will undoubtedly be severe," it warned.

However, the report also noted that several factors could help the region avoid this worsening scenario or at least help it cope with the effects. It pointed out that government debt levels had been falling continuously since 2000, giving more policy flexibility should greater policy intervention be required. Business conditions had generally improved in recent years and labour markets were relatively flexible, which would allow for a faster recovery to potential growth.

The report also noted the continued progress over the past year in market-oriented reforms, especially in south-eastern Europe and in parts of the Commonwealth of Independent states and Mongolia.

Some of the least reformed countries such as Belarus and Turkmenistan have taken positive steps to open up markets and reduce the role of the state, while reforms have been particularly significant in EU candidate and potential candidate countries in the western Balkans. Given the strong link between reforms and growth, this bodes well for the region's resilience to short-term fluctuations and prospects for long-term growth. ■

Uzbek & Armenian

MSMEs Overcome Fund Crunch

Micro, small and medium enterprises (MSMEs) in Uzbekistan and Armenia, who have little access to funds, have found a kind and understanding lender in the European Bank for Reconstruction and Development (EBRD).

The EBRD is providing Uzbek Leasing International with a $3 million loan to support small and medium-sized enterprises in the Central Asian republic who find access to finance still difficult. At the same time the loan will allow the leasing company to better realize its growth potential which has been constrained by the lack of access to long-term financing.

In Armenia, the EBRD is extending a $10 million loan to VTB Bank Armenia to offer credit to micro and small sized enterprises (MSEs) across the country. The funds will provide sound MSEs in Armenia with access to reliable longer term sources of finance.

The loan comes under the Armenia Multi-Bank Framework Facility II and will be accompanied by technical assistance under the Armenia Microlending Programme, an institution-building Technical Cooperation Programme designed to facilitate the MSE lending activities of partner banks. Technical cooperation funds have been provided by the EBRD's Early Transition Countries Multi-donor Fund and Shareholders' Special Fund.

Uzbek Leasing International was established in 1996 and the EBRD holds a 15 per cent stake in the company. Other shareholders of the company are Malayan Banking Berhad Maybank (Malaysia), National Bank for Foreign Economic Activity of the Republic of Uzbekistan and International Finance Corporation.

Uzbek Leasing International is a good showcase of corporate governance in the local financial sector and specializes on middle-sized leasing transactions with an average transaction size of $300,000 which makes it attractive to SME clients. Its streamlined approval procedures give the company a competitive advantage in the Uzbek leasing sector which is still at the early stages of development.

Through financing leases to SME clients the loan will benefit the private sector where access to long-term financing for new equipment is not easy. The EBRD in Uzbekistan is focused on the development of the private sector, especially small and medium-sized companies, and the support of market reforms.

Fernand Pillonel, head of the EBRD office in Tashkent, said the loan to Uzbek Leasing International will have important impacts which go beyond one company: "A healthy leasing industry will assist in bringing increased flows of financing to the productive sector of the economy, thereby supporting the growth of domestic production. Supporting the local financial sector with funding is especially important now when the global

financial markets are experiencing difficulties with liquidity".

Zafar Mustafaev, CEO of Uzbek Leasing International, added: "The favourable business environment created in our country for leasing transactions is attracting more and more international investors to this sector. Signing the loan agreement with the EBRD demonstrates how the shareholders of our company are committed to our on-going development even in the current tough financial markets conditions."

Since its start of operations in 1991, the EBRD has invested about €550 million into more than 50 projects in Uzbekistan. In 2008 alone the Bank has signed local six projects (agribusiness, light industry and telecommunications) as well as 2 regional frameworks also benefiting Uzbekistan worth more than €30 million. The Bank will adopt a new strategy for Uzbekistan in 2009.

MSEs in Armenia

VTB Bank Armenia, the fourth largest bank in the country by total assets, is an important player in the local banking sector with the largest branch network in the country. With its significant outreach VTB Bank Armenia is expected to contribute to the development of the local MSE sector, including in rural areas.

"Micro and small enterprises are the backbone of a developing economy. There is a significant unmet demand for MSE finance in the country", said Chikako Kuno, Director of the EBRD Group for Small Business. "This facility gains particular prominence in the current environment of global liquidity constraints and with the wide regional presence of VTB Bank Armenia we hope to increase financial access for the rural, micro and small entrepreneurs in the country", she added.

The EBRD is committed to the development of the MSE sector in its countries of operations. Its Group for Small Business manages long-term MSE financing programmes in 15 countries and has acquired substantial experience in building MSE lending operations. Promoting micro and small companies is one of the Bank's top priorities in Armenia and across the entire region in which it operates.

The EBRD is the largest single investor in Armenia with investments of more than €200 million in 52 projects in all major sectors of the economy. The country is part of the Early Transition Countries Initiative, launched in April 2004, which uses a streamlined approach to financing to mobilise more investment and encourage economic reform. ■

Russia's Sistema to invest $1.5 bn to Help Expand Shyam Telelink

Sistema, one of the largest public diversified corporations in Russia and the CIS, has recently announced that it would invest more than $1.5 billion in India next year to build a pan-India telecom network on the CDMA platform.

The Russian company, which holds a majority stake in Shyam Telelink, also announced the launch of CDMA services under the brand name Rainbow in Rajasthan.

"We have already invested $1 billion in Shyam and will further invest over $1.5 bn in the company next year, the Russian major said.

This marks the beginning of the expansion of Shyam Telelink's pan-Indian mobile network. The company intends to provide its services to more than 35 million subscribers by 2012, which represents approximately 7.0 percent of the Indian market," Sistema's Chairman Vladimir Evtushenkov said.

According to him, while Sistema has been focusing on launching pan-India services on the CDMA platform, it is keeping its options open with regard to offering mobile services on GSM.

"We have applied for GSM spectrum. We will take a call on GSM soon. In Russia, we offer mobile services under the MTS brand, and we will decide over the next one month whether to bring this brand to India," he added.

Shyam Telelink-Sistema is the first among nine new companies that were given licences earlier this year to launch mobile services.

Shyam -Sistema's entry is also set to see a new round of tariff wars between India's telecom operators. The company has already announced that it will offer all local calls and SMS for just 50 paise a minute in addition to offering a bundled handset for Rs 999 with lifetime validity. ■

Mitigating 'White Gold' Farmers' Fiscal Miseries

Cotton, known as "white gold" dominates life in Tajikistan with 70 per cent of the population depending on it for their livelihood. It is a vital source of export earnings and tax revenue for the country. Now, cotton-related indebtedness has virtually paralysed the Tajik cotton industry and debt resolution has become the focus of assistance programmes by international financial institutions in the country. It has also stimulated the Tajik government's commitment to much-needed cotton sector reform.

The high level of debt is reputed to be the result of producer exploitation by some of the cotton processing and marketing monopolies which traditionally controlled credit supply. To help relieve the situation, the European Bank for Reconstruction and Development (EBRD) launched recently the Tajik Agricultural Finance Framework (TAFF). The financing of up to US$ 35 million will provide small farmers in Tajikistan with alternative sources of credit for the purchase of farming supplies, such as seeds, fertilizer and other inputs. The project is expected to free the farmers from historic ties with the cotton processing and marketing monopolies and thereby help improve the living standards of some of the poorest farmers. Many of these are women who are left with the management of household plots and small farms as male household members have left Tajikistan to seek employment in other countries.

"This is a tailored revolving framework specifically for seasonal agricultural finance something which is currently unavailable in Tajikistan," says Senior Banker Sabina Dziurman from the EBRD's Group for Small Business; whereby the SNS Institutional Microfinance Fund, an investment fund managed by Developing World Markets (DWM) and Rabobank will syndicate loans to the local banks. To date, DWM has committed US$ 6 million to support TAFF syndicated loan facilities involving Agroinvestbank and Bank Eskhata and other banks are looking to join this facility in the future.

What attracts investors? According to the EBRD's Deputy Head of Loan Syndications, Michael Delia, "They are attracted by the EBRD's track record in providing microfinance loans in Tajikistan to date our partner banks have extended over US$ 122 million in loans to the micro and small business sector in Tajikistan with virtually no losses and by the important social impacts associated with the new facility. And they are also attracted by the fact that TAFF is a groundbreaking facility."

Murodali Alimardon, Governor of the National Bank of Tajikistan, said: "This is a very significant moment for Tajikistan, because not only are these the first syndicated loans in the country but the technical assistance provided alongside this finance will help our commercial banks to provide a real alternative for Tajik farmers and will support our Government's new Freedom to Farm policy."

Targeting Assistance

TAFF is accompanied by extensive donor funding which will go towards training loan officers and agricultural advisers (agronomists) in the local bank branches but will also improve the farm business management skills and technical know-how of farmers who receive TAFF finance.

In the long run, farmers will need to diversify their crops to guarantee a more stable income says Marc Van Strydonck, from the EBRD's Agribusiness team. "But given that cotton is very much the main cash crop at the moment, and is likely to remain an important export crop for the foreseeable future, alternative forms of finance, as well as donor funding, are necessary to promote best farming practice."

The uncertainty of crop yields and quality from one season to another, the price volatility and the varying management capabilities of farmers means that lending to individual farmers is a high-risk activity for banks, explains Strydonck. To mitigate this risk, banks will encourage farmers to form joint-liability groups, which spreads the risk and ensures a self-selection process amongst farmers. Farmers within such a group would only accept liability for others with a reliable track-record and good farming practices as their business partners.

Donor funds will also be raised to establish a warehouse receipt programme (WHR) that will enhance farmers' access to finance after harvest. Through this system food and agricultural stocks can be stored in reliable and safe conditions in a warehouse. The warehouse will issue an exchangeable receipt for the goods held in its safekeeping which can be used as collateral for finance from a bank. The system will be supported by an Indemnity Fund to compensate participants in case of losses, providing farmers, traders and processors with an additional means to secure financing for food and agricultural stocks without the need for immediate sale.

Addressing Rural Poverty

The reform of the cotton industry is a key transition objective for the Bank says Mark Hughes from the Environment and Sustainability Department. "Cotton has had a bad press in recent years due to its harmful environmental impact (through, for example, the heavy use of pesticides) and child labour claims," he admits. "But rural micro-lending accompanied by targeted technical cooperation as proposed in this project should help improve the situation of continued rural poverty and, in time, change the structural economic circumstances which can lead to child labour."

According to the 2004 IOM report, children harvest up to 40 per cent of cotton in Tajikistan. The United Nations International Labour Organization (ILO) says that while it is common and useful for children in rural communities to gain work experience in local industries, preventing access to an education through full-time work only continues the cycle of poverty.

"We hope that the provision of access to finance will result in improved profitability ensuring that there is no need to rely on children in the work force in future," says Ms Dziurman. She explains that in the past local authorities used their power to both dictate how much cotton should be planted but also to marshal school children during cotton harvesting periods for the large collective farms.

Greener, Cleaner Cotton

To help promote better labour standards within the cotton industry, EBRD's assistance for farmers will draw on existing initiatives in Tajikistan and neighbouring countries by other institutions such as ILO, United Nations Development Programme (UNDP) and the UN's

Food and Agriculture Organization.

EBRD is also in discussions with The Better Cotton Initiative (BCI), which assists farmers to grow crops, including cotton, in a way that is more economical, thereby improving profitability and health both for the farming communities and the environment. As Mr Hughes explains, "Under this initiative large international companies such as GAP and IKEA commit to buying the cotton from the participating local farmer, providing them with a vital new market for their crops." This could secure local Tajik farmers with a stable income for the longer term, benefiting both the environment and local communities." ■

Kazakh Private Sector Invests in Renewable Energy Efficiency Projects

Private sector companies in Kazakhstan have started investing in energy efficiency and renewable projects, thanks to the financial support given to them by the European Bank for Reconstruction and Development (EBRD). The Bank has put in a new $75-million framework under which loans will be provided to participating banks for on-lending to local companies.

As a first project under the framework a $10 million loan to Bank Center Credit has been approved. Bank Center Credit is the sixth largest bank in Kazakhstan and its participation in the framework is expected to generate strong interest from other competitors.

The framework also includes donor funded technical assistance to help companies identify areas of energy losses, propose technical solutions for lowering energy consumption and project preparation. The maximum sub-loan to companies who want to invest in energy efficiency and renewables will be $7 million, with the average loan size expected to be in the range between $250,000 and $2 million.

For the EBRD, the new framework represents a significant increase of its long-standing efforts to support the modernization and improvement of Kazakhstan's power and energy sector. The Bank signed a Sustainable Energy Action Plan with the government of Kazakhstan earlier this year and has invested in power plant refurbishment as well as in grid modernization over the years.

These investments will also help alleviate the country's major challenge in the energy sector: about 80 per cent of the power generation capacity is concentrated in the north, while transmission to the south, where demand has been rising rapidly, is insufficient.

Under these circumstances, and also in the light of the current global financial crisis which has reduced liquidity and lending activities of banks, energy efficiency investments play a particularly important role to help Kazakh companies and the country to save energy.

According to government calculations, Kazakhstan's energy intensity is almost ten times as high as in developed economies. An average of 15 percent of the electricity generated in Kazakhstan is lost before it reaches consumers due to the widespread deterioration of the country's power infrastructure. The government estimates that the equivalent of more than 60 million tonnes of coals annually could be saved through higher energy efficiency.

Olivier Descamps, EBRD Business Group Director for Central Asia, said "the framework represents a further bold move by the EBRD which will benefit local banks as well as local producers and, eventually, consumers. The EBRD has been at the forefront of promoting energy efficiency, savings and renewables and the new initiative for Kazakhstan can build on successful predecessors in Bulgaria, Ukraine and the Slovak Republic. It comes especially timely when it will also serve as a welcome stimulus to lending activities of banks in Kazakhstan."

Since the beginning of its operations in Kazakhstan in 1991, the EBRD and its partners have invested around $6 billion in more than 100 projects in the country and the Bank has become the largest single investor in Kazakhstan outside the oil and gas sector. ■

'Investing in Education Key to Sustained Growth in CIS Region'

A key annual report prepared by the European Bank for Reconstruction and Development (EBRD) has said that countries in its region of operations could substantially improve their long-term economic growth prospects by adopting policies that raise educational levels and skills.

In its Transition Report 2008 released recently, EBRD says that many countries have failed to capitalize on the relatively strong educational and skills base that existed at the start of the transition process. Without changes in priorities and policies targeted at improving education, it would be hard for these countries to sustain rapid growth.

The report also argues that the growth outlook depends on what countries produce and, particularly, the sophistication and product mix of a country's export basket. It further concludes that, under certain circumstances, industrial policies can help long-run growth, especially by stimulating innovation.

"Selective government intervention can substantially increase long-term growth prospects of the transition countries and help them catch up with the technological frontier", the report says.

In its analysis of growth, EBRD highlights several key areas where government policy can be particularly effective. Arguing for the need to invest more across all levels of education to improve the skills base, the report says that resource-rich countries had paradoxically suffered most from lack of investment in education and the resulting decline in the quality of the labour force.

Even non-resource-rich countries had the scope to sustain investment in education. Such investment could help ensure long-term sustainable growth by developing the human capital needed to use and adapt available technology.

The report also highlights the importance of competition and the need for countries to continue removing entry and trade barriers while also strengthening or establishing effective competition agencies, especially in the resource-rich countries of the former Soviet Union and Mongolia.

In analyzing the structures of production and trade in the transition countries the report emphasizes the role that a country's trading pattern can play in driving growth.

The report said many transition countries had increasingly developed more sophisticated export baskets and were trading to a larger extent with advanced economies, particularly in Western Europe. However, this was far less the case in the natural resource rich economies such as Kazakhstan and Russia that have less diversified economies.

A number of these countries had found it difficult to develop new products and achieve a more sophisticated product mix, the report says. A key issue throughout the region concerns the role that government policy can play in stimulating growth. The report argues that selective use of industrial policies can be helpful.

It says horizontal policies that provide a suitable framework in which firms and consumers function are widely accepted but there may be scope for the use of vertical policies targeted at specific industries or sectors. "In the transition countries, where market failures and other constraints are significant, there can be justification for also using targeted or vertical policies," the report says.

Such policies could draw on public resources to help promote the growth of new activities by, for example, improving credit and infrastructure.

However, the report also warns that such policies must build in at the design stage key elements of market discipline, so as to avoid the pitfalls of weak public institutions and poor governance that are still a feature of the region, especially in the CIS and Mongolia.

The success of industrial policies would depend on how they are designed and the effectiveness of their implementation. "Adopting vertical or targeted policies is likely … to be far more problematic in countries with weak institutional environments," the report concludes.■

MP Carves out a Global Cultural Niche in Tribal Art & Culture

India's central State of Madhya Pradesh is creating a niche for itself as a global centre for promoting tribal art and culture. Vanya, a State Government department looking after tribal welfare has succeeded in hosting an International Film Festival of Tribal Art and Culture (IFFTAC) 2008 last February and is now all set to hold the second edition of the event in the bustling commercial city of Indore from 6 to 9 February, 2009.

The inaugural three-day IFFTAC 2008 was an overwhelming success, with films from across 40 countries participating in the festival, besides showcasing tribal culture through an impressive exhibition and seminars. According to O.P. Rawat, Principal Secretary in the State Government's Tribal Welfare Department, the idea of IFFTAC has received instant global response because tribal culture is spread across the world, with the host India, especially Madhya Pradesh, having its own distinct identity in this arena. The IFFTAC organizers believe Madhya Pradesh rightfully qualifies for hosting a festival on a global scale as tribals constitute a fifth of the State's total 60 million population and mostly live in their natural habitat of forests, spread across a third of its total area.

This Indian cultural identity is derived from the essence of various forms of folk life, lyrics, songs and dances. Tribal society, without any ambiguity, has been the custodian of culture, tradition and natural resources. It has thus become imperative for the civilized world to conserve its tribal culture, while achieving an integral connection with it.

Against this background the IFFTAC 2008 was conceptualized to highlight the essence of tribal culture and way of life and help remove the misconceptions about these vibrant people. In this era of Global Village, the necessity of putting forward these thoughts became a necessity. Madhya Pradesh Chief Minister Shivraj Singh Chouhan, young and dynamic in outlook, personally took up the matter with his Cabinet colleague and Forest and Tribal Welfare Minister Kunwar Vijay Shah for directing Vanya to conceptualize the IFFTAC 2008. Vanya in association with Mumbai's Indian Infotainment Media Corporation, a professional organization committed to social causes, organized the festival, the first of its

kind in the world in Indore from 1 to 3 February, 2008. The IFFTAC 2008 took off to a glittering start with popular Bollywood star and politician Shatrughan Sinha, along with actor Randhir Kapoor and several other film and television personalities attending the inaugural function. Among the distinguished foreign guests were Peru's acting Ambassador Carlos A. Yrigoyen, and Shewangizaw Endale, a representative from Ethopia.

Speaking on the occasion, Sinha said, “The effort to bring the tribal people into the mainstream and develop their tribal art, culture and civilization is not only appreciative but also exemplary. All should learn from this.”

On his part, Kapoor congratulated the Madhya Pradesh Government and the organizers of this unique event. He said, “This is a special occasion, which not only the country, but the whole world will witness.”

The festival received as many as 250 film entries from 40 countries. Of these, 69 films were selected for competition and for screening. Apart from these, non-competitive documentary and short films and feature films on tribal issues were also screened during the festival.

The countries participating in the festival included Australia, France, Germany, Hungary, India, Iran, Ireland, Israel, Italy, Japan, New Zealand, Pakistan, Peru, Russia, Scotland, Singapore, South Africa, Sri-Lanka, Switzerland, Sweden, United Kingdom and the US. Ethiopia, Ecuador, Peru and Botswana were country-partners of the festival.

The award for the best International Film went to to Haken Berthas of Sweden for her film "Thin Ice" an inspiring interpretation of women's empowerment in a remote area of Ladakh.

Director and Producer Vijay Pratap won the award for the Best National Film for her film 'Tribal Fertility Rites (Itikela Panduga). She won the award for its well researched documentation of ritualistic practices of tribes in the Eastern Ghats of Andhra Pradesh.

Joseb (Soso) of Georgia was awarded for the Best film by a Tribal Film Maker for his truthful & convincing portrayal of tribal culture & ethos in his film "Svani".

Director Ravi Williams won the award for the best film by a Film Maker from Madhya Pradesh for his film "Oh Lohgundi Raja Ho" depicting the honest and sincere treatment of the problems of Agadiya tribes.

Director M Yashwanth Reddy and Producer Ch. Shriniwas Reddy won the award for Best Film by a student film maker for the film "Please Don't Disturb Us" for its sensitive, realistic documentation of the lives of the Khond tribes of Andhra Pradesh.

Director Lesile Mackenzine & Tara Douglas won the Jury award for the best Animation Film "The Tallest Story Competition" for its elegant craftsmanship and handling of tribal stories from different parts of India. ■

OVL's Acquisition of Russia's Imperial Energy Gets Official Nod

ONGC Videsh (OVL), the foreign investment arm of the State-owned Oil & Natural Gas Corporation (ONGC), is going ahead with the acquisition of the Imperial Energy assets at $2.58 billion. OVL moved a step closer to the conclusion of the deal recently with the Russian authorities giving the approval for anti-monopoly regulations.

The Indian Finance Ministry, whose views had been sought by the Petroleum Ministry regarding the valuation, too has backed the oil major's bid for the oil and gas assets on the ground that the deal is vital for India's energy security and the returns on investment (RoI) should to be viewed over the life of the project. The Petroleum Ministry had sought the Finmin's view to allay confusion regarding overvaluation of the deal in the light of sliding global crude oil prices.

Concerns were raised in certain quarters as the RoI fell to 6.5% as crude oil price slumped to $60 per barrel. At the time of the announcement of the deal, the RoI was stated to be over 10% and global crude oil price (Brent) was ruling at $144.53 per barrel. Due to the global meltdown, the Brent crude price slumped to $60 per barrel, raising fears in some sections of the government that the deal could be overvalued.

One of the negotiators familiar to the deal said that OVL's offer is a "firm offer" and there is "no going back" as the slump in the global crude oil price is temporary and it would bounce back to $85 per barrel by 2011 (as per future trading). The production from Imperial's assets are likely to peak in 2011-12 and even at $80 per barrel, the RoI would be around 10%, he said on condition of anonymity. It is understood from officials that the Cabinet approved the deal with an understanding that the RoI would be over 10%.

"The Cabinet committee on economic affairs (CCEA) has already approved OVL's investment proposal. There is no proposal on the table for re-considering the deal. Investments in oil assets are made on the basis of long-term vision and not on the basis of day-to-day price variations. It is a firm commitment. It is up to ONGC to request the CCEA to review its decision," a senior government official said.

Meanwhile, OVL informed the London Stock Exchange (LSE) recently that it has received one of the two necessary approvals from the Russian government for its acquisition move. "OVL has now received the approvals from the FAS (Federal Anti-Monopoly Service) in respect of the anti-monopoly regulations," it told LSE. It is yet to get another approval from the Russian government commission with respect to restrictions on the ownership of a Russian entity by a foreign government. As OVL is a government-owned company, it requires the approval.

According to an official who is in the know of the developments, "The production life of the assets could be enhanced up to 2050 as there is a provision of renewing the production license in the deal." Imperial assets are currently producing about 11,000 barrel of oil per day (bopd). The target production for 2008 end is 25,000 bopd which could be raised to 35,000 bopd by the end of 2009. ■

CUMI Sets Up Russian Unit, Becomes Global Silicon Carbide Fusion Major

Carborandum Universal Ltd (CUMI), part of the Rs 9,582-crore Murugappa Group, entered into an agreement with Volgograd region administration in Russia to set up a 100,000-tonne silicon carbide fusion plant.

With this CUMI will become one of the largest producers of silicon carbide and bonded abrasives in the world. For CUMI, the new plant will eventually become a major manufacturing hub for silicon carbide abrasives made out of fusion process. At present, one of its plants in India makes similar products in small quantities.

Murugappa Group Chairman M.M. Murugappan told reporters in Chennai recently that the group would invest $50 million in the proposed plant, though its subsidiary Volzhsky Abrasive Works, which is about 10 km away from the proposed facility. The Volgograd region would support the new project by arranging power supply, raw material supply and land, he said.

Asked if the company is getting some sops, Murugappan said the Russian Government does not offer any incentives. However, the availability of quality raw material and uninterrupted power made CUMI to zero in on Volgograd. Besides, more benefit is expected from the Russian government's announcement to reduce corporate tax from 24 to 20 percent effective January 2009, he said.

CUMI Managing Director K. Srinivasan said the company acquired the 40-year old Volzhsky Abrasive Works last year for $43 million. In 2007, Volzhsky Abrasive reported sales of $60 million. It expects a 50 percent growth in 2008.

Asked about the impact due to global economic slowdown, he said, the current scenario gives opportunity for the company as maintenance schedules for the non-operating plants drive demand for consumables like abrasives and such things. “We have natural hedging,” he said. ■

UN's ICT Review for Uzbekistan Calls for Better Accessibility

A review of information and communication technologies (ICT) development in Uzbekistan for 2006-2008 has been published within the framework of the UNDP ICT Policy project.

The review has identified overall positive trends in ICT development in the country, together with some challenges which still exist, particularly in the area of electronic government and commerce, information security, and Internet.

Today benefits and advantages of use of ICT are becoming more evident every day, and ICT is regarded as the powerful instrument that creates new opportunities for socio-economic development. Therefore, the Review underlines the importance of ensuring accessibility of ICT and their usage as a strategic instrument in achieving the Millennium Development Goals identified in the Millennium Declaration.

The review is of interest not only for ICT specialists but also for broad range of readers scholars and researchers, teachers, students, journalists, managers, and others everyone who wants to be introduced into the current state of ICT development in Uzbekistan.

The Review provides assessment of various factors which contribute to ICT development in the country, as well as it identifies development trends in the ICT area.

The review analyses ICT development indicators for the last two years and provides recommendations in the following areas:

• Information infrastructure; • ICT and population; • ICT and businesses; • E-government; • E-commerce; • E-healthcare; • E-education; • ICT sector; • Information security.

What are the outcomes of implemented activities and tendencies of ICT development in Uzbekistan? What is the level of awareness and use of these technologies by population and economic entities in the country? What is of the return on investments? This annual review contains answers to these and other important questions.

It is also essential that the review for 2006-2008 for the first time was published in three languages: Russian, English and Uzbek. ■