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Forging LatAm Bonds Further



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In This Issue



COVER STORY

06

President Pratibha Patil's visit to Brazil,
Chile & Mexico Yields Rich Results
Forging LatAm Bonds Further



RESEARCH

13

China & India Hold Great
Potential for LatAm Exports



PERSPECTIVE

20

Exim Bank Annual Day Lecture
Emerging South Must Change
Global Economic Governance



CAF NEWS

24

CAF's Authorized Capital
Doubled to \$ 10 billion



FINANCE

29

Net up 11 pc at Rs 333 crore
Exim Bank Posts Overall
Growth in 2007-08



ANALYSIS

33

EXIM Bank Study on Indian Minerals Sector
A Strong Case for Expanding
Export Base to Tap Full Potential

Seccion Español

44 - 54

Dear Reader,

Greetings. It was very appropriate for India's new President Pratibha Patil to choose Latin America as the destination of her first official tour as the Head of State. The three countries that President Patil visited in April 2008 – Brazil, Mexico and Chile – hold great significance for bilateral trade relations between India and Latin America. The economies of the three countries are as vibrant as India's own economy. No wonder, President Patil witnessed the signing of as many as 10 agreements, four each with Brazil and Chile and two with Mexico. The agreements seek to strengthen cooperation in important areas of oil and natural gas, renewable energy, agriculture, science and technology and civil aviation. The whole exercise is aimed at tapping the full potential of business opportunities existing between India and Latin America. The cover story of the current issue highlights the significance of President Patil's visit to Brazil, Mexico and Chile, where she held detailed talks with respective heads of state while members of a business delegation accompanying her met their counterparts. Time was when the developing world, including Latin American countries, looked to the developed nations for direction on their own economic matters. But the emergence of the Asian region as an economic powerhouse with China and India as its major players, has changed all that. Today both China and India consider Latin America as a key economic ally and have started forging strong bonds and treaties with it. We carry a report. Envoys of smaller Latin American countries who met at a conference in the southern city of Chennai, called for broader bilateral trade with India. We report. Export-Import Bank of India (Exim Bank), during its 26th year of existence, continues to report an overall improvement in its financial performance. The issue carries the Bank's financial results for fiscal 2007-08 in full. We also carry an in-depth study of the Indian mining and minerals sector made by Exim Bank, which is reproduced in this issue. India's foreign policy has undergone radical changes since 1947, when the country achieved its independence. The policy emphasis has since shifted from politics to economics. We carry a recent foreign policy speech by Minister of State for External Affairs Anand Sharma delivered at a conference organized by the Federation of Indian Chambers of Commerce and Industry (FICCI) in Mumbai. The issue also carries plenty of news related to the Andean Development Corporation (CAF). Then there is the usual Spanish section besides other regular features.

Wish you happy reading,



Satya Swaroop

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President Pratibha Patil's visit to Brazil,
Chile & Mexico Yields Rich Results

Forging LatAm Bonds Further

In April this year, Indian President Pratibha Patil set out on a three-nation tour of Brazil, Chile and Mexico that resulted in significant treaties with those countries, ranging from agriculture to aviation; from exploration of oil and gas to biotechnology and bio fuels.



The President, Smt. Pratibha Devisingh Patil called on the President of Mexico Mr. Felipe Calderon Hinojosa

Accompanied by a delegation that has a strong contingent of businessmen, President Patil met and addressed business leaders in all the three countries and strived to further forge trade relations between India and Latin America. She emphasized that India, whose economy is surging forward to touch a double-digit economic growth, has a lot to share with the three countries in matters of two-way investment and trade. President Patil's first port of call was Brazil, where she held discussions with President Luiz Inacio Lula da Silva on wide ranging issues of mutual concern. Both had agreed to further strengthen the existing strategic alliance



The President, Smt. Pratibha Devisingh Patil meeting with the President of Brazil, Mr. Luiz Inacio Lula Da Silva

between the two countries to step up the bilateral trade from the current level of about \$3 billion to \$10 billion by the year 2010. The second leg of President Patil's tour covered Chile, a country which is also headed by a woman President, Michelle Bachelet with whom she had shared a personal rapport. The agreements signed in Chile covered civil aviation and science and technology. President Patil's final visit was to Mexico, a gateway to the American market. There, she met President Felipe de Jesus Calderon and held discussions, resulting in the signing of agreements on air services and renewable energy.

The first official tour of President Patil beginning with Latin America has truly fetched rich rewards for India.



The President of Chile, Mrs. Michelle Bachelet with the President, Smt. Pratibha Devisingh Patil.

Opportunities Beckon in Agro-Industries, Science & Technology

President Pratibha Patil's visit to Brazil lasted three momentous days. Following are excerpts from President Patil's speech at a lunch hosted by President Luiz Inacio Lula da Silva on April 16, 2008.

My visit to Brazil is the first overseas visit undertaken by me as President of India. This is a natural corollary to the growing strategic partnership between our two countries.

My talks today with President Lula have reinforced my conviction that our two nations have converging long-term political, economic, social and strategic interests. We have a common commitment to plural democratic governance and to the rule of law. We have a commitment to improve the lives of our people, to eradicate hunger, ignorance and disease. The Zero Hunger programme launched by President Lula is a remarkable step and reminds me of Gandhiji's call to wipe every tear from every eye.

A significant result of the high trajectory being enjoyed by our bilateral relationship are the 37 agreements signed by us since the landmark visit to India by President Lula in January 2004 and the equally important visits by Prime Minister Manmohan Singh in September 2006 and again by President Lula to India in June 2007. Today, we have signed additional agreements to further broad-base our ties and strengthen our partnership.

It is gratifying that the dynamism of the bilateral political and official exchanges has been captured by the business communities of both countries, imbued as they

are with abundant entrepreneurial spirit. Our economic complementarities and synergies need to be purposefully developed to mutual benefit.

Our bilateral trade turnover in 2007 was US\$ 3.12 billion. Our target is to achieve the level of US\$ 10 billion by 2010. The high-level CEOs Forum co-chaired by Mr. Rata Tata on the Indian side and by Mr. Jose Sergio Gabrielli on the Brazilian side is engaged in drawing up a blue-print for enhancing trade and investment flows. Intense activity in the market place has led to the forging of close cooperation between ONGC Videsh Limited and Petrobras, expanding operations of Indian IT and pharmaceutical majors in Brazil and the establishment of the world's largest bus body plant by Marcopolo in the Karnataka State of India. An early ratification of the India-Mercosur Preferential Trade Agreement would undeniably facilitate the strengthening of our economic and commercial linkages.

Opportunities beckon in other areas of endeavour including agriculture, food processing, defence, energy, space, science & technology, agricultural research, education and culture. We must strive to transcend the geographical distance by improving air connectivity which would not only help us bridge the existing information gap but also serve to bring our peoples together. We should encourage our air carriers, both in the public and private sectors, to tap into the growing and lucrative civil aviation market. The cultural festivals to be organized by India and Brazil during 2008 would contribute in a major way to enhancing the mutual awareness of our respective cultures and ways of life.

Raising 2-Way Trade to \$10 bn by 2010 Feasible



The President, Smt. Pratibha Devisingh Patil addressing at the House of Representative in the Parliament of Brazil

In an address to business representatives from Brazil and India at a meeting organized by the Federation of Industry of the State of Sao Paulo, President Pratibha Patil said that the two countries were poised to achieve the target of \$10 billion two-way trade by 2010 against \$3.12 billion at present. Excerpts:

No other country could have been a better destination to start my first official visit after taking over the Presidency of India last July than this beautiful country.

I am particularly pleased that I am starting my visit to this great country by addressing the business communities of our two nations and that too in Sao Paulo, known as the business and economic capital of Brazil.

I am pleased that FIESP has taken the initiative to organize this meeting. The Confederation of Indian

Agreements Galore

During Indian President Pratibha Patil's tour of Brazil, Mexico and Chile, as many as 10 agreements were signed between the concerned agencies of India and the three Latin American countries. All the agreements were signed in the presence of President Patil and the respective President of each country. In New Delhi, the Union Cabinet has given its approval for all the agreements.

With Brazil

India and Brazil signed four bilateral agreements in Brasilia on April 16, 2008.

The agreements were:

- Extradition Treaty
- MoU for Cooperation in the Oil and Natural Gas sector
- Memorandum of Understanding (MoU) on Agriculture and Allied Sectors,
- MoU on Civil Defence and Humanitarian Assistance



The Minister for New and Renewable Energy, Shri Vilas Muttemwar and the Brazil Foreign Minister, Mr. Celso Amorim ready signing an agreement on Extradition Treaty and MOU for cooperation in Agriculture, Allied Sectors & in the area of Civil Defence and Humanitarian Assistance between the India and Brazil in the presence of the President, Smt. Pratibha Devisingh Patil and the President of Brazil, Mr. Luiz Inacio Lula Da Silva at Brasilia, Brazil on April 16, 2008.

With Mexico

India and Mexico signed two agreements at Mexico City on April 17, 2008.

The agreements signed were:-

- Agreement on air services
- MOU for co-operation in new and renewable energy.



The Minister of State for New & Renewable Energy, Shri Vilas Muttemwar and the Foreign Minister of Mexico, Ms. Espinoza exchanging the signed documents on the Air Services between the two countries, in the presence of the President, Smt. Pratibha Devisingh Patil and the President of Mexico, Shri Felipe Calderon Hinajosa in Mexico City on April 17, 2008.

With Chile

India and Chile signed four bilateral agreements in Santiago on April 21, 2008.

The agreements covered the following areas:

- Agreement on Air Services
- Agreement on Co-operation in Science & Technology
- MoU on Sports Co-operation and
- MoU on Antarctica Co-operation



The Minister for New and Renewable Energy, Shri Vilas Muttemwar and the Foreign Minister of Chile, Mr. Alefandra Faxleg signing the agreements on Civil Aviation, Science and Technology and Research in Antarctica in the presence of the President, Smt. Pratibha Devisingh Patil and the President of Chile, Mrs. Michelle Bechelet, in Santiago, Chile on April 21, 2008.

Industry (CII) also needs to be complimented for mounting a group of enterprising Indian businessmen who are here in Brazil in search of business opportunities. This meeting today, between FIESP and CII, is a unique gathering of businesspersons representing two populous, democratic and fast growing economies of the world.

The Indian economy has sustained high growth rates for several years now. Our macro-economic fundamentals are strong. Domestic savings and investment rates are high and growing. Labour as well as capital have become more efficient over the years. We are thus confident that we will have high growth rates of over 9.0 percent in the next two to three decades.

Our bilateral trade with Brazil has almost trebled over the last three years to US\$ 3.12 billion in 2007. It is encouraging that it was US \$ 600 million in the first two months of this year. We are determined to achieve the trade target of US \$ 10 billion by 2010 set during the visit of President Lula to India last June. This is the challenge before you.

I understand the two-way investment process is also gaining ground. At least 18 Indian pharmaceutical companies have opened their offices or production facilities in Brazil. While Tata Consultancy Services (TCS) are providing jobs to at least 2000 Brazilians in Brazil, the other two major IT companies, Satyam and Wipro have major plans for expansion in Brazil. A major Indian oil company, OVL, has already invested close to US \$ 750 million in Brazil. On the other hand, Marcopolo, Stefanini, WEG and Gerdau have investment in India. CVRD and Embraer have either set up offices or have representatives in India. These are just some of the examples of breaking new ground in economic cooperation between us.

I spoke earlier of synergies and complementarities. India has strengths in services, IT, pharma, auto components and agricultural equipment to name a few. Our requirements in infrastructure are huge. Brazil has strengths in the latter including agriculture. I would, therefore,



The President, Smt. Pratibha Devisingh Patil addressing at the Business Meeting by the India-Mexico Chamber of Commerce.

urge you to exploit these obvious complementarities that exist between our two countries for mutual benefit.

Indo-Mexican Ties: A Privileged Partnership

At a banquet hosted by Mexican President Felipe De Jesus Calderon, in Mexico City on 17 April 2008, President Pratibha Patil said the relationship between India and Mexico had been elevated to the status of a Privileged Partnership'. Excerpts.

During Mexican President Calderon's visit in 2007, India and Mexico had their first meeting of the High Level Group on Trade, Investment and Economic Cooperation. I am glad to note that the Group will meet again in June this year. It is important that they draw up a roadmap for the rapid development of our trade and economic relationship.

I am glad to note that Indian investments into Mexico have been growing steadily. We encourage this trend and look forward to similar enthusiasm on the part of Mexican investors to enter the Indian market. There are tremendous opportunities in the areas of infrastructure and tourism, just to mention two of the potential areas that can be exploited by Mexican entrepreneurs. We welcome investments being made by Mexican companies in India.

We have had cooperation in the past in international fora, be it the UN or the WTO, and on issues like Climate Change, the Doha trade negotiations and the fight against terrorism.

Strong Economic Complementarities Seen

At a business meeting hosted jointly by the Mexican Business Council for Foreign Trade, Investment and Technology (COMCE) and the India-Mexico Business Chamber in Mexico City on 18 April 2008, President

Patil said that the economies of both Mexico and India must complement each other because of their huge market potential. Excerpts.

Economic and commercial relations between India and Mexico provide an important underpinning to our bilateral relations. I am happy that in recent years bilateral trade has grown steadily. It crossed US\$2 billion last year. But this is just the beginning. We need to do much more.

Both of us enjoy near and offshore advantages to the larger markets of North America and Asia. While Mexico has an extended market into NAFTA and Latin America, India is a huge market in itself, not to speak of the extension to South and South East Asia and Africa. There are areas where Indian technology has proved its competence, such as IT, pharmaceuticals and non-conventional Energy. Mexican competence is visible in fields like food processing, energy, high yield crops and housing. It is for businesses on both sides to identify and exploit new complementarities to mutual benefit. I am glad that an MoU has been signed between COMSE and CII.

I am happy to note that Indian companies such as Mittal Steel, Tata Consultancy Services, Infosys, Ranbaxy, Reddy Labs and Solara have invested in Mexico. Other companies are looking for opportunities and possibilities of investment. Being a developing country, India recognizes the importance of the social dimension of foreign investment. I am happy to have learnt that

Indian investments are being welcomed from this perspective in Mexico. For economic interaction between the two countries to be sustainable, it is important that its benefits percolate to the people and transform their lives for the better. I am confident that Indian and Mexican businesses will meet these expectations.

Likewise, I encourage Mexican investors to explore the Indian market. It offers an attractive combination of demand, availability of high quality management and technical manpower as well as cheap unskilled labour, transparent legal system, a huge capacity to profitably and productively absorb capital.

The Governments have already declared their intention by elevating the bilateral ties to a 'Privileged Partnership'. They have also set the target for trade at US \$ 5 billion by the year 2010. A Bilateral Investment & Protection Agreement and the Double Taxation Avoidance Agreement are already in place. An Air Services Agreement has been signed providing the framework for connectivity through air services, both in passenger and cargo segments. The institutional infrastructure is thus in place.

Similarly, the Governments have liberalized visa regimes considerably, especially for business travel.

The Business Council can also exchange views on any remaining irritants in economic cooperation and bring those to the knowledge of the Governments. The India-Mexico High Level Group on Trade, Investment and Economic Cooperation is scheduled to meet again in



The President, Smt. Pratibha Devisingh Patil at a delegation level meeting with the Governor of the State of Jalisco, Mr. Emilio Gonzalez Marquez at Governor's palace in Guadalajara.

June this year. Your suggestions and recommendations will be valuable inputs into that Group's efforts to define the course of future economic engagement between our two countries.

The MoU signed between COMCE and CII for enhancing trade and business relationship and investment will help in providing regular mechanisms for business interactions. I am confident that the MoU will lead to a significant growth in commercial activities between the two countries.

Later, addressing the Press, President Patil recalled how India even today remembered with great appreciation the important role that Mexican wheat played in the country's 'Green Revolution' in the 1960s. Excerpts from President Patil's speech.

The trade and economic aspect of our partnership provides a critical underpinning to the overall edifice of our relations. We have agreed that bilateral trade and investment needs to grow. This is a challenge that we have placed before our businessmen and industrialists. The opportunities are enormous and we will, no doubt, achieve further success in this endeavour.

Time Ripe for Diversifying Trade

Addressing the banquet in honour of Chile's President Michelle Bachelet in Santiago on April 22, 2008, Indian President Pratibha Patil said that her interactions with Parliamentarians, members of the judiciary academics, students, political leaders and representatives of industry indicated that the prospects of deepening our cooperation



The President, Smt. Pratibha Devisingh Patil and the President of Chile, Mrs. Michelle Bachelet after addressing at the Joint Press Conference

between India and Chile were indeed very promising. Excerpts.

Our dialogue on bilateral, regional and international issues has been most fruitful. We share the perception that we should strengthen our interaction to include the entire spectrum of opportunities and challenges that encompass our relations.

During my visit, we have agreed to diversify our cooperation in civil aviation, science and technology, sports and research in the Antarctica. We must work towards early implementation of these and other existing agreements between us.

In recent years, both our economies have registered strong growth. We must use this momentum and build on our synergies. Our bilateral trade has grown well and our efforts must be to diversify it.

The investment partnership needs to be given special emphasis. Some Indian companies are actively looking at opportunities in Chile. We hope that in coming years, we will see more Chilean investment in India, especially in the infrastructure sector.

Our cooperation on critical international issues will also continue to strengthen. We are determined to work together on issues such as UN reform, the fight against terrorism, on climate change and on the Doha Development Round.

As two women Presidents, I believe we have established a close personal rapport and an empathy that is based on shared experiences, concerns and values.

I am deeply struck by your personal commitment to work for the betterment and empowerment of the people of Chile especially the under-privileged and the women. Your lovely and lively personality is impressive. I keenly look forward to receiving you in India next year on mutually convenient dates.

Greater Connectivity Vital for Stronger Ties

Addressing members of the Chile-India Chamber of Commerce and Indian businessmen President Pratibha Patil said that Chile and India were both rapidly developing economies and faced the challenge of making growth more inclusive. Excerpts.

The development of bilateral trade and investment will contribute to our common objectives. I am pleased that our trade relationship has shown particular dynamism in recent months. This must be sustained. It is also my hope that investment partnerships that are under discussion will fructify into concrete projects in coming months.

Our two governments are in the process of creating a more conducive environment for our business communities. In this context, the finalization of the agreements on bilateral investment protection and promotion and avoidance of double taxation is particularly important.

These would help us build upon the Preferential Trade Agreement that is already in force between our two countries.

The Indian economy has been performing particularly well over the last decade and a half. We are a growing market whose strength lies in that our growth is largely domestically driven. Our savings rate is around 35 percent and our investment rate 36 percent. The knowledge sectors are developing well.

Our focus is now on faster development of infrastructure, rural development, increase in agricultural productivity, further development of the education and health sectors and small and medium enterprises.

In effect, the opportunities for mutually beneficial cooperation between India and Chile are manifold. The challenge before the business communities of both countries, public and private, is to exploit these opportunities to mutual benefit. I am confident that you will measure up to this challenge.

It is also important for us to together bridge the information gap that still persists regarding each other's capabilities in industry, science

and technology, agriculture, food processing and the service sector. Indian industry has in recent years revitalized itself.

Our capabilities in the knowledge sector are growing. Our service sector already accounts for more than 50 percent of GDP. There have also been important developments in different sectors in Chile.

A better awareness of each other's capabilities will enable us to discover cost-effective alternative supply sources to meet our requirements.

Connectivity is improving but not rapidly enough. We have today signed the bilateral Air Services Agreement, which I hope, will be implemented in an innovative manner at an early date.

Greater connectivity is important not only from the business perspective but also to encourage more tourism, exchanges of scholars, youth and cultural exchanges. We have to ensure that we take practical steps to reduce the distance between us. Maritime links must also be further developed and I am happy that the Chilean company CSAV is taking initiatives in this regard.

India and Chile are friends of long standing. We must strengthen the trade and economic foundation of this relationship. We have begun well in recent years and it is necessary to sustain and fortify this process. In this, you the business communities of the two countries have to be more proactive. The two governments are committed to provide the necessary institutional and legal framework for this.

Our effort is to convert our traditional friendship into a meaningful partnership that is of direct benefit to our two countries. Ours is a partnership of two democracies in which our business communities must enhance their interaction and help bridge the geographical distance that separates us.

Later, addressing the press, President Patil said that a separate business delegation accompanying her was looking for concrete partnerships in Chile. ■



The President, Smt. Pratibha Devisingh Patil addressing at the gathering of Escuela Republica de La India, during her visit to the school in Santiago, Chile.

China & India Hold Great Potential for LatAm Exports

Asia is the most buoyant region in the world economy in terms of growth, international trade, foreign direct investment, technological innovation and the generation of the financial resources needed to maintain international balances. One important feature of its emergence as a centre of global economic activity is the dominant role played by China and India. The reordering of Asia's economy and trade around these two countries is the most important process of its kind underway in the region. In addition, both countries have expressed an unprecedented level of interest in establishing strategic relationships with Latin America and the Caribbean. Given their high projected growth levels, China and India will remain the most important driver of world economic growth incoming years, creating a market of great potential for exports from Latin America and the Caribbean. These markets had remained largely untapped until recently, with the exception of certain primary products.

The economic, strategic and demographic importance of China and India has put them at the forefront of Asian countries. From an economic perspective, both countries particularly China have played a key role in the significant changes that have occurred in the level and structure of world demand, and have served as a significant source of financial resources for the preservation of international balances. Relations between the two countries and Latin America and the Caribbean are still in their infancy, however although exchanges with China have recently increased, mainly as a result of that country's interest in securing access to the natural resources of South America.

So far, South American exports to China and India have been dominated by natural-resource-based manufactures, while the region's imports from the two countries have consisted mainly of low-, medium- and high-technology manufactures. China has become a major destination for exports from other Asian countries, which have gradually attained a higher degree of specialization, and now produce not only natural resource-based manufactures but also more complex inputs. Given the inter-industrial nature of trade between China and South America, the region should seek to

create partnerships between its firms and successful Asian companies, in order to gain access to supply chains that produce more complex, technologically sophisticated inputs for production units. The best approach may be to build partnerships around chains in order to increase the sophistication of the natural resource-based manufactures the region exports to Asia.

Latin America should make optimal use of its natural resources, promoting long-term contracts, investment agreements and technological partnerships in the natural resources sector, as well as strategic production clusters among countries, firms and specific geographic areas in Asia. Strategic partnerships should also be created to increase value added throughout the production and marketing chain, and mutually beneficial technological partnerships should be developed (to apply advances in biotechnology to agro-industry, mining, forestry and fishery, for example).

As for strategic relations between Mexico-Central America and China, efforts should be made to ensure that the former plays a part in the integration of regional production a process being driven by Asian markets, and one in which China plays an increasingly important role. This is an achievable goal, given the advantages the subregion enjoys in its relationship with the United States market, which include logistical efficiencies and geographic proximity. This weighs heavily in the strategic calculations of China, Japan, the Republic of Korea and Singapore. Furthermore, increased intra-industry trade between China, on the one hand, and Mexico and Central

America, on the other, would provide the subregion with new access routes to the Chinese market, encourage the adoption of new technologies and improve worker skills and management techniques.

Notwithstanding the significant role played by some Latin American countries as leading suppliers of primary products, competition in that sector between Asia and South America is likely to intensify, leading to significant diversion of trade for the region, unless proactive policies are pursued with regard to the adoption of



bilateral or subregional trade agreements. Such agreements would have a positive impact on the region, given their effect on international flows of foreign direct investment, as well as the business they would generate for products currently facing sharp competition on the Chinese market from the economies of East Asia.

It is also imperative that the countries of the region take advantage of the economic buoyancy of China and India, as well as the new ties being forged with those countries, in order to foster innovation and competitiveness within the region. Those assets tend to be one of the weaker links in the Latin American regional experience. This will require stronger ties between trade and investment, and between the various components of production and technology. China and India offer investments (particularly in areas such as infrastructure, information and communication technologies and energy) that can supplement the funding of important projects in

these sectors. An interesting challenge in this regard is to determine which infrastructure, energy and research and development initiatives are in greatest need of this Chinese or Indian investment, with a view to speeding their completion.

This would not only strengthen the region's ties with China and the Asia-Pacific region, facilitating trade and investment, but would also generate external inputs that might strengthen the subregional integration process, be it in South America or in Mexico-Central America. Thus, the region's strategic partnership with China and India would supplement the aggiornamento of regional integration through unified markets, increasingly standardized norms and greater legal certainty. There is no "Great Wall of China" standing between stronger economic ties with the Asia-Pacific region and increased regional integration. On the contrary, given the proper policies and political will on both sides, dynamic complementarities can be built between both strategic possibilities.

China in Rapid Economic Growth Track

The past few years have witnessed a significant increase in the global economic importance of China. In terms of Gross Domestic Product (GDP), measured at current prices, China became the world's fourth largest economy in 2005, after the



United States, Japan and Germany. It has already surpassed the United Kingdom and France.

In terms of purchasing power parity (PPP), its GDP is second only to that of the United States. China alone was responsible for over 27 percent of world GDP growth in 2005, in PPP terms a contribution larger than that of the United States, the European Union and Japan combined (ECLAC, 2006), and one which has undoubtedly helped to maintain the global growth rate. The Chinese economy grew by 10.7 percent in 2006, thanks to buoyant domestic investment and exports, which makes for an average growth level approaching two digits over the last three decades. Growth during this period has been driven by the industrial sector. The share of services in GDP has also increased, while that of agriculture has dropped (table 1). The buoyancy of the country's export sector is also reflected by the favourable behaviour of its current account surplus.

Structural Change in Indian Economy

India posted a growth rate of 9.2 percent in 2006, accompanied by a similar increase in consumption. The new economic programme implemented in 1991 which focuses on economic liberalization and the correction of macroeconomic imbalances enabled the country to achieve an average annual growth rate of 6.4

percent between 1995 and 2005. The Indian economy has been marked by significant structural change: the share of services in GDP has increased, while that of the agricultural sector has clearly diminished. Growth is expected to remain steady over the next few years, with the services sector driving economic development. The role of the manufacturing sector is not as prominent in India as it is in China; productivity in that sector has increased on a far more modest scale (UNCTAD, 2005). Inflation a constant source of concern in India is approximately 6%, notwithstanding an increase in oil prices. Unlike China, India has run a current account deficit for the past few years.

Free trade agreements with China and India

A new commercial order is forming around the Chinese economy in East Asia. This region, which is emerging as a bloc in the international economy, is consolidating an integration process that began in the 1980s, spurred by intraregional investment and growing intra-industry trade. A preferential trade regime, accompanied by greater standardization of rules regarding trade disciplines, investment, services, technical and phytosanitary standards, trade facilitation and labour mobility, among other issues, would be a decisive step



toward deeper regional integration. A future free trade area comprising China, Japan, the Republic of Korea and ASEAN, with the possible addition of Australia, New Zealand and India, would strongly encourage intraregional trade.

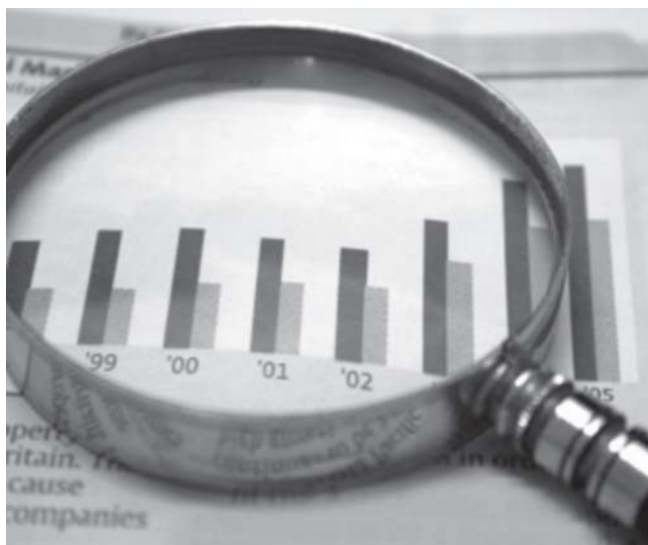
Above all, however, it would have a significant impact on the economic landscape of the Asia-Pacific region. A free trade area consisting of ASEAN and China would represent a combined GDP of at least US\$ 1.6 billion; if Japan is included, that figure would rise to US\$ 5.5 billion, making east Asia a significant counterweight to the United States and Europe.

China and India have negotiated several free trade agreements over the past few years. China began by establishing special trading arrangements with the Hong Kong Special Administrative Region and Macao, followed by a free trade agreement (FTA) with Chile and an "early harvest" agreement with Pakistan. It also began reducing the tariffs applied to ASEAN countries. It has either signed or is negotiating free trade agreements with around 27 countries. India is also creating a complex network of trade agreements. It has already established eight FTAs, including partial agreements with Chile and Mercosur, it is negotiating agreements with eight other groups of countries and it is considering 10 more agreements. China has signed investment protection agreements with Argentina, Barbados, Bolivia, Chile, Cuba, Ecuador, Jamaica, Peru and Uruguay, and has established tourism agreements with six Latin American countries (Argentina, Brazil, Chile, Cuba, Mexico and Peru) since 2003.

Consolidation of Trade

The recent trend toward the consolidation of trade between Latin America and the Asia-Pacific region through various types of agreements may facilitate the inclusion of Latin American firms in Asian production chains revolving around China and India. While the Chile-China FTA (already signed) and the India-Mercosur agreement are promising, their depth and scope must be increased.

The Chile-China FTA is the first trade agreement to be established between China and a Western country, and is thus viewed as a bridge between South America and the Asia-Pacific region. Other initiatives developed by Asian and Latin American countries bordering on the Pacific include the Free Trade Agreement between Chile and the Republic of Korea (the first trans-Pacific FTA); the Trans-Pacific Strategic Economic Partnership Agreement between Brunei-



Darussalam, Chile, New Zealand and Singapore, which has already been signed; several Peruvian proposals (an FTA with Thailand, for which negotiations were finalized in 2005, and possible FTAs with Singapore, China and India); and an FTA between Panama and Singapore. In addition, Chile recently finished negotiating an FTA with Japan, and is negotiating similar agreements with Thailand and Malaysia. These initiatives reflect a serious attempt by Latin American countries to adopt a more strategic approach to their relationship with China and the Asia-Pacific region.

Trade between India & LatAm, Caribbean

While Latin America and the Caribbean does not represent a significant market for India as of yet, the region's importance is growing. During the April 2005/March 2006 fiscal year, it accounted for less than 3.0 percent (US\$ 2.993 billion) of India's exports and 1.8 percent (US\$ 2.663 billion) of its imports, leading to a trade surplus for India.

India's basket of imports from Latin America and the Caribbean is, like China's, low on diversity: 15 products, classified according to the four-digit Harmonized Commodity Description and Coding System, represented about 77 percent of all imports from the region during the 2005/2006 fiscal year. Most of these imports are primary products or natural resource-based manufactures.

Soya beans, copper and copper concentrates, other metals, wood and alcohol constitute the region's main exports to India. India's exports to Latin America are also low on diversity: 15 products account for about 60% of all exports. Petroleum, medicaments, motor cars, chemical products, textiles and wearing apparel are the main products in the country's export basket. ■

Smaller LatAm Nations Keen on Stepping up Trade with India

Ecuador is interested in getting Indian know-how for the use of jatropha as bio-fuel, the country's Ambassador to India Carlos Abad said in Chennai recently.

Abad, who was in the southern Indian city in connection with a seminar on doing "Business with Latin America," organized by the Indo-Latin Chamber of Commerce and Industry, said that jatropha was but one of the large number of areas where his country welcomed Indian technology. "Indian technology is labour-intensive, which is what we are looking for," he said.

Despite India being little known in Ecuador and Ecuador being practically unknown in India, economic relations between the countries are slowly picking up, Abad said. Reliance is buying oil from Ecuador, TCS has a unit there, IRCON won a railway contract recently and ONGC Videsh is looking for some oil blocks, he said.

Ecuador is buying machinery (mainly for sugar production) and automobile and auto components. Some companies in Ecuador are interested in buying tractors from India. Abad mentioned Ecuador's interest in buying the Mahindra Scorpio utility vehicle and the Tata Nano, "We would like to buy the Nano, but we have been told that the Tatas want to serve the domestic market first," he said.



Moreover, a number of Indian companies are buying timber from Ecuador about 300 container loads of teak wood each month. Yet, no Indian company has come forward to buy forest lands, which is allowed in Ecuador (and indeed, in several countries in South America). "I've been telling Indians this, but nobody seems to be interested," Abad said.

What could give a fillip to economic relations between India and the South American countries is Perhaps better connectivity. Now that Emirates has introduced direct flights between Dubai and Sao Paulo (Brazil), it should be easier for Indians travelling to South America, he said,

While India already has strong relations with large Latin American nations such as Brazil, smaller countries such as the Dominican Republic, Ecuador and Trinidad and Tobago are looking for opportunities to increase their trade relations with India, with a focus on energy, Pharmaceuticals, outsourcing and tourism.

Recently representatives from these nations addressed a seminar in Chennai on doing business with Latin America and the Caribbean in Chennai. Ecuador, which produces 650,000 barrels of crude oil per day, is looking for joint ventures with Indian companies to exploit its large energy reserves, according to Ambassador Carlos Abad.

Speaking to reporters after the seminar, he said that Ecuador hopes to sign a contract with ONGC for exploration in five blocks by the end of the year, as a follow up to the memorandum of understanding signed in 2006.

Since 2000, Reliance Industries has been purchasing \$20 to 60 million worth of Ecuadorian crude on the spot market. However, Ecuador is looking for something more. "We are looking for two-way cooperation. We are looking for investment from Indian companies and we also want to be able to buy technology from them.. I have huge quantities of gas, but I don't have the technology to bring it out. You have that technology," said Abad.

Beyond oil and gas, Ecuador would also be interested in exporting bio-diesel to India. Ecuador has the requisite Land area and the climate to grow jatropha, while Indian firms have the knowhow to produce biofuel from the plant, according to Abad.

He has been holding discussions with Delhi and Kolkata-based enterprises to set up joint ventures in this sector over the next couple of years. While the growing Indian economy is hungry for energy, it is lagging behind China in its efforts to procure it in Ecuador. "China has invested



\$2.5 billion in our energy sector... India does not even have an embassy in my country,' said Abad.

While the energy sector currently makes up 80 percent of

the Indo-Ecuadorian bilateral trade- which has grown from \$1 million to \$160 million over the last three years. Abad expected growth in the banking services, pharma, e-governance and tourism sectors.

Indian generic pharmaceuticals have revolutionised health services in the Dominican Republic,

According to its Ambassador Hans Dannenberg Castellanos. Whether in Pharma. Textiles or BPO sectors, Indian firms investing in the Dominican Republic would benefit from the country's strategic location, he said.

With its position in the Caribbean and membership in Caribbean, Latin American and North American free trade agreements, it is ideally situated as an export hub, he said. ■

Colombian Businessmen Invited to Invest in Indian Leather Jvs

Union Minister of Commerce and Industry Kamal Nath has sought greater Colombian cooperation on multilateral issues concerning the developing world in the World Trade Organisation (WTO) and other multilateral fora.

During the bilateral meeting with the Colombian Minister for Industry and Tourism Luis Guillermo Plata Paez in New Delhi recently, Kamal Nath stated that there is tremendous potential in the Indian leather sector and invited the Colombian entrepreneurs to explore the possibilities of entering into joint ventures and technical collaborations with Indian companies.

He said the Indian Government had taken several policy initiatives in recent years, which included allowing 100 percent FDI in leather sector with no ceilings on investments and 100 percent repatriation of profits. The bilateral was attended by Ajay Shankar, Secretary (DIPP); G.K. Pillai, Commerce Secretary, senior officials and business delegations from both sides.

Kamal Nath said that Indo-Colombian bilateral trade had been growing at a satisfactory note and during 2006-07, it was around US \$ 653 million (exports - \$

576 million and imports - \$ 76.56 million). Both sides felt that considering the huge opportunities of mutual interests the volume of bilateral trade between the two countries was still low and it could be enhanced manifold by sincere efforts of governments and trade organisations of two countries.

Kamal Nath further highlighted that India's economy was growing at a rapid pace and India now ranked among the world's largest economies. India had also emerged as the fastest growing market in the world for a multitude of products and services, he added.

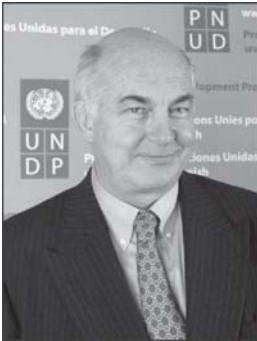
During the discussions, Kamal Nath urged the Colombian Minister for an early finalisation of the Bilateral Investment Promotion and Protection Agreement (BIPPA) and the Double Taxation Avoidance Agreement (DTAA).

Major item of exports from India to Colombia are petroleum (crude & products), transport equipments, drugs, pharmaceuticals & fine chemicals, cotton yarn fabrics, made-ups etc. The main imports from Colombia are primary steel, pig iron-based items, coal, coke & briquettes, wood & wood products etc. ■

23rd Exim Bank Annual Commencement Day Lecture

Emerging South Must Change Global Economic Governance

- Kemal Dervis, UNDP Administrator



Kemal Dervis, Administrator of the United Nations Development Programme, delivered an address on the theme "Perspectives on the New Structure of the World Economy" on the occasion of the 23rd Annual Commencement Day Lecture of the Export-Import Bank of India on March 18, 2008 in Mumbai. Dervis, who visited India along with a UNDP delegation, argues that Emerging South, which includes India, must change global governance in order to improve the world economy. Excerpts.

My last visit took place in the autumn of 2005. I recall that at that time my Indian friends were debating whether an 8 percent growth rate was a sustainable medium term target or whether perhaps 7 percent was a more realistic and likely goal. International experts were generally projecting a somewhat lower growth rate for India, closer to 6 percent over the next decade or so. Today the debate has shifted: most projections, national or international, have climbed into the 8 to 9 percent range, for the coming years at least.

India has joined China as one of the two new emerging giants in the world economy, bringing great hope to its own people, but also hope to hundreds of millions of citizens of developing countries who now can start to believe that it is actually possible to catch up with the rich advanced countries, that the world will not forever be divided between have and have not countries, that our new 21st century can be one of economic convergence rather than further divergence.

There have been cases of very rapid growth before: Japan in the four decades following World War II, and the Republic of Korea more recently. But the scale of these examples was limited and did not result in an

improvement in the world size distribution of income if we view the world "as if" it was one country. Such an improvement is now occurring, although the often massive rise of within-country inequalities almost everywhere in the world is counteracting the equalizing effect of Indian and Chinese growth. The lack of progress in many of the poorest countries, most in Sub-Saharan Africa, is a further factor contributing to the stubborn persistence of worldwide inequality.

Since the summer of 2007 a different type of hope has emerged in connection with the rapid growth of India and China: could this "Asian growth" help avoid a significant world economic slowdown, even if close to recessionary conditions were to prevail in 2008 and 2009 in many of the rich economies, particularly in the United States, after the spread of the sub-prime mortgage crisis?

I will focus on two dimensions of the world economy today which also have some relevance to India. First I will share with you some thoughts on the role the financial sector has played in recent world economic events and on what some call "financial capitalism" as opposed to the "industrial capitalism" of earlier times.

Analysts from across the world are wondering and debating how, what started as the sub-prime mortgage crisis in the United States and has since developed into a serious financial sector crisis in the US and parts of Europe, will affect for the world economy as a whole and the developing countries including India in particular. So I wanted to share some personal thoughts with you tonight on the recent financial sector events within a longer term perspective. I then would like to address another aspect of the recent debate, relating to the changing structure of the world economy and look at the increasing share of the “emerging South” in macroeconomic aggregates and what this means for both income distribution and growth in the world economy. Finally, in conclusion, I will say a few words about the global economic governance issue in light of recent developments and the new structure of the world economy.

Global growth acceleration and the financial sector

It seems clear that the last two decades have been characterized by rapid and accelerating world growth, with the trend interrupted three times: around 1997, around 2001 and now again around 2008, although we do not know yet how serious this interruption will be. All three of them have been caused by financial sector difficulties of a more or less global nature. The first of these financial sector shocks was the Asian Financial crisis that spread to Russia and Latin America.

We are still in the middle of living through the third financial sector shock the world economy is experiencing since the early 1990s.

The fact, however, is that the financial sector can never be a purely private affair. It is at the heart of the modern market economy and plays an organizing role that is a public good. Its failure affects the whole economy and all citizens. The public policy maker cannot let the financial sector fail in a systemic manner and has to, in one way or another, rescue it. It is important and fair, therefore, that it is regulated in a way that encourages responsibility, a longer term horizon and an evaluation of risk by its managers, that is not truncated by the unavoidable need for the socialization of large losses.

These considerations are based on events in the most advanced and richest economies as well as on the capital flow reversals experienced by many emerging market economies in the past.

They are perhaps not yet directly applicable to a country like India, where the financial sector is being liberalized only gradually, where public financial institutions still play an important role, and where the capital account is still only partially open. India is likely to be affected by the turmoil, however. Moreover, for India's own development, a further strengthening of the financial sector's ability to mobilize and intermediate resources, including foreign resources, to support growth will be beneficial. In doing so it may be useful to analyze some of the excesses that have occurred worldwide and to build a modern regulatory system that combines incentives for dynamism and innovation with incentives for responsibility and longer term horizons.

The Changing Structure of the World Economy

Let me now turn to some remarks on what the current slowdown in the rich economies means for world growth and growth in the developing economies in light of the structural changes that have taken place.

Some argue that despite the serious nature of the slowdown in the advanced economies triggered by the financial sector difficulties referred to above, the worldwide slowdown will be very limited because of the new economic weight gained by the “emerging South”, and by India and China in particular. Let us look, therefore, at changes in structure and convergence trends in the world economy.

At the start the ten richest countries were only about twice as rich on average as these ten comparator countries. The difference tripled over a century and a half. Starting in the 1960s, however, these ten fast growing countries did start to catch up, however and the income gap has now been reduced to three and is continuing to fall. After a long period of divergence, there have now been several decades of convergence for these countries.

India was not over this long period one of the ten fastest growing countries in the “South”. Can we say, therefore, that the modern era of globalization, is one of convergence? Unfortunately the story is not as simple.

The story here is one of massive and persistent divergence. Whatever is allowing some of the developing countries to profit from globalization and “catch up” with the richest countries is not “happening” in a large number of countries, many, but not all in Africa.

Nonetheless, thanks mainly to the huge populations of

India and China, and the economic performance of these two giants, it is correct to say that the convergence trend, certainly when weighted by population, is stronger than the divergence trend and that for large parts of the emerging South, there is at last a “catch up” of per capita incomes.

There is also the increasing and impressive role of “Southern” multinationals, many of them Indian, and the role they will play in the world economy. Such an analysis is beyond the scope of my lecture tonight and indeed while there is much academic and professional work along these lines, the North-South linkages which have gained such an importance in recent years, appear to remain under-analysed.

Let me just stress, at this point, that the fact that the “emerging South” has gained much weight in the world economy, does not mean that there will be de-coupling of growth in the coming months and years. If the rich North experiences a more serious slowdown than what is currently projected, with growth averaging less than 1.5 percent in the 2008-2009 period, the consequences will be severe also for the “emerging South”. It is important to remember in this context that the internal American market may shrink even if US GDP growth remains significantly positive, given the fall of the dollar and the likely reduction in the US current account deficit that is part of the overall adjustment process. I do not think we fully understand the complex linkages that are at work. In modelling exercises, much depends on what is assumed exogenous and what is treated as endogenous. Much will also, of course depend on policy reactions. As was recently pointed out by the new Managing Director of the IMF, there are many countries in the world with reasonably strong fiscal positions and these countries could help counteract the forces pushing the economy into a slowdown. This statement surprised many, coming from the head of an institution known for its fiscal

conservatism, but I think Dominique Strauss Kahn was quite right in stressing the need for an international approach to fiscal policy, with countries that have more fiscal headroom having a greater ability to help protect the world economy from recession.

We are at a moment of considerable uncertainty. Since the summer of 2007 almost every week has brought further bad news from the financial sector in the US and Europe, with the disease deepening and spreading across financial institutions. In an increasing number of cases, it now appears not just as a liquidity problem, but also as an insolvency problem. On the other hand, given the size of the financial sector turmoil, the real sector seems to be resisting rather well, so far at least. Rather surprisingly, we also see a continued upward surge in commodity prices, unprecedented in recent times, which in itself could be seen as another kind of “de-coupling”: not a “de-coupling” of the South from the North, but a “decoupling” of real sector expectations from the mood in the financial sector! After all very rapid price rises in raw materials and commodities should signal strong future growth rather than a recession. I will not be imprudent enough to make strong predictions tonight. But it seems to me that as has been the case in the two previous recent financial sector rooted crises referred to above, the strong policy response triggered by financial sector panic, particularly in the United States, may help stop a slide into recession.

It may also be the case that the “autonomous” or purely regionally driven part of effective demand, particularly investment demand, has risen substantially, in China and India, and other parts of Asia. This deserves careful analysis. On balance chances are that this contribution from the “emerging” South, coupled with a truly vigorous Keynesian mix of expansionary policy in the United States, will have a strong effect and halt the slide some time during 2008, despite a much more conservative stance by the European Central Bank which is stubbornly sticking to its “inflation control is our only mandate” approach. So world growth may continue in the 2 to 3 percent range in the coming two years. Not the surge we saw in the growth acceleration of 2002-2006, but enough to stay away from a global recession and avoid the terrible pain it would bring to the world's poorest and most vulnerable people. This would allow Indian growth also to be hurt less by global circumstances and hopefully maintain a pace not too far from the 8.0 percent neighborhood over the next two years, which would of course be a great achievement in a world economy that grows only in the



2 to 3 percent range (at market prices).

The strongly expansionist US macro-policy response does of course carry with it the dangers of an inflationary impulse and of causing again what happened three times in the last 10 years: replacing one asset bubble by another. After emerging market debt in the mid-1990s, dot com stocks at the turn of the century and mortgage backed securities in the 2004-2007 period, it may well be commodities that are now rising in price at an unreasonable and unsustainable rate, fuelled again by the underlying huge investment resources and accompanying liquidity available in Asia because of high savings rates, in the Middle East because of the oil bonanza and in the advanced economies because of a significant rise in the share of profits and high incomes in GDP. Each of these bubbles has had a root in real economic changes. Emerging markets did become more attractive destinations for investment as their governments undertook market friendly reforms and opened their economies to global forces. The dot com sector did open up new prospects for doing business and increasing productivity.

The impressive growth of India and China has increased the demand for raw materials, food and energy in a lasting way. But each time, financial markets overshoot and macroeconomic policies are forced to react to the ensuing bust by encouraging, unwittingly, another bubble somewhere else!

I would not be surprised, therefore, that two or three years from now we realize that the liquidity and macro-boost generated to fight the sub-prime housing crisis ended up fuelling a commodity bubble, and that we may again, then, be faced with fighting the negative consequences of an unforeseen downward adjustment, this time in commodity prices! Which brings me, again, to what I started with: if we want to reap the benefits of technical progress and global opportunities in a more steady fashion, rather than being subjected to continuously recurring shocks from the financial sector, it may be time to attack the root causes of these shocks in terms of financial sector regulation that focuses on the nature of the structural problems in the financial sector, rather than using rather blunt macroeconomic instruments which may work in the short term by bailing everybody out, but often prepare the next financial storm.

Concluding remarks

All this matters to India and to the developing world:

regulatory troubles in the developed world may cause India's growth rate to decline substantially. It may rob Africa of the first real chance in decades to accelerate its progress. It may mean that hundreds of millions of vulnerable people are denied the chance to escape extreme poverty. I do believe, therefore, that the "emerging South" must weigh in, using all peaceful means at its disposal, to change the nature of global governance. It is also essential that the LDCs can increase their voice. It is difficult to understand that the Security Council of the United Nations reflects the world as it was in 1945. It does not seem right that Brazil and India have less of a vote in the Boards of the IMF and the World Bank than very small European countries. It does not seem right that the Financial Stability Forum remains a rich men's club. It does not seem right that countries such as India are invited to G8 meetings just for lunch. It does not seem right that the "emerging South" still is allowed only a minor role in the big decisions on the top management positions in the international system, including the chairmanship of committees such as the International Monetary and Financial Committee (IMFC).

On the one hand it is argued that the "emerging South" should save the world economy from recession, that it should accept and adapt to all the policies elaborated in the rich North, that it should now also take major responsibility in the fight against the very real challenge of climate change, and, at the same time the South is denied its natural place and weight in the decision making and coordinating institutions of the international community. I do believe it is time for change. I do believe that the rich countries cannot have their cake and eat it too. I do hope that India will engage in the overdue effort to build better and more equitable global governance, not least relating to the financial sector. I do hope India will lend its increasing weight to a reform and strengthening of the United Nations and the Bretton Woods institutions, so that the interdependent world we live in can provide benefits to all, can be regulated in a prudent and responsible manner, and so that the interests of the poorest women and men on our planet can receive equal attention to the interests of the richest and the most powerful. I do believe this is what the Mahatma Gandhi stood for when he fought for the new, modern, independent India. ■

The Board and Shareholders' Meeting of the Andean Development Corporation (CAF) held recently in Caracas approved an increase in authorized capital from US\$5 billion to US\$10 billion as a result of the substantial expansion of operations which the institution has been executing in favor of Latin American development, and in line with expanded membership.

CAF President and CEO Enrique García, said the objective of the capital increase was to strengthen the multilateral organization's financial capacity in order to continue its growing support for the 17 shareholder countries.

During the meeting, García presented the 2007 Annual Report which was unanimously approved. The report highlights a record US\$6.60 billion of

of Latin American countries in the Corporation, contributing to the enrichment and execution of its integrated development agenda," he added.

In 2007, agreements were signed with Argentina, Brazil and Uruguay for contributions to paid-in capital for a combined amount of approximately US\$1.20 billion and subscription to callable capital of US\$300 million, which began the transition process of these Series C shareholder countries to full shareholders. In other developments, Chile increased its equity investment by US\$50 million, and steps began for the early entry of Guatemala and Italy as new shareholders.

Record approvals in 2007

The Annual Report also reveals that the Corporation approved a record figure of US\$6.60 billion for public and private sectors in 2007, an increase of about 20 percent from the year before. Of the total approved, 55 percent was for the private and public sectors

CAF's Authorized Capital Doubled to \$ 10 billion

approvals, a US\$9.62 billion portfolio, and a record US\$401 million net profit. These results strengthen the institution's capital and reserves and make possible an important allocation of non-reimbursable funds in favor of institutional strengthening, strategies and policies to stimulate economic growth, social inclusion and promotion of the cultural identity of the region.

García said, "the capital increase was decided because of the deepening of the institution's Latin American character and expansion of its borders, as reflected in the amendment to the CAF Establishing Agreement, which opens the door to the entry of new member countries and an increase in equity investment by countries outside the Andean region."

This strengthens and expands the presence



without sovereign guarantee, channeled through financing to contribute to creation of a business base which measures up to the challenges of increased trade integration, since these are funds destined for investment plans, trade, working capital and support for MSMEs.

The most important area was economic infrastructure which took about 40 percent of total portfolio. CAF is currently the main source of financing for the Andean region countries, and the most important institution for financing integration infrastructure in Latin America.

The second sector to benefit was social and environmental development with 25 percent. The remainder went to other productive sectors and promotion of micro, small and medium-sized enterprises through lines of credit granted to financial institutions in the region.

Although most of the Corporation's loan portfolio is destined to the founding countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), in recent years CAF activities in the Latin American and Caribbean

region have intensified, particularly in South America. Currently more than 30 percent of CAF operations approved are destined to non-founder countries.

Apart from its credit operations and project finance, CAF operates an integrated support program for countries with approvals of non-reimbursable funds totaling US\$48 million in 2007, a 26 percent increase from the year before, resulting from profits of US\$401 million in 2007.

"This growth in CAF's activity was made possible by important capital contributions from shareholders, reinvestment of profits, and permanent presence on international financial markets. This successful

international presence is based on the Corporation's high credit ratings from the leading international rating agencies," García said.

In 2007 Standard & Poor's upgraded the rating for CAF long-term debt from A to A+, Japan Credit Rating (JCR) improved the outlook from stable to positive with an AA-rating, and Finch Ratings moved the long-term risk rating up from A to A+. In conclusion, García said, "with their decision to double the authorized capital, the Corporation's shareholders are offering their backing to our institution which, in the last five years, has approved a total of US\$24 billion in favor of its member countries." ■

The Andean Development Corporation (CAF) recently approved two loans for the Urban and Environmental Infrastructure Program of Manaus Municipality for US\$75 million, and the Development of Municipal Infrastructure and Basic Services Program of Caxias do Sul for US\$28.8 million.

These loans, guaranteed by the Government Brazil, are part of the strategic objective of working directly with municipal governments of intermediate and smaller cities in Brazil, to support their development and urban infrastructure improvement plans, with a favorable impact on the quality of life of the population.

On the financing granted to Manaus Municipality, CAF President and CEO Enrique García said that "the operation will finance projects to improve the quality of life of 1.6 million inhabitants of this dynamic city,

The total cost of US\$75.9 million is financed by a CAF participation of US\$28.8 million which represents 30 percent of the total value combined with a local contribution of 62 percent. The main components of the program are paving approximately 99.2 km of local roads, including works supervision, as well as environmental actions to guarantee the sustainability of the works.

Brazilian Civic Infrastructure Projects Get \$104 million

optimizing the road and drainage infrastructure, as well as generating employment and benefits through creation of conditions for implantation of enterprises in a new industrial district."

The program, with a total cost of US\$150 million, will be financed 50 percent by CAF, and 50 percent by the municipality. The program has road, industrial development, drainage and environmental compensation components.

Promoting regional development

The other operation approved on this occasion by the multilateral organization was for the Development of Municipal Infrastructure and Basic Services Program of Caxias do Sul, a municipality located in Rio Grande do Sul state. The program promotes regional development through paving and upgrading of the secondary roads that link the most important municipal capitals in the area with the existing paved trunk roads (federal and state).



Execution of the two programs, in their respective areas of influence, will increase competitiveness; stimulate agricultural production; strengthen agricultural, agro-industrial and commercial development by improving the transport network and logistics; strengthen tourism; remove the main points of congestion on municipal road systems; improve travel and promote generation of employment. ■

The Andean Development Corporation, China Development Bank (CDB), and the company Cementos Argos S.A. signed a short-term loan agreement for US\$150 million to partially finance construction of a new cement production line in the company plant in the city of Cartagena, Colombia.

CAF will contribute US\$75 million and CDB the remaining US\$75 million. "This operation is part of the strategic agreement between CAF and CDB to finance development projects in Latin America as an effective contribution to the Colombian private sector," CAF President and CEO Enrique Garcia said.

\$150-mln Loan Pact with Chinese Bank to Fund Cement Output

With construction of this new cement production line in Cartagena, Argos will increase its production by 1.8 million tonnes and take its annual production to 13.4 million tonnes, to meet demand from the market in the United States and the Caribbean. With state-of-the-art technology, the new line will significantly reduce the company's operating costs, opening the way for its products to compete on export markets.

With the signing of the loan agreement, CDB is promoting strategies for developing international business, supporting the economic and social development of Latin America, and cooperating with international financial institutions.

With its participation in this operation, CAF continues developing initiatives



which stimulate the growth of private enterprise in the economies of its shareholder countries and which create more jobs and produce more goods and services for the population.

CDB is a financial institution of the Chinese State, founded in 1994. Its function is development of the national economy, participating actively in the long-term financing of key infrastructure projects in Chinese industry, pillars of the economic growth of that country.

Cemento Argos SA is a leading company in the Colombian cement industry with 51 percent market share, the fifth largest cement producer in Latin America with investments in Panama, Haiti and the Dominican Republic, and the sixth manufacturer of concrete in the United States. The company exports to 27 countries. ■

The Andean Development Corporation (CAF) has recently announced approval of credit operations to strengthen the micro and small enterprise sector in Bolivia. The funds will be channeled through five microfinance institutions: Banco Solidario, Fondos Financieros Privados (FFP) Fassil SA, EcoFuturo SA, and FIE SA, together with the Jesús de Nazareno Ltda cooperative.

expansion to reinforce its position and consolidation in the sector.

Lastly, financing operations were approved for FFP Fassil SA and Cooperativa de Ahorro y Crédito Jesús Nazareno Ltda., in both cases for US\$500,000. With the financing for Fassil, CAF provides support for expansion and diversification of its sources of financing after the institution markedly improved its

Approval for Strengthening Microfinance in Bolivia

"Approval of these operations in Bolivia is part of the support and strengthening which CAF provides for micro and small enterprises to promote equitable economic growth, through generation of access to productive capital for sectors such as small enterprises, and their inclusion in the traditional financial systems," CAF President & CEO Enrique García said, emphasizing the world leadership of the country in this area.

CAF approved an additional US\$9.1 million for the microfinance sector, which brings total financing from the multilateral organization for this segment to over US\$31 million through seven specialized financial institutions.

BancoSol will receive a US\$5 million subordinated loan to consolidate and reinforce its market position, increase technical capital and leverage expansion over the next few years. The loan is additional to the existing line of credit with the bank.

CAF also approved a partial guarantee for FFF FIE SA for issue of debt bonds on the Bolivian stock market for US\$2.4 million. This will be the second incursion of a microfinance institution on the national stock market.

A subordinated loan for US\$700,000 was also approved for FFP Eco Futuro SA for capital strengthening and portfolio

performance and financial indicators last year. In the case of the Jesús Nazareno cooperative, the Corporation is giving effective support to the Bolivian cooperative sector which plays a very important role in promoting microfinance in the eastern region of the country. ■



Net up 11 pc at Rs 333 crore

Exim Bank Posts Overall Growth in 2007-08

Export-Import Bank of India (Exim Bank) Chairman and Managing Director T.C. Venkat Subramanian has announced that the country's premier financial institution had posted an overall improvement in its performance in fiscal 2007-08 (April-March), that included an increase of 11 percent in its net profit at Rs 333 crore during the year.

He told a press conference in Mumbai recently that the loan approvals and disbursements had increased by 23 percent each and the loan assets 25 percent during the Bank's 26th year of operations.

Profit before tax at Rs. 533 crore showed an increase of 36 percent over the previous year and the Net Profit (after tax) at Rs. 333 crore, an increase of 11 percent over the previous year. Capital Adequacy (Capital to Risk Assets Ratio) stood at 15.13 percent.

Loan Approvals

Loan approvals aggregated Rs. 32,805 crore during 2007-08 as compared to Rs. 26,762 crore in the previous year, an increase of 23 percent. Disbursements aggregated Rs. 27,159 crore, as compared to Rs. 22,076 crore during the previous year, an increase of 23 percent. Loan Assets increased by 25 percent moving upwards to Rs. 29,152 crore as on March 31, 2008 from Rs. 23,274 crore as on March 31, 2007.

Net NPAs decreased to 0.29 percent of net loan assets as on March 31, 2008, as compared to 0.50 percent in the previous year.

During the year, the Bank extended 17 Lines of Credit (LOCs), aggregating US\$ 704 million, covering 39 countries to support export of projects, goods and services from India. 89 LOCs covering 89 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US\$ 2.96 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation. The Bank lays special emphasis on extension of LOCs as it is an effective market entry mechanism especially for small and medium enterprises.

Project export contracts supported amounted to Rs. 26,926 crore and were secured by 31 companies in 30 countries.

During the year, 41 corporate companies were sanctioned funded and non-funded assistance aggregating Rs. 5,029 crore for part financing their overseas investments in 20 countries. Exim Bank has so far provided finance to 223 ventures set up by over 180 companies in 61 countries including Austria, Canada, Germany, Ireland, Indonesia, Italy, Malaysia, Mauritius, Morocco, Netherlands, Romania, Sharjah, Singapore, Spain, Sri Lanka and USA.

As on March 31, 2008, guarantees on book were at Rs. 3,456 crore.

Foreign Currency Resources

The authorized capital was increased by the Central Government from Rs. 1,000 crore to Rs. 2,000 crore. During the year, the Bank received share capital of Rs. 100 crore from the Government of India, increasing the paid-up capital to Rs. 1,100 crore as on March 31, 2008.

During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 14,040 crore comprising rupee resources of Rs. 8,905 crore and foreign currency resources of US\$ 1,280 million equivalent.

Foreign currency resources of US\$ 1,083 million equivalent were raised through bilateral/club loans and US\$ 197 million by way of FRNs. As on March 31, 2008, the Bank had a pool of foreign currency resources equivalent to US\$ 3.53 billion and outstanding Rupee borrowings including bonds and commercial papers of Rs. 18,890 crore.

The Bank introduced Flexi Deposit Scheme and added 6000 fresh depositors to its investor base and had mobilized over Rs. 280 crore as of March 31, 2008. Market borrowings as on March 31, 2008 constituted 88 percent of the total resources of the Bank.

The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA.

During 2007-08, Standard & Poor's and Fitch Ratings have upgraded the Bank's credit rating from BB+ to BBB-. The Japan Credit Rating Agency (JCRA) enhanced the Bank's credit rating to BBB+ and enhanced outlook from stable to positive. Taken together with the Baa3

rating from Moodys, the Bank at present holds investment grade rating on par with the India sovereign from four international credit rating agencies.

Focus on West African Region

The Bank opened a representative office in Dakar, Senegal. The Dakar office of Exim Bank is expected to play a key, catalytic role in enhancing trade and investment between India and the West African Region. The Dakar office has been conferred with special status 'Accord de Siege' by Government of Senegal on par with multilateral institutions located in Senegal.

Global Trade Finance Programme

Exim Bank signed an agreement with International Finance Corporation (IFC), Washington, under the Global Trade Finance Program (GTFP). Under this arrangement, Exim Bank will be able to confirm Letters of Credit (L/Cs), guarantees and other trade instruments issued by approved banks in more than 40 developing countries of Central Asia, Central and Eastern Europe, Latin America & the Caribbean, Middle East & North Africa as also other regions of Asia and Africa, and which constitute an attractive market for Indian exporters. Some of the countries have a higher risk profile due to absence of a proper credit enhancement mechanism for carrying out documentary credit trade. The role of Exim Bank as

'Confirming Bank' would enable Indian exporters to access such markets without payment risks.

Rural Grassroots Business Initiatives

The Bank has in place an innovative facility to support globalisation of rural industries through its Grassroots Business Initiative. The programme builds upon the Bank's other support programmes and seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional crafts persons and artisans, and rural entrepreneurs of the country. The Bank has consciously sought to establish, nurture and foster various institutional linkages. Towards this end, a Memorandum of Cooperation (MOC) was signed between the Bank and the Ministry of Panchayati Raj (MOPR) which aims at enhancing the export promoting activities of MOPR through the Rural Business Hub (RBH) initiative and is in line with Exim Bank's initiatives in supporting exports from rural India.

Rural Technology Export Development Fund: The Bank promotes rural Indian technology to other developing countries in Asia, Africa and CIS under the umbrella of South-South cooperation. The Bank has earmarked funds for setting up a Rural Technology Export Development Fund to promote exports as also enhance the export-worthiness of rural grassroots innovative technologies from India. Thus, Exim Bank's efforts are not only aimed at facilitating the visibility of rural products in the international market but also to find alternative channels through partnership arrangements with institutions and



corporates in India. Corporate Social Responsibility

Support for Rugby Team

Exim Bank is supporting the Rugby Team of the Kalinga Institute of Social Sciences, which won the Under-14 International School Rugby Championship held in London, UK, in September 2007. The Kalinga Institute of Social Sciences (KISS) provides a combination of formal education with vocational education for more than 5000 tribal children of Orissa. The mission of KISS is to bring a paradigm shift from mere schooling to innovative learning for the poorest tribal children from different parts of Orissa, with focus on formal and livelihood education and scope for all-round development. As part of its endeavours in supporting social causes, Exim Bank's support to the Rugby Team of KISS would encompass training facilities with associated infrastructure, participation in select domestic/ international tournaments.

Innovative Programme for SMEs

The Bank has entered into a cooperation arrangement with International Trade Centre (ITC), Geneva, for implementing a unique Enterprise Management Development Services (EMDS) program, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. This is a pioneering initiative for supporting SMEs and for providing term loans and export finance facilities to the identified units to help them in their globalisation efforts. The Bank has partnered ITC in implementing this project. The Bank thus supports small enterprises through capacity building and assistance in formulation of viable proposals. It is envisaged that the learning from this programme would be transferred to other developing countries, and thus assist in capacity creation and institution building in the global arena.

The Bank has partnered the Commonwealth Secretariat in the Commonwealth-India Small Business Competitiveness Development Programme. The objective of the programme is to undertake capacity development initiative that promotes economic development (increased employment, investment, trade and economic activity) in Commonwealth member states by providing competitive strategies and policies on SME development to practitioners and policy makers, and to build and develop institutional capacity. US Dollar 1 billion Medium Term Note (MTN) Facility.

During 2007-08, 5-year Floating Rate Notes for JPY 24 billion (US\$ 197 mn.) were issued under the Bank's

US\$ 1 billion Medium Term Notes (MTN) programme.

Research and planning

Five Occasional Papers were published by the Bank during the year, namely, Trade and Environment: A Theoretical and Empirical Analysis; Indian Pharmaceutical Industry: Surging Globally; Regional Trade Agreements: Gateway to Global Trade; Knowledge Process Outsourcing: Emerging Opportunities for India; and Indian Mineral Sector and Export Potential.

A publication titled "Healthcare Tourism: Opportunities for India", was brought out, which highlights opportunities and challenges, and delineates strategies for India to emerge as a major healthcare tourist destination.

Global Network

The Global Network of Exim Banks and Development Financial Institutions (G-NEXID), was set up in Geneva in March 2006 through the Bank's initiative, under the auspices of UNCTAD. With the active support of a number of other Exim Banks and Development Financial Institutions from various developing countries, the network has endeavoured to foster enhanced South-South trade and investment cooperation, characterised among others, by the launching of the G-NEXID's website (www.gnexid.org) and annual meetings of the Forum. 'Observer Status' in UNCTAD underscores support for the Forum, while acceptance of the vision of the Forum by developing countries can be assessed from the fact that the membership of the Forum has reached 23 by March 2008.

ADFIAP Development Award

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognises and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards are given to member institutions, which have implemented or enhanced outstanding and innovative development projects during the year.

The Bank has been conferred the 2008 "SME Development Award". The Award is in recognition of the Bank's "Enterprises Management Development Services (EMDS)" programme, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. The Bank, through this innovative programme developed through close interaction with the International Trade Centre (ITC), Geneva, has created an enabling environment for SME development, and seeks to support small enterprises through capacity building and assistance in formulating viable proposals. ■

Exim Bank's \$10.59-mln LOC to Surinam to fund Imports from India

Export-Import Bank of India (Exim Bank) has, at the behest of Government of India, extended a Line of Credit (LOC) of US\$ 10.59 million to the Government of Suriname, for financing export of goods and services from India. The LOC Agreement to this effect has been signed in Paramaribo, Suriname, recently. Tarun Sharma, Resident Representative, Washington, on behalf of Exim Bank and Humphrey S. Hildenberg, Minister of Finance, Government of Suriname, on behalf of the Government of Suriname.

The agreement, signed in the presence of India's Minister of State for External Affairs Anand Sharma marked the occasion of the 4th Joint Commission meeting between India and Suriname. Exim Bank will reimburse 100 percent of contract value to the Indian exporters, upfront upon the shipment of goods.

Exim Bank already has in place two Lines of Credit amounting to US\$ 26.4 million that have been extended

to the Government of Suriname. The first LOC of US\$ 16 million to Suriname was utilized for (i) a transmission line project (ii) supply of bulldozers, trucks, excavators and (iii) supply of communication equipment and solar lanterns to Suriname. The second LOC of US\$ 10.4 million was utilized for a water supply project in Suriname. Suriname is one of the growing economies of South America, having registered a GDP growth rate of 5.4 percent in 2007. Suriname's main items of exports are: alumina, gold, crude oil and refined products. Main products exported from India to Suriname are: manufactured goods, agriculture and allied products.

Exim Bank has in place 92 Lines of Credit, covering over 89 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments amounting to US\$ 3 billion, available for financing exports from India. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters. ■



A Strong Case for Expanding Export Base to Tap Full Potential

In a detained study of the Indian mining sector, Export Import Bank of India looks at its problems and challenges and makes suggestions as to how to exploit the full potential of this crucial area of the economy.

Minerals constitute the backbone of economic growth of any nation. India is endowed with significant volumes of mineral deposits. It is an established fact that India holds abundant reserves of minerals such as non-coking coal, iron ore, bauxite (metallurgical grade), dolomite, gypsum, limestone and mica; adequate levels of reserves of minerals such as lignite, chromite (metallic), manganese, UIK and graphite; but deficient in mineral reserves such as coking coal, chromite (refractory grade), bauxite (chemical grade), copper, lead, apatite, rock phosphate and kyanite.

Production

India has a unique blend of large, medium and small, manual and mechanized, opencast and underground mines. The total value of mineral production (excluding atomic minerals) is estimated at Rs. 99,533 crore in 2007-08. Fuel minerals (Rs. 68,229 crore) accounted for largest share (69 percent) in total mineral production

in India, followed by metallic minerals (20 percent Rs. 19,755 crore), non-metallic minerals, including minor minerals (11 percent - Rs. 11,548 crore). Foreign Direct Investment (FDI) is being encouraged in the Indian mining sector. FDI up to 100 percent is permitted under automatic route for coal and lignite mining for captive consumption and setting up of infrastructure relating to marketing in petroleum and natural sector. For exploration of mining of diamonds, gold, silver and precious stones, FDI is allowed up to 100 percent under automatic route. During the period April 2000 to December 2007, the mining sector has attracted FDI inflows of US \$ 478 million (Rs. 19.35 billion).

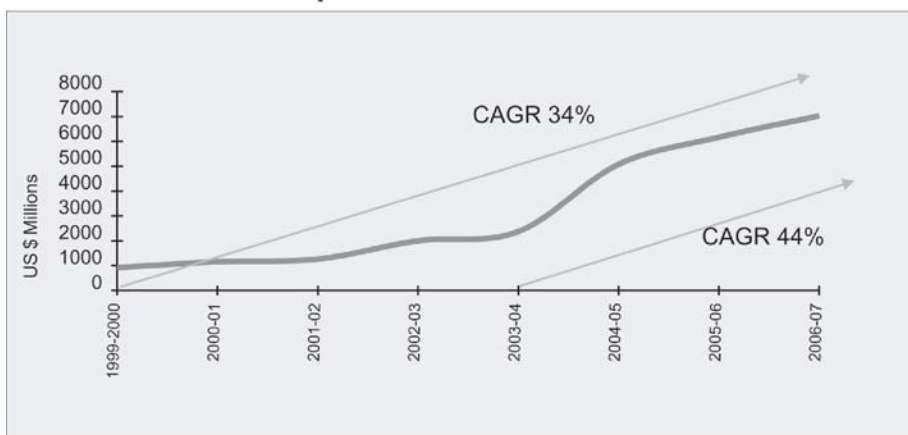
Trade

Exports of ores and minerals from India have grown from US \$917 million in 1999-2000 to US\$ 7028 million in 2006-07, a CAGR of 34 percent. The CAGR of exports of mineral between 2003-04 and 2006-07 had been 44 percent. Iron ore is the largest exported minerals from India accounting for 55 percent of total export of ores and minerals. Iron ore contributes much of the growth witnessed in export of ores and minerals. Other major ores exported from India include zinc ores (5 percent), chromium ores (2.5 percent), aluminium ores (2.3 percent), lead ores (1.4 percent), and titanium ores (0.6 percent). Compounded annual growth rate of India's export of zinc ores, chromium ores, and aluminium ores (73 percent, 34 percent and 50, respectively) have also been significant during the analyzed period.

World import of select minerals and India's export potential

Analyses have been carried out to know about the India's position in export of select minerals in major markets and compared it with the position of competitor countries.

Growth in Exports of Ores and Minerals from India



Source: Directorate General of Commercial Intelligence and Statistics, Government of India.



Zinc Ores and Concentrates

Zinc ores and concentrates are one of the leading export items of India in the minerals category. India exported zinc ores and concentrates worth US \$ 382 million in 2006-07. World imports of zinc ores and concentrates were estimated to be US\$ 9.3 billion in 2006. Major importers were South Korea (US \$ 1554 million), Spain (US \$ 1236 million), Japan (US \$ 1149 million), and Belgium (US \$ 927 million). Australia, Peru, USA and Canada have served as major source countries for most of the top importers of zinc ores and concentrates. India has mainly exported to South Korea. It may thus be mentioned that Belgium, Japan, Spain and Canada, the other three largest, importers of zinc ores and concentrates in the world, hold further potential for exports from India. At present, India's export of zinc ores and concentrates to Japan and Spain are insignificant. In 2006-07, India did not export zinc ores and concentrates to Belgium.

Aluminium Ores and Concentrates

World import of aluminium ores and concentrates amounted to around US \$ 2.3 billion in 2006. Major importers were USA, Ukraine, Ireland, Spain and Italy. Brazil, Guinea and Guyana have served as major

source countries for top importing countries. USA mainly sourced from the Latin American region, especially Jamaica, Brazil and Guyana. Ukraine sourced mainly from Guinea, Australia and India. Amongst the top importing countries of aluminium ores and concentrates, India mainly exported to Ukraine in 2006. However, in 2006-07, India's exports to other top importers were insignificant.

Lead Ores & Concentrates

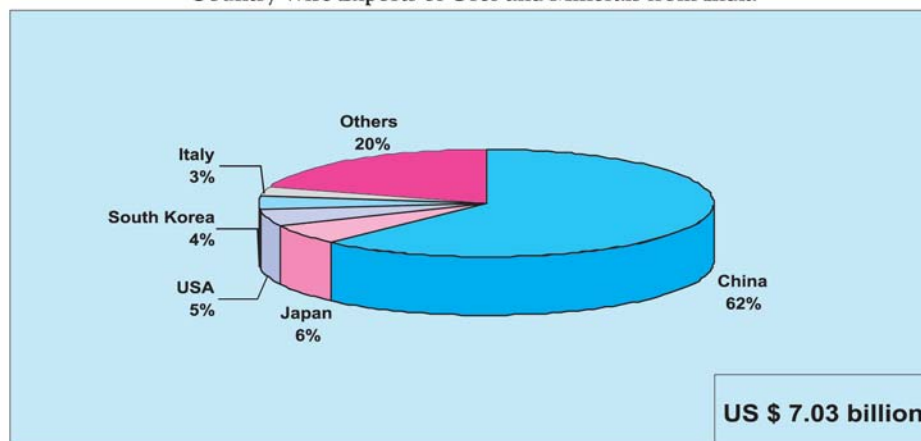
World import of lead ores and concentrates amounted to US \$ 2.1 billion in 2006. Major importers were China, South Korea, Germany, Japan and Belgium. Major importers principally sourced from Peru, Australia and USA. Germany principally sourced from European countries such as Poland, Ireland and Sweden, in addition to Australia and South Africa. India's export of lead ores and concentrates were mainly directed to China and to some extent Sri Lanka. In the case of lead ores also, India needs to diversify its export markets and concentrate on other Asian countries such as South Korea and Japan.



Manganese Ores and Concentrates

World import of manganese ores and concentrate - amounted to US \$1.5 billion in 2006. Major import markets include China, Japan, Ukraine, Norway and South Korea. These countries principally sourced from countries such, as Australia, Gabon, Ghana, Brazil and South Africa. Except Japan, other

Country-Wise Exports of Ores and Minerals from India



Source: Directorate General of Commercial Intelligence and Statistics, Government of India.

major importing countries have not sourced from India. India's exports of manganese ores and concentrates were mainly targeted to Japan and China in the year 2006-07. It is important that India diversify its export basket of explore the potential of new markets. Ukraine Norway and France, which are major importers in 2006, should thus be targeted for export diversification.

Titanium Ores and Concentrates

World import of titanium ores and concentrates amounted to US \$ 1.09 billion in 2006. USA was the largest importer accounting for imports of more than US \$ 200 million. Other major importers were Germany (US \$ 146 million), Japan (US \$ 91 million). Taiwan (US \$ 81 million) and UK (US \$ 70 million). Major importers principally sourced in Australia, South Africa, Ukraine and Canada. India was the largest source country for Japan, with exports amounting to 44 percent India's total export of titanium ores and concentrates in 2006-07. Other major target markets of India were Malaysia, Korea, and Australia. India's export of titanium ores concentrates to other major import such as USA, Germany, Taiwan and UK were insignificant. India thus needs to concentrate penetrating in such markets.

Chromium Ores and Concentrates

World import of chromium ores and concentrates amounted to US \$ 1.09 billion in 2006. Major importers were China, Russia, USA, Germany and Japan. India, Turkey and South Africa were the main source countries for these major importers. India's export of chromium ores and concentrates were principally directed to China. In the year 2006-07, over 88 percent of India's total exports of chromium ores and concentrates were directed to China. Japan (8.0 percent), UAE (2 percent) and Indonesia were other major destinations for India's chromium ore exports. India, thus, needs to broaden and diversify its export base, targeting countries such as Russia and Germany.



Mica

Mica forms an important constituent of the export basket of Indian ores and minerals. The world market for Mica was valued at US \$ 114 million and the major importers were mostly the developed nations of the world like USA, Japan, Germany and the United Kingdom. China, USA and Japan have been playing the role of both importer and exporter. India has been a major exporter, catering over 20 percent of the world's total imports. All major importers have been sourcing from India. However, India could endeavor to broad-base the market's share in these countries.



Graphite

World import of graphite was around US \$ 235 million in 2006. Major importers were Japan, USA, Germany, UK and South Korea. Germany and USA have been importing as well as exporting graphite in 2006. Brazil is another major source country catering to the import requirements of Japan, USA and UK. India, holding third largest reserve base in the world (next to China and Czech Republic), and second largest producer (next only to China) lags behind in terms of exports. This is another potential item, the production of which could be strengthened to increase exports.

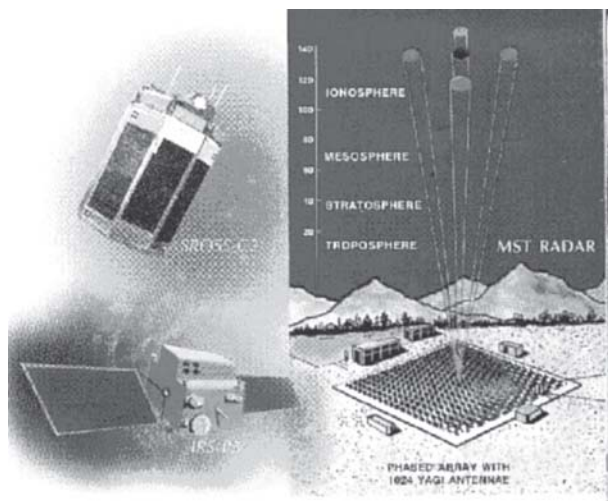


Challenges & Competitive Landscape

The mining industry is largely a capital-intensive industry, which acts as a significant barrier to entry and also raises the exit costs. In the world-mining scenario, there is a growing tendency towards consolidation, with a few multinationals dominating in several segments. The consolidation also led to backward or forward integration, especially with, the metals producers (steel and aluminium) joining the minerals segment, principally to defend the margins against escalating raw material prices.

Technological Challenges

The mining sector in the country is an age-old sector. Although the sector has been opened for private foreign investments since 1991, most of mining firms in India still fall under the public sector domain, and require significant investment for technology infusion. Obsolete equipment is leading to lower productivity and diseconomies of scale.



Infrastructure Bottlenecks

Inadequate infrastructure, both on-site and off-site, remains another bottleneck for the growth of the Indian mineral sector. The infrastructure requirement for the



Indian mining industry is not met fully due to insufficient capital funds for investments.

Investment Requirements

The mining sector has not attracted major investments despite liberalization of this sector for private and foreign investments. It may be mentioned that apart from right policy initiatives, challenges associated with land acquisition, onsite infrastructure development and transportation systems are acting as different to investment in this sector. Another fallout is the insufficient knowledge base about mining resources, mainly due to inadequate funds for exploration activities.

Insufficient Budget for Exploration Activities

The vast pool of mineral resources in the country is still very much untapped due to inadequate exploration initiatives, it may be noted that the Latin American and Australian regions have spent, in the year 2006, about US \$ 1700 million and US \$ 800 million, respectively, on exploration. India, which has an identical geological terrain, spends, on an average only US \$5 million on promotional exploration.

Procedural Bottlenecks

Procedural complexities, especially the multi-level approval procedure, under different statutes and rules, are acting as major deterrent for investment growth in the Indian mining sector. Industry sources reveal that procedural complexities involving statutory and non-statutory clearances consume more than a year to get mining license in India.

Inadequate Database on Mineral Concessions

It is being felt that there is inadequate information about areas available for different types of mineral concession in India. Such inadequacy in information-base also acts as a deterrent for potential investor. Though there are provisions under the MMDR Act to maintain information/database of prospecting licenses, mining leases, reconnaissance permits etc., it is not widely available for public knowledge.

Environmental Challenges

Mining activities involve various phases such as exploration and development, extraction, processing, transportation and transshipment. Each of these phases involve specific activities that can adversely affect environment. The mining industry causes air pollution,

water pollution, deforestation, degradation of land, noise and ground vibration, disturbance to local ecology; flora and fauna, and .generation of waste, all of these causing huge impacts in and around the mining areas. The expenses associated with mitigating such challenges are significant,

Social Challenges

Social unrest happens in the absence of responsible mining activities. In many parts of the country; mining activity is ' often undertaken without the consent of the local people. Responsible mining practices should include paying due regard to cultural circumstances of the local people and loss of access to common resources.

Policy Initiatives

It may be worth considering some short to medium term policy measures so as to improve the investment climate to promote broad-based growth in this sector. According to industry sources, clarity is limited in the rules governing the sector, specially with regard to grant or denial of concessions. The rules and regulations at the Centre and State levels are at times conflicting and confusing the investors. There should be a seamless transition from the stage of reconnaissance permit through prospective license to mining lease and security of tenure should be guaranteed to the maximum extent possible. The conditions for resettlement must also be made transparent and the rights of those whose lands are acquired must be suitably compensated.

Stimulating Investment

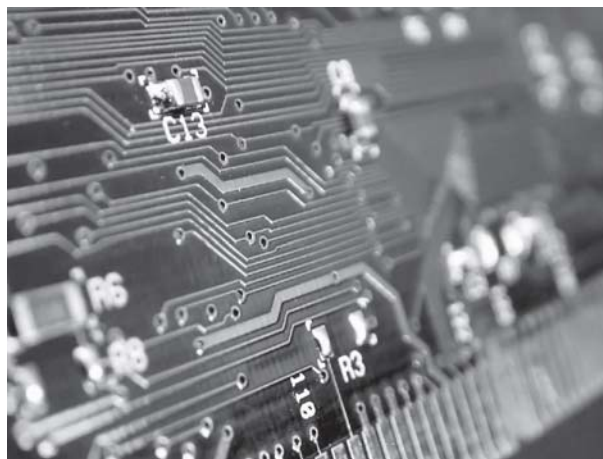
Appropriate fiscal concessions may encourage investment flows into the Indian mineral sector. Internationally, several mineral-rich countries are offering tax relief for investments made in the mineral sector. In India, under the New Exploration Licensing policy the oil sector gets 100 percent deduction in depreciation cost of exploration equipment within the first year and about 50 percent on certain capital machinery during the production stage. Such measures may also be extended to other minerals to encourage investment.

Coordination Committee for Clearances

It is perceived that the existing procedures for obtaining reconnaissance permit through prospective license to mining lease were time-consuming and cumbersome. It may be more effective if a Multi-Department Coordination Committee is set up to clear the proposals and grant various authorizations/licenses.

Technology Upgradation

The world over, technological changes are driving the profitability of the mining industry. Mine developers/prospectors in several developed countries are using laser measurement technologies, global positioning systems, modern extraction technologies and use of information technology in mine design and planning. In the development, advancement and utilization of such innovative technologies are very important for the Indian mining sector to be cost effective and globally competitive.



Infrastructure Development

The infrastructure requirement for the Indian mining industry is not met fully due to insufficient capital funds for investments. In addition to orienting the policies to attract investments for creation of mining infrastructure, the Government may have to encourage formation of joint ventures and alliances for shared infrastructure such as dedicated rail lines and power transmission networks. Further, an appropriate institutional in-line-work is also required for planning and promotion of mining related infrastructure.

Establishment of On-line Registries

In order to make available the information related to mineral title systems to the prospective investors and to ensure adequate transparency while choosing; areas for mineral concessions, it is important to establish on-line registries, as available in many resource-rich nations such as Australia and European countries.

Increasing Competitiveness

The Indian mineral sector needs to improve the quality and productivity in order to compete effectively in international markets. Competitiveness could be enhanced through efficiency in operations and prudent

cost-cutting measures, through technology infusion.

Strengthening Human Resources

Majority of the personnel available in India are required get requisite exposure in international practices. There is need for continuous upgradation to technology skills, thereby the productivity in the sector could be upgraded.

Value Addition

Many state governments link the value addition clause with the mining leases, and insist that the concession holder should set up the mineral processing unit within the boundaries of the state. It may be mentioned that source of raw materials (mineral base) alone is not a determinant factor for investment intentions. There are host of other issues such as availability of power, labor and technology that influence investment decisions. Such conditions may have to be introduced in phases as the prospective investors have unprecedented opportunities across the world to access prospective geological areas in almost every region of the world.

Environment Friendly Approach

Extraction and development of minerals are closely interlinked with other natural resources like land, water, air and forest. The areas in which minerals are often present, have other resources presenting a choice of utilization of the resources. Some such areas are ecologically fragile and some are biologically rich. It is necessary to take a comprehensive view to facilitate the choice or order of land-use keeping in view the needs of development as well as needs of protecting the forests, environment and ecology.

Sustainable Development

One of the major challenges faced by the Indian mining sector is integration of economic activity with social

concerns. It may be worth realising that the objective of sustainable development in the mining sector should be to maximize the investment returns and to ensure an equitable distribution of the costs and benefits to the existing generation without reducing the potential benefits for the future generations to meet their own needs.

Social Issues

Though enabling provisions are made through law, it should be the responsibility of the mining companies to obtain the consent of local people to gain access to land. While doing so, the cultural circumstances as also the living standards of the local population are taken into consideration.

Conclusion

India's exports have largely been confined to only few minerals, with iron ore accounting for a significant share. It is therefore wise to diversify its export basket with mineral products that have a longer life index or with a larger reserve-base. India may, at the same time, identify the markets that can be tapped for such expanded list of products. This would not only help the country to have a diversified export base, but also avoid depletion or exhaustion of specific ores that may be critical for the development of the country in the years to come. This could be achieved through a more pro-active approach to undertake exploration activities. It is a matter of fact that the players in this sector have to increase their investments in exploration activities and make the mining activity as a composite business and not as a stand-alone business. Once exploration is given a greater emphasis in the business models of the players in this sector, mining would become a lucrative activity with an increasing volume of proven mineral reserves across the country. An appropriate incentive framework may also need to be developed in order to attract private sector foreign investment in exploration related

activities in the country. Mineral Exploration Tax Credit, as has been extended in some mineral-rich countries, may be one such measure to attract exploration-oriented investment in the Indian mineral sector.

Full study is available with Dharmendra Sachan, Chief Knowledge Officer, EXPORT-IMPORT BANK OF INDIA, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai - 400 005, India.

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India's Foreign Policy Attuned to Tackle Global Economic Issues

Minister of State for External Affairs Anand Sharma has recently talked about India's foreign policy, how it is evolved to suit the requirements of changing international political and economic environment and relations with developed nations. He was speaking at the round table conference organized by the Federation of Indian Chambers of Commerce and Industry (FICCI) on the theme 'Foreign Policy-Implications for Indian Business' on 8th May, 2008.

The main objective of India's foreign policy after the country achieved its independence was to sustain a high level of economic development and eliminate poverty. The challenges were weak connectivity, infrastructure and economic and political partnership with developed countries.

Imbalance reflected in international relationship where priority was to achieve political objective rather than economic objectives. This was a difficult period as developed countries denied sharing of technological development with developing nations.

The 1980s saw the drastic changes in technologies. Political objectives took back seat, collapse of Berlin wall, the collapse of Soviet Union, etc., affected the international relationships with developed countries as there were more technological exchanges.

The leadership and initiatives of then Prime Minister Rajiv Gandhi helped India take a huge leap in the field of communication technology,

space sciences including India's generics particularly healthcare.

In the 1990s, both political and economic content in foreign policy received an important space. Economic diplomacy became important than political diplomacy as both had to co-exist to pursue the country's national interests. It was a dynamic phase, which witnessed rapid globalization, with modern modes of transport. Economic activities were intensive with China, Asia, South Africa, and America.

The Indian economy was unshackled and ready to take the plunge. The Indian entrepreneurs were free to look for opportunities and investment outside. India's foreign policy aimed for double-digit growth and sustains the same to ensure economic and technology development and education gained priority. These economic activities and industrialization led to generation of wealth and employment.

Democracy strengthened the fundamental requirements like legal protection. This phase saw emergence of Indian "Multinationals" who invested globally where investments abroad surpassed the investment within the country. The Government encouraged investment in urban and rural infrastructure e.g. energy sector saw investment of around USD 550 billion.

Unlike in the past, the foreign policies have to incorporate the economic policies as well as look into



aspects like climate degradation, energy security and food security. Thus, the Indian government sought to engage all the major powers of the world as external economic development cannot be isolated from internal economic development. The major problems faced were international rivalry and terrorism (especially faced by south Asian countries). This phase stressed on regional stability and growth. India being one of the world's largest economies committed to play a pioneering role in sharing its experiences in technology and political development.

Even though India has expressed its consternation to China on the Tibet issue and on border issue, it has been encouraging the bilateral trade between the two nations. Indian Economic engagement with China is growing rapidly. The bilateral trade with China reached US\$38 billion last year and is expected to touch US\$80 billion by 2010. The bilateral trade potential with Asia Pacific countries has grown rapidly to reach US\$60 billion last financial year and the bilateral trade with Africa increased to US\$32 billion.

Significant investment is seen in every sector, i.e. agriculture, automobiles, Information Technology, communication and pharmaceuticals. The government has formed special divisions in foreign missions to guide and facilitate investment in various countries. The key issues addressed by the foreign offices to strengthen in various countries in the fields like agricultural, Science & technology, aid concessions, lines of credit etc.

The economics of oil and other related sectors, which play pivotal roles in today's political economy. The Indian foreign policy has laid emphasis on the issue of energy security due to rise in price of petroleum from US\$50 to US\$150 in last few years. While assessing the

availability of sources of energy again hydrocarbon has limitations. As much as 70 percent of India's fuel requirement depends on imports. The government is also encouraging the use of renewable energy, such as solar, fossil etc.

The alternative sector bio-fuels usage needs to be justified to ensure that food is not diversified. Today we see that huge quantity of food is being diversified to produce bio-fuel e.g. corn and it forms the staple diet of many countries. Demand for ethanol and other bio-fuels is a "significant contributor" to soaring food prices around the world. Increases in bio-fuel production have contributed to the added demand for food. There is a clear linkage between food and economic security. Thus, foreign policy has to focus food and health security.

Climate change is another important issue faced by all the countries in the world. There is a need to have long-term policies and mechanisms to ensure commitments from both developed and developing countries to combat climate change by adopting green house mechanism. These policies need to be common to all and at the same time independent in nature. The Indian foreign policy is working towards this goal.

Another important role of the foreign policy is to promote and develop strategic relations with major powers of the world. Today India is working to strengthen its relations with Russia, Japan United Kingdom, United States, Brazil, Germany, and African countries.

There is a visible shift from economic development to territorial security. It is precisely for this reason that several nations from Asia, Latin America and Africa have come together to create a conducive atmosphere in the

United Nations (UN) in order to make it more democratic and all encompassing so that more nations can join. This effort is being led by the Indian government, which has repeatedly made its stand clear that it does not support some nations use the veto power. Historically the relationship with Africa has evolved positively leading to partnerships in education and capacity building in all fields.

India's Foreign Policy is committed to secure peace and harmony in the world. Indian Foreign policy has been instrumental in changing the world economic and political attributions. New reforms in financial institutions are instigated taking into account the development and changes in the last 15 to 20 years. India is re-emerging as an international power. ■



India, Argentina Agree on Early End to Doha Round of Talks

Visiting Argentine Secretary of Trade and International Economic Relations Ambassador Alfredo Chiaradía met Indian Commerce Secretary Gopal Pillai in Buenos Aires on 9 and 10 June 2008 and discussed about the WTO agenda and analysed the current status of the Doha Round multilateral trade negotiations. Both Secretaries agreed on the importance of concluding the multilateral negotiations as soon as possible in line with the Doha Development Mandate and to liberalize and expand trade, particularly in goods and services of special interest to developing country members.

Both agreed that an early conclusion of the Doha Development Round would also reinforce the multilateral trading system. In order to reach this goal, they underlined the need to correct the current imbalances observed in the negotiating text, particularly in the key areas of agricultural and non-agricultural goods (NAMA) and noted the key role played by the G-20 and the NAMA-11 groups of developing countries of which both India and Argentina are members.

As regards agriculture, both sides agreed that a substantial reduction in the overall trade distorting subsidies (OTDS) should be achieved so as to eliminate the possibility available to developed country members, specially the United States and the European Union, of increasing currently applied support levels.

At the same time, it should be ensured that the green box payments are budget neutral and that no distorting subsidies are transferred to the green box. Regarding market access, both sides stated that the linear percentage of a minimum 54 percent of average tariff cut proposed for developed countries in the chairman's text should be respected as also the granting of a

significant expansion of tariff rate quotas for sensitive products, which should be transparent and explicit.

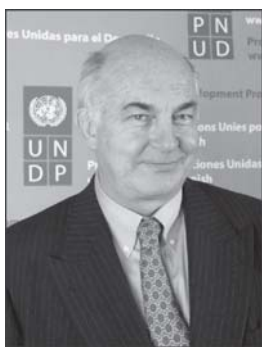
In relation to non-agricultural goods, both sides noted that neither India nor Argentina would be willing to an agreement that disregards the Doha mandate, the July framework agreement of 2004 and the Hong Kong Ministerial Agreement of 2005 stipulating less than full reciprocity in reduction commitments for developing countries in relation to developed countries.

Both sides also reiterated that a final agreement should respect special and more favorable treatment for industrial sectors of developing countries and which was clearly spelled out in the nature of additional and adequate flexibilities for their sensitive and vulnerable industrial sector. Both sides also stressed on compliance with paragraph 24 of the Hong Kong Ministerial Declaration which called for a balanced outcome in market access for agriculture and NAMA.

Both sides noted that the current draft text for NAMA did not reflect this balance which called upon developing country members, especially members of the NAMA-11, to take much higher cuts than those undertaken by developed countries. This was totally unacceptable. Both sides noted the discussions on enhanced flexibilities up to 14% of tariff rates and of 19% of trade value on developing country members sensitive products in NAMA and called for further discussions to enhance both the number of tariff lines as well as trade value to be covered under the flexibilities. Both sides rejected the linkage, especially in the text of the chairman between the flexibilities and the reduced Swiss formula coefficients which went against the Ministerial Mandate.

In conclusion, Secretaries Pillai and Chiaradía called for restoration of the balance in the negotiations, fully respecting the principle of less than full reciprocity, Paragraph 24 of the Hong Kong Ministerial Declaration and special and more favourable treatment for developing countries. Only such a balance would make it possible for both India and Argentina to approve the modalities and enter the final stage of the Doha Development Round. They urged the developing countries to show the necessary political will towards restoring this balance and to reciprocate the important contribution that developing country members are making to the Round and the WTO-based multilateral trading system. ■





La 23ª Conferencia Anual del Día de Comienzo del Banco Exim

El sur naciente debe cambiar el gobierno económico global

- Kemal Dervis, Administrador PNUD

Kemal Dervis, el Administrador del Programa del Desarrollo de Naciones Unidas, dio una conferencia sobre el tema "las Perspectivas en la Nueva Estructura de la Economía Mundial" con motivo de la 23ª Conferencia Anual del Día de Comienzo del Banco de la Exportación-Importación de la India el 18 de marzo de 2008 en Mumbai. Dervis, que visitó India junto con una delegación de PNUD, sostiene que el sur naciente, que incluye India, debe cambiar el gobierno global para mejorar la economía de mundo. Extractos.

Mi última visita fue en el otoño de 2005. Recuerdo que en aquel momento mis amigos indios debatían si una tasa del crecimiento del 8 por ciento fue un objetivo sostenible del término medio o si quizás 7 por ciento fue un objetivo más práctico y probable. Los expertos internacionales proyectaban generalmente una tasa de crecimiento un poco más baja para India, más cerca al 6 por ciento en la década próxima por ahí. Hoy el debate ha cambiado: la mayoría de las proyecciones, nacional o internacional, ha subido a la gama del 8 a 9 por ciento, para los años venideros por lo menos.

India ha unido China como uno de los dos nuevos gigantes nacentes en la economía de mundo, trayendo una gran esperanza a sus propios pueblos, pero también esperanza a cientos de millones de ciudadanos de los países en desarrollo que ahora pueden comenzar a creer que es realmente posible alcanzar los países ricos avanzados, que el mundo no será dividido para siempre entre los países que tienen y los que no tienen, que nuestro nuevo siglo 21 puede ser uno de convergencia económica en lugar de la divergencia adicional.

Han habido casos del crecimiento muy rápido antes: Japón en las cuatro décadas después de la II Guerra mundial, y la República de Corea más recientemente. Pero la escala de estos ejemplos fue limitada y no tuvo como resultado una mejora en la distribución mundial de ingresos si vemos el mundo "como si" fuera un país. Tal mejora ahora está ocurriendo, aunque muchas veces la subida masiva de desigualdades de dentro de país casi por todas partes del mundo contrarreste el efecto que iguala del crecimiento indio y chino. La falta del progreso en muchos de los países más pobres, la mayoría del en África sub-sahariana, es un factor

adicional que contribuye a la persistencia terca de la desigualdad mundial.

Desde el verano de 2007 un diferente tipo de esperanza ha surgido con respecto al crecimiento rápido de India y China: si este "crecimiento asiático" podría ayudar a evitar un significativo retraso económico mundial, incluso si condiciones muy cercas a retroceso fueron de prevalecer en 2008 y 2009 en muchas de las economías ricas, especialmente en Estados Unidos, después de la extensión de la crisis de la hipoteca de la sub-prime?

Yo me centraré en dos dimensiones de la economía mundial hoy que también tiene alguna relevancia para India. Primero compartiré con usted algunos pensamientos sobre el papel que el sector financiero ha jugado en los recientes acontecimientos económicos mundiales y sobre lo que se llama el "capitalismo financiero" como opuesto al "capitalismo industrial" de tiempos anteriores.

Los analistas de diferentes partes del mundo se preguntan y debaten cómo, lo que comenzó como la crisis de hipoteca de sub-prime en Estados Unidos y desde entonces ha convertido en una crisis grave del sector financiero en los EEUU y partes de Europa, afectará la economía mundial en total y los países en desarrollo inclusive India en particular. Así que quise compartir algunos pensamientos personales con usted esta noche sobre los acontecimientos recientes del sector financiero dentro de una perspectiva del término más largo.

Yo entonces querría dirigir otro aspecto del debate reciente, relacionando a la estructura cambiante de la economía mundial y echara una mirada a la

participación creciente del "sur naciente" en agregados macroeconómicos y en lo que esto significa para ambas distribuciones de ingresos y crecimiento en la economía mundial. Por último, en conclusión, yo diré unas palabras sobre el asunto del gobierno económico global en referencia con los desarrollos recientes y la nueva estructura de la economía mundial.

I. Aceleración de crecimiento global y el sector financiero

Parece claro que las últimas dos décadas han sido caracterizadas por el crecimiento mundial rápido y acelerado, con la tendencia interrumpida tres veces: alrededor de 1997, alrededor de 2001 y ahora otra vez alrededor de 2008, aunque no sabemos todavía hasta qué grado esta interrupción será grave. Los tres han sido causados por dificultades de sector financiero de una naturaleza más o menos global. El primer de estos golpes del sector financiero fue la crisis financiera asiática que se extendió a Rusia e Ibero América.

Somos todavía en medio de viviendo por el tercer choque del sector financiero que la economía mundial experimenta desde que los años 1990s tempranos.

El hecho, sin embargo, es que el sector financiero nunca puede ser un asunto puramente privado. Está en el corazón de la economía moderna de mercado y juega un papel que organiza lo que es por un buen público. Su fracaso afecta la economía entera y a todos los ciudadanos. El elaborador de la política pública no puede permitir que el sector financiero falle en una manera sistémica y tiene que rescatarlo de una manera y otra. Es importante y justo, por lo tanto, que sea regulado de una manera que favorece responsabilidad, un horizonte de término más largo y una evaluación del riesgo por sus directores, que no sea truncado por la necesidad inevitable para la socialización de pérdidas grandes.

Estas consideraciones son basadas en acontecimientos en las economías más avanzadas y más ricas así como en las reversiones de flujo de capital experimentadas por muchas economías del mercado emergente en el pasado.

Quizás estos todavía no son directamente aplicables a un país como India, donde el sector financiero es liberalizado sólo gradualmente, donde instituciones financieras públicas todavía juegan un papel importante, y donde la cuenta de capital es todavía sólo parcialmente abierta. Es probable que India sea afectado por la confusión, sin embargo. Además, para el desarrollo propio de India, un re-fortalecimiento adicional de la capacidad del sector financiero para movilizar y los recursos intermedios, inclusive recursos extranjeros,

para sostener el crecimiento será beneficioso. Por hacerlo así, puede ser útil analizar algunos de los excesos que han ocurrido mundialmente y para construir un sistema regulativo moderno que combina los incentivos para el dinamismo y la innovación con incentivos para la responsabilidad y horizontes de término más largos.

II. La Estructura Cambiante de la Economía Mundial

Permítame ahora cambiar a algunas observaciones en lo que el retraso actual en las economías ricas significa para el crecimiento de mundo y crecimiento en las economías en desarrollo a la luz de los cambios estructurales que han sucedido.

Algunos argumentan que a pesar de la naturaleza grave del retraso en las economías avanzadas provocadas por las dificultades del sector financiero referidas antes, el retraso mundial será muy limitado a causa del nuevo peso económico ganado por el "sur naciente", y por India y China en particular. Vamos a echar una mirada, por lo tanto, a cambios en tendencias de estructura y convergencia en la economía mundial.

En el comienzo los diez países más ricos fueron solamente casi dos veces más ricos en promedio como estos diez países de comparador. La diferencia se triplicó a lo largo de un siglo y una mitad. Comenzando en los años q960, sin embargo, estos diez rápidamente crecientes países comenzaron a ponerse al nivel, sin embargo y el vacío de ingresos ahora ha sido reducido a tres y continúa a reducirse. Después de un período largo de la divergencia, ahora ha habido varias décadas de convergencia para estos países.

India no era en durante este período largo uno de los diez países rápidamente crecientes en el "Sur". ¿Podemos decir nosotros, por lo tanto, que la era moderna de la globalización, es uno de convergencia? Desafortunadamente la historia no es tan sencilla.

La historia aquí está uno de divergencia masiva y persistente. Cualquier cosa que permite algunos de los países en desarrollo para ganar de la globalización y "ponerse al nivel" con los países más ricos no "sucede" en muchos países, muchos, pero no todos en África.

Sin embargo, gracias principalmente a las poblaciones inmensas de India y China, y el funcionamiento económico de estos dos gigantes, es correcto decir que la tendencia de convergencia, ciertamente cuando pesado por población, es más fuerte que la tendencia de la divergencia y que para partes grandes del sur naciente, hay por fin un "ponerse al nivel" de rentas per capita.

Hay también el papel creciente y impresionante de Multinacionales "del sur", de muchos de ellos indios, y del papel que ellos jugarán en la economía mundial. Tal análisis está más allá del alcance de mi conferencia esta noche y verdaderamente mientras hay mucho trabajo académico y profesional por estas líneas, las uniones Norte- Sur que han ganado tanta importancia en los últimos años, parecen quedarse menos-analizado.

Permítame enfatizar solamente, en este momento, que el hecho que el "el sur naciente" ha ganado mucho peso en la economía mundial, no significa que habrá desconexión del crecimiento en los meses y años venideros. Si el norte rico experimenta un retraso más grave que lo que es proyectado actualmente, con crecimiento promediando menos que el 1,5 por ciento en el período de 2008-2009, las consecuencias serán severas también para el "sur naciente". Es importante recordar en este contexto que el mercado norteamericano interno puede encogerse aun si el crecimiento de I PIB de EEUU se quede apreciablemente positiva, dada la caída del dólar y la reducción probable en el déficit actual de cuenta de EEUU que forma parte del proceso general del ajuste.

No pienso que comprendamos completamente las uniones complejas que están en el trabajo. En los ejercicios de modelar, mucho depende de lo que es exógeno asumido y lo que es tratado como endógeno. Mucho también, por supuesto dependerá de las reacciones de la política. Como fue indicado recientemente por el nuevo Director gerente del FMI, hay muchos países en el mundo con posiciones fiscales razonablemente fuertes y estos países podrían ayudar a contrarrestar las fuerzas que empujan un retraso en la economía. Esta declaración sorprendió muchos, viniendo del jefe de una institución conocida para su conservatismo fiscal, pero pienso que Dominique Strauss Kahn tenía mucha razón en enfatizar la necesidad para un enfoque internacional a la política fiscal, con los países que tienen espacio fiscal, teniendo una capacidad más grande para ayudar a proteger la

economía de mundo de la recesión.

Estamos en un momento de la incertidumbre considerable. Desde el verano de 2007 casi cada semana ha traído malas noticias adicionales del sector financiero en los EEUU y Europa, con la enfermedad empeorando y extendiendo a través de instituciones financieras. En un número creciente de casos, ahora parece no solo como un problema de liquidez, pero también como un problema de insolvencia. Por otro lado, dado el tamaño de la confusión del sector financiero, el sector verdadero parece estar resistiendo más bien, hasta ahora por lo menos.

Muy sorprendentemente, también vemos un incremento continuado en precios de materias primas, sin precedentes en tiempos recientes, que en mismo podría ser visto como otra clase de "desconexión": no una "desconexión" del Sur del Norte, pero de un "desconectar" de esperanzas verdaderas de sector en el sector financiero! A final de cuentas, las subidas muy rápidas del precio en materias primas y bienes deben señalar crecimiento futuro fuerte en lugar de una recesión. No seré tan imprudente para hacer las predicciones fuertes esta noche. Pero me parece que como ha sido el caso de la crisis mencionada anteriormente, basada en dos recientes sectores financieros anteriores, la respuesta fuerte de la política provocada por el pánico del sector financiero, especialmente en Estados Unidos, puede ayudar a parar un resbaladero en la recesión.

También puede ser el caso que la parte "autónoma" o puramente regionalmente conducida de la demanda efectiva, especialmente demanda de inversión, ha subido substancialmente, en China e India, y en otras partes de Asia. Esto merece el análisis cuidadoso. En equilibrio es muy probable que esta contribución del sur "naciente", emparejado con una combinación keynesiana sinceramente vigorosa de la política de expansión en los Estados Unidos, tendrá un efecto fuerte y parará el resbaladero algún tiempo durante 2008, a pesar de una postura mucho más conservadora por el Banco Central Europeo que mantiene tercamente a su enfoque del " control de la inflación es nuestro único mandato". Así que el crecimiento mundial puede continuar en la gama de 2 a 3 por ciento en los próximos dos años. No el incremento que vimos en la aceleración del crecimiento de 2002-2006, pero suficiente para estar lejos de una recesión global y evitar el dolor terrible que les traería a las personas más pobres y vulnerables del mundo. Esto permitiría que el crecimiento indio también sea menos dañado por circunstancias globales y quizás mantiene un ritmo no demasiado lejos del vecindario del 8.0 por ciento en los próximos dos años, lo que por supuesto sería un gran



logro en una economía mundial que crece sólo en la gama de 2 a 3 por ciento (en precios de mercado).

La respuesta totalmente expansionista de la macro-política de EEUU por supuesto lleva consigo los peligros de un impulso inflacionario y de causar otra vez lo que sucedió tres veces en los últimos 10 años: reemplazando una burbuja de la ventaja por otro. Después de salir de la deuda de mercado en mediados de 1990s, las acciones de (compañías) dot.com en la vuelta del siglo y valores de la hipoteca en el período de 2004-2007, pueden ser muy probable que ahora los bienes suben en el precio en una tasa desazonable e insostenible, impulsado otra vez por los recursos grandes de inversión y liquidez fundamental acompañante disponible en Asia a causa de tasas altas de ahorros, en el Oriente Medio a causa de la mina del petróleo y en las economías avanzadas a causa de una subida significativa en la participación de ganancias e ingresos altos en PIB. Cada una de estas burbujas han tenido una raíz en cambios económicos verdaderos. Los mercados emergentes llegaron a ser destinos más atractivos para la inversión cuando sus gobiernos emprendieron las reformas amistosas de mercadotecnia y abrieron sus economías a fuerzas globales. El sector de (compañías) dot.com abrió nuevas perspectivas para hacer el negocio y incrementar la productividad.

El crecimiento impresionante de India y China ha aumentado la demanda para materias primas, el alimento y la energía en una manera duradera. ¡Pero cada vez, los mercados financieros se pasan de la raya y las políticas macroeconómicas son forzadas a reaccionar al busto resultante favoreciendo, sin querer, otra burbuja en otra parte!

¡Yo no estaría sorprendido, por lo tanto, que dos o tres años después nos damos cuenta de que la liquidez y el empujo-macro generados para luchar la crisis de bienes raíces de sub-prime acabó impulsando una burbuja de bienes, y que podemos otra vez, entonces, enfrentándose a luchar las consecuencias negativas de un ajuste imprevisto hacia abajo, esta vez en precios de materias primas! Lo cuál me trae, otra vez, a lo que comencé con: si queremos cosechar los beneficios del progreso técnico y oportunidades globales en una moda más constante, en lugar de ser sujeto a choques recurriendo continuamente en el sector financiero, puede ser tiempo de atacar las causas primordiales de estos golpes en términos de la regulación del sector financiero que se centra en la naturaleza de los problemas estructurales en el sector financiero, en vez de utilizar instrumentos macroeconómicos bastante directas que pueden trabajar a corto plazo dando fianza a todos, pero muy a menudo preparan la próxima

tormenta financiera.

Observaciones concluyentes

Todo esto importa a India y al mundo en desarrollo: los problemas regulativos en el mundo desarrollado pueden causar que la tasa de crecimiento de India disminuya substancialmente. Puede robar África de la primera oportunidad verdadera en décadas para acelerar su progreso. Puede significar que cientos de millones de personas vulnerables sean negados la oportunidad de escapar la pobreza extrema. Creo, por lo tanto, que el "Sur naciente" debe pesar, utilizando todos medios pacíficos en su disposición, para cambiar la naturaleza del gobierno global. Es también esencial que los LDCs (los países menos desarrollados) puedan aumentar su voz. Es difícil de comprender que el Consejo de seguridad de las Naciones Unidas refleje el mundo como era en 1945. No parece correcto que Brasil e India tengan menos voto en los Consejos del FMI y el Banco Mundial que los países europeos muy pequeños. No parece correcto que el Foro de la Estabilidad Financiera se queda como el club de los ricos. No parece correcto que los países como India sean invitados a reuniones G8 justo para almorzar. No parece correcto que el "sur naciente" todavía sea permitido sólo un papel secundario en las decisiones grandes en las posiciones altas de gerencia en el sistema internacional, inclusive la presidencia de comités como el Comité Internacional, Monetario y Financiero (IMFC). Por una parte se discute que el "sur naciente" debe guardar la economía mundial de la recesión, que debe aceptar y deber a todas las políticas elaboradas en el norte rico, que ahora también debe tomar mayor responsabilidad en el combate contra el desafío muy verdadero del cambio del clima, y, al mismo tiempo se niega al Sur su lugar y el peso naturales en la toma de decisiones y las instituciones coordinadoras de la comunidad internacional. Creo que es tiempo para el cambio. Creo que los países ricos no pueden estar en misa y repicando también. Espero que India entrara en el esfuerzo atrasado para construir un mejor gobierno global y más equitativo, no solamente relacionando al sector financiero. Espero que India prestará su peso creciente a una reforma y reforzando las Naciones Unidas y las instituciones de Bretón Woods, para que el mundo interdependiente en que vivimos pueda proporcionar los beneficios a todo, puede ser regulado en una manera prudente y responsable, y para que los intereses de las mujeres y hombres más pobres en nuestra planeta puedan recibir la atención igual a los intereses de los más ricos y poderosos. Creo que esto es lo que el Mahatma Gandhi represento cuando él luchó para la India nueva, moderna e independiente. ■

La farmacéutica Herbal listo para abrir avenidas globales para India

La medicina herbal ha llegado a ser integrante al negocio de la asistencia sanitaria. India es uno de los productores más grandes de hierbas medicinales. Hoy, el mercado indio de hierbas registra un crecimiento muy significativo y es probable que alcance Rs 145 mil millones para 2012 y se estima que las exportaciones alcanzarán Rs 90 mil millones con un CAGR (tasa de crecimiento compuesto anual) del 20 por ciento, según un estudio realizado por Cámaras Asociadas de Comercio e Industria de India (ASSOCHAM).

Actualmente, el tamaño de mercadotecnia india de hierbas es estimado a ser de Rs 70 mil millones y el valor de hierbas de materias primas y medicinas con valor de más de Rs 36 mil millones son exportados por el país. India, seguido por China, es el productor más grande de plantas medicinales, teniendo más de 40 por ciento de la diversidad global. Por lo tanto, obviamente hay el alcance vasto para fabricantes indios para entrar en la oportunidad creciente mundial del negocio en el campo de hierbas farmacéuticas.

Las razones citadas para el crecimiento exponencial de la industria de hierbas comprenden de establecer grupos de granja de hierbas por el gobierno para mejorar la calidad de drogas y promoción de exportaciones, duplicando el cultivo de plantas medicinales convirtiendo la superficie existente total de la explotación, foco continuo para I y D en el desarrollo del producto y proceso y el marketing efectivo de productos herbares.

India tiene 15 las agro-zonas climáticas, 47.000 diferentes especies de planta (casi 20 por ciento de las especies globales) y 15.000 plantas medicinales. Los Sistemas indios de la Medicina han identificado 1500 plantas medicinales, de cuál 500 especies son utilizadas en mayor parte para la preparación de drogas. Los estados, que son productores mayores de plantas herbales que tiene el valor alto medicinal, incluyen Gujarat, Rajasthan, Haryana, Tamil Nadu, y Andhra Pradesh y la cadena de Himalaya. De 700 especies de planta utilizadas comúnmente en India, sólo 20 por ciento fue cultivado antes en la escala comercial y el 90 por ciento de planta medicinal utilizada por las industrias es recogido de la tierra virgen.

Las medicinas que han establecido la demanda para la exportación en economías de la escala y son producidas con normas internacionales de calidad incluye cáscara de psyllium, hojas y las vainas de sema, las pastillas y polvo de sándalo, las semillas de Jojoba, las semillas de psyllium, el pelitre, albahaca, hyasop, el romero safe, svory, rhizonmes y raíces de galangal. La aplicación de estas medicinas es multifacética y aún cura enfermedades graves con precauciones pequeñas y por eso éstos están muy solicitados. Sin embargo, la participación de India en la exportación medicinal de planta en el comercio global es casi 2,5 por ciento contra el 13 por ciento de China.

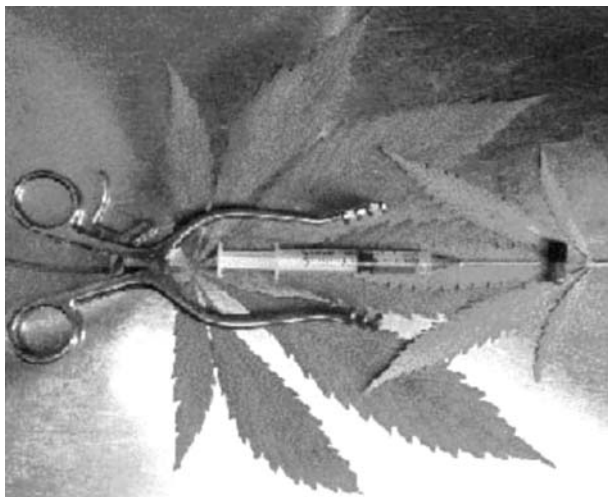
Investigación y Desarrollo

I Y D es muy importante, ya que fito-constituyentes son difíciles de discernir y analizar en formulaciones poli-herbales, la área principal de debate queda en la estimación cualitativa y cuantitativa de estas formulaciones en comparación con formulaciones alopáticas estandarizadas.

Las oportunidades de la Inversión existen en este sector en las siguientes industrias:

- La extracción de gel de Aloe vera y la unidad de fabricación de polvo secado por rocío secaron las unidades.
- Las Unidades para producir los extractos de varias hierbas.
- Las unidades fraccionarias de la destilación para la adición de valor en óleos esenciales.





- Varias unidades de la formulación de la droga ayurvedica.
- La Promoción de colorante de alimento y vegetales.
- La Producción de concentrados de flores.
- Procesamiento primario de hierbas crudas.
- Unidades para remover la cáscara de Isabgol.
- Cosméticos herbales
- Unidades para hacer los compuestos de perfumería
- La Producción de bio-diesel.

Desafíos

La valla mayor para cultivar plantas medicinales y aromáticas como una profesión agrícola sostenible es la falta de mercados organizado y regulado en India. La producción regulada en líneas científicas, la aplicación efectiva de sistema de licenciar y estableciendo de Zonas de Promoción de Exportación (EPZ) en estados selectos levantará las exportaciones de material y medicinas herbales.

Aunque India es el hogar de Ayurveda, uno de las formas más populares de la medicina herbales, sólo 30 por ciento es fármacos y casi 70 por ciento constituye los productos sin receta (OTC).

Aunque India es uno de los productores más grandes de hierbas medicinales, el mercado sufre por la falta de investigación clínica, la estandarización y la regulación.

Eso aparte, los exportadores indios de la droga herbales se enfrentan las normas rigurosas de la calidad impuestas por la UE por la Directiva de los Productos tradicionales medicinales herbales (THMPD) y Directiva de Suplemento de Alimento (FSD). Estas directivas favorecieron los productos de alta calidad pero consecuentemente los productos de calidad inferior de los sectores no organizados son rechazados por ellos.

Más de 70 por ciento de la planta, las colecciones

implican cosechar destructivo a causa del uso de partes como raíces, la corteza, la madera, el tallo y la planta entera en caso de hierbas. Esto significa una amenaza definida a las reservas genéticas y a la diversidad de plantas medicinales si la biodiversidad no es utilizada sosteniblemente.

Recomendaciones

Los granjeros deben ser entrenados para manejar los productos y difundir información sobre las perspectivas del cultivo, procesando y marketing de plantas medicinales.

Las zonas de la promoción de la exportación para acelerar las exportaciones de hierbas de la riqueza son necesario por lo que asistencia y el apoyo de I y D es un necesario por asignaciones y recursos centrales.

Las pautas de la registro son diferentes y únicas para cada país. De ahí, también se debe pensar en la posibilidad de encontrar tales requisitos antes de la identificación del mercado para nuestro producto.

La situación actual demanda datos regulativos y pruebas de regulaciones para cada producto a exportar. Así estandarización de productos herbales tiene la importancia inmensa para varios procedimientos de registro en países extranjeros.

Otra área, que requiere atención, es identificación, colección, compilación, averiguación, evaluación y disseminación de datos auténticos de mercadotecnia con respecto a productos herbales.

La Corporación Municipal de Delhi ha desarrollado nueve parques de hierbas en nueve de sus zonas. El parque de hierbas tiene el primer árbol joven de Rudraksh plantado por la corporación. Tiene más de 70 diferentes especies de plantas.

Conclusión

Desde del cultivo mismo de plantas medicinales a exportaciones del las formulaciones herbales con valor añadido a mercados internacionales, la oportunidad está a la puerta de India. Recientemente, una nueva clase de productos regulados ha surgido en los EEUU y UE bajo los términos los productos botánicos de la droga (BDPs) y los productos medicinales herbales (HMPs) respectivamente. Esto es una oportunidad para los defensores de Ayurveda que reclaman constantemente que 'los productos de Ayurveda son las medicinas y no suplementos de alimento'.

SMEs (Empresas Pequeñas y Medianas) farmacéuticas: Pequeños Motores con el Potencial Grande de Desempeño

En la nueva edad de la globalización, el tamaño no importa. Las empresas pequeñas y medianas (SMEs) a menudo son llamados como los conductores del crecimiento económico. El establecer contactos relativo al negocio transfronterizo permite a las SMEs para ensanchar sus canales de mercados y distribución, realizar las economías de la escala y del alcance en productos y procesos, y proporcionar las oportunidades para la venta y licenciando de activos basados en tecnología.

En el sector farmacéutico indio, las compañías pequeñas y medianas que reinventan a sí mismas. Las perspectivas de la industria farmacéutica atraen a participantes extranjeros que son ansiosos de tomar parte en el desarrollo de la industria de la droga del bulto. Hay casi 250 unidades grandes y casi 9000 unidades de la escala pequeña, que forman el centro de la industria farmacéutica en India (inclusive cinco unidades del sector público de Centro). Las SMEs tienen fuerzas en la fabricación, en la cadena de suministro y en las operaciones del campo.

Las SMEs en el sector farmacéutico han estado emprendiendo los trabajos del contrato de fabricación de nivel bajo. Esto es porque ellos no tienen otra opción ya que los participantes más grandes ya han tomado los trabajos de nivel alto. Esto es una oportunidad para ellos y ellos tratan de aprovechar de ello.

Las SMEs en la industria farmacéutica recientemente han estado ganando rentas rápidas e inmensas de los Servicios de Investigación y fabricación por Contrato (CRAMS). Este campo creciente tiene el potencial tremendo no sólo en el mercado interior sino también en avenidas globales. La mayor parte de las SMEs no sólo sobrevivirán sino también prosperarán ya que el mercado indio de CRAMS es

estimado a tocar la marca de los \$900 millones para 2010.

CRAMS es renta rápida para las SMEs porque ellas tienen que existir primero y después crecer. Así que cuando establecen una planta, tienen que empezar a trabajar y la capacidad tiene que ser utilizada para devolver el préstamo bancario tomado para lo mismo. Sin embargo, las SMEs deben entender que es sólo el primer paso hacia su crecimiento no el último paso. Por lo tanto, mientras ellas sostienen a sí mismo, ellas también deben tener ciertos planes del crecimiento.

Las SMEs en la industria india farmacéutica en su etapa temprana necesitan el apoyo y financiamiento de participantes grandes en la industria para llegar a ser agentes de investigación e innovación. Varias presiones de mercadotecnia presentan tanto los desafíos como las oportunidades para las SMEs. Enfrentarse con estos desafíos y cambiarlos a oportunidades requiere la velocidad, la innovación, la receptividad y la adaptabilidad. Aunque mantener estos atributos llega a ser aún más difícil cuando una compañía crece y ensancha en nuevas regiones o líneas del negocio y abre nuevas plantas la infraestructura correcta puede hacer toda la diferencia (para facilitarlo).

Los problemas de las SME's pueden ser clasificados en siguientes categorías:

Internos Con respecto a los problemas internos, éstos son asociados con asuntos de gestión. La necesidad de SMEs para canalizar y manejar sus recursos en una manera mucho más mejor. Esto sucederá si ellos se centran en unas pocas cosas en vez de tratar de hacer muchos. Ellas también podrían desempeñar mejor por



mejorar sus habilidades de manejar las finanzas y sus habilidades de manejar el marketing, ambas (cosas) que son cruciales para la supervivencia de la compañía.

Financieros - El sector de la SME se enfrenta dificultades a causa de la falta de finanzas para afrontar el cambio en cualquier regulación. Sólo aquellas SMEs, que tienen suficientes fondos para la expansión y que están implicadas en la investigación y la invención de nuevas drogas son esperadas a sobrevivir a largo plazo.

Externo Se requiere más apoyo del gobierno. Ya hay iniciativas innumerables emprendidas por el gobierno. Pero en la realidad, cuando se va al grano, no hay casi nada concreto que está teniendo lugar. Se asigna el dinero a las SMEs, pero no llega al nivel básico. Como resultado, el gobierno viene a creer que el cuerpo es menos utilizado. Por ejemplo hay informes que el Vicepresidente de la Comisión de Planificación, indicó que la asignación de Rs 60 millones hecha bajo el esquema de CLCSS no ha sido utilizado, y de ahí, ellos están pensando seriamente en discontinuar el esquema.

El Ministerio de Finanzas ha destinado Rs 50 millones para el upgradation de la tecnología de unidades farmacéuticas bajo el Esquema de fondos por el Upgradation de la Tecnología farmacéutica (PTUFS) para ayudar las unidades farmacéuticas de escala pequeña en el país para mejorar sus unidades para que satisfagan los estándares del Schedule M. El Consejo Nacional de Productividad, encargado con la tarea de preparar las modalidades de implementar los Fondos del Upgradation de la Tecnología Farmacéuticas (PTUF), tomará una visita a algunos grupos claves de la escala pequeña como Indore, Thane, Kolkata y Ankleshwar.

La Confederación de SMEs de Industrias farmacéuticas (SPIC) llamó por extender el esquema a todos fabricantes existentes tanto de la formulación de drogas como de las drogas en bulto.

Recursos humanos: Los recursos humanos son un problema grande. Las compañías grandes farmacéutica atraen talento de las SMEs por ofrecer los estímulos como la asignación de acciones y otras extras. Los participantes de las SME no pueden pagar salarios altos a sus empleados y por eso los pierden a participantes grandes. En segundo lugar, la industria IT e ITES también ha impactado las remuneraciones en el sector farmacéutico en general y las SMEs en particular. Su impacto es más pronunciado en el segmento de las SMEs cuya capacidad financiera es mucho menor que los participantes más grandes.

Las SMEs cada vez más dependen de una solución efectiva del negocio para hacer más eficientes las operaciones, mejorar la eficiencia e introducir la innovación. La automatización las permite a redireccionar los recursos de tareas administrativas para centrarse en las actividades que pueden diferenciar sus productos o los servicios en el mercado.

Para reducir el riesgo en el desarrollo de la nueva droga, las compañías indias hacen el Out-licensing de sus moléculas en el desarrollo a tales compañías multinacionales grandes que pueden sostener sus actividades de investigación, así como sus organizaciones grandes de marketing y ventas. Las compañías pequeñas no tienen el presupuesto necesario para emprender desarrollo de la nueva droga, que es uno de los empujes mayores para las compañías farmacéuticas para innovarse.

Por la estrategia de out-licensing participantes indios farmacéuticos más pequeños pueden centrarse en esta área por juntarse con participantes globales que tienen un empuje en I y D y salen con moléculas innovadoras y también tienen el acceso necesario del mercado a los mercados nacientes farmacéuticos de crecimiento. Las compañías pequeñas y medianas pueden beneficiarse más de esto de una manera mayor ya que esto rellena el vacío que está los productos en proyecto y la planificación de cartera de producto, que es la base para el crecimiento.

Recientemente las unidades farmacéuticas de la escala pequeña en el país han buscado la intervención de Primer Ministro Manmohan Singh para quitar las anomalías en el límite de la exención de impuesto sobre el consumo para el SSIs (industrias de escala pequeña) que surge de la reducción en la tasa de la disminución del 42,5 por ciento al 35,5 por ciento por el gobierno central en el último presupuesto. El gobierno había levantado el límite de la exención de SSI de Rs .1 milion a Rs .5 milion en el presupuesto de la Unión 2007 cuando los impuestos indirectos basado en el MRP (precio máximo neto) estuvieron en la operación con la disminución del 42,5 por ciento, la reducción en la disminución en el presupuesto 2008 por el 7,0 por ciento ha quitado el beneficio de la exención del impuestos indirectos al SSIs.

Hoy si cada SME puede centrarse en cinco países como máximo y encontrar sus requisitos suministrando las medicinas de la calidad buena y económicas. Habrá un efecto multiplicador tremendo en el campo y si esto se canaliza apropiadamente, seguramente ellos llegarán a ser el conductor del crecimiento de la industria. ■

Los Aditivos Ayudan Aumentar Los Productos Farmaceuticos, Las Vidas Y Las Ganancias De La Empresa.

Los ingredientes activos farmacéuticos (IAFs) constituyen una parte importante de cualquier droga. Las empresas farmacéuticas agregan los componentes inactivos a las formulaciones con tal de que puedan superar los desafíos del proceso de la fabricación, que sean ventajoso para los consumidores y económicamente viable.

Según la investigación de BCC, una empresa que conduce investigaciones del mercado basada en Estados Unidos, los aditivos constituyeron \$ 3.5 billones de dólares del mercado global en 2006 y el mercado está creciendo con el ritmo promedio del 3.8 por ciento al año para llegar hasta \$ 4.3 billones de dólares en 2011.

Los aditivos proporcionan protección a las formaciones de alta dosis desde las condiciones atmosféricas, protección desde la humedad a las drogas higroscópicas, la entrega directa al intestino/colon o para enmascarar las pastillas que disuelven en la boca y para las drogas amargas, como ejemplo una pastilla dulce se disuelve fácilmente sin molestar nuestra papilas del gusto. Las pastillas de colores se hacen muy interesantes para los pacientes menores y también ayudan en diferenciar las medicaciones. Puede que IFA (API) necesite un empacador o estabilizador.

La cantidad de los aditivos se varía dependiendo de la forma del dosis, mientras cada aditivo sirve para diferente propósito. Como ejemplo, los empacadores mantienen los ingredientes juntos para que no dispersen y el tracto digestivo esté afligido. Los lubricantes son necesarios para remover las pastillas desde la máquina, mientras los tintes y colorantes se requieren para ordenar según colores. Los aditivos tienen un impacto enorme sobre bio-disponibilidad de las medicinas.

Los aditivos colectivamente constituyen más o menos 90 por ciento de la dosis final de la formación por peso y volumen. Por lo tanto, es importante los estándares de los aditivos y sus prácticas de fabricación son profundamente reguladas, considerando la seguridad entera del producto farmacéutico.

VENTAJAS

- Los aditivos hacen una droga fácil de manejar y la proporcionan un aspecto específico. Entre cientos otros usos, son importantes para dar un sabor agradable a la medicina.
- Se requiere "throat coating" para mejorar la estética de la pastilla por hacerlo fácil para tragar.
- "Esteric coating" mejora la bio-disponibilidad y permite una liberación sostenible de los ingredientes activos.
- Los aditivos proporcionan a las formaciones de alta dosis desde las condiciones ambientales, protección desde la humedad a las drogas higroscópicas, la entrega directa al intestino/colon o para enmascarar las pastillas que disuelven en la boca y para las drogas amargas.
- Los aditivos mejoran la fabricación, la calidad y el rendimiento del producto, dependiendo a los requisitos, los aditivos pueden proporcionar en masticadores del sabor para activos amargos, proporcionan la protección de la droga al estómago o viceversa.

DESAFIOS

El primero requisito para elegir un aditivo es, que debe ser biológicamente inerte y no-reactivo como algunos de estos "aditivos" afligen a los pacientes adversamente. El problema surge cuando los pacientes cambian de la marca o saltan de la marca a las drogas genéricas; como ejemplo, el paciente demuestra dificultades en los pulmones junto con el anormal proporción de la concentración metabólica de la droga, después de saltar de una droga de la marca cordarone, a su forma genérica amiodarone.

Las drogas anti-asthma contienen "sulfatos" que puedan demostrar reacciones como problema en respirar, "angustia cardíaca" etc., los sulfatos son presentes en muchas drogas anti-inflamatorias, que se usan para curar las enfermedades como artritis.

Igual, como los tintes, son los ingredientes más comunes del medicamento, los tintes como sunset

yellow (amarillo pálido) son asociados con los problemas gástricos.

Las investigaciones adecuadas y control de la calidad pueden ayudar en evitar estas trampas e inconvenientes. Se deben hacer investigaciones para aserrar las reacciones adversas del largo plazo de los aditivos y sustituir elementos relativamente inseguros con sustancias inertes y seguros. No deben ser usos incorrectos-- excipientes deben ser inertes en cuanto sea posible si lo usan, deben ser usado para aumentar las acciones de la medicina central.

Aunque la fabricación de IAF (APIs, como usado en ingles) debe seguir las buenas prácticas de fabricación (BPF) (GMPs, como usado en ingles) impuesto por la autoridad nacional regulador, sin embargo la fabricación de los aditivos generalmente no es regulado muy estrictamente. Hay ciertas pautas publicadas por el consejo internacional excipiente farmacéutico para BPF (GMP) de los aditivos.

Los incidentes de intoxicación han demostrado repetidamente que es necesario desarrollar mandatorias BPF (GMPs) para regular la fabricación de los aditivos. Es posible enfrentar y superar los afectos adversos si las precauciones requeridas están observadas.

Las empresas que se tratan con aditivos ya han tomado pasos para minimizar los efectos adversos de los

aditivos.

Más o menos todos tipos de las industrias se requieren los colores y la industria farmacéutica no es diferente. Alimentación y farmacéuticos constituyen cerca del 5 por ciento del uso de los colorantes, por lo tanto constituye un grupo de usuario importante. según los estándares clasificados de la industria global (GICS), las empresas de químicas especiales son las que producen las químicas de alta valor agregado usado en la fabricación de variedades de los productos, incluyendo, pero no limitados a los químicos, aditivos, polímero avanzados, adhesivos, selladores, tinte especiales, pigmentos y mascaradores.

La globalización de la cadena de la oferta (suministración) en la industria farmacéutico va a haber un desafío prominente para asegurar la calidad de los farmacéuticos en los años que vienen. Los fabricantes indios (hindú) de las formulaciones importan buena cantidad de IAF (API) y aditivos desde China por ser baratos. Eso fue para asegurar la calidad del material de la droga importada.

Las empresas con nicho y fundamental fuerza de las investigaciones prosperaran. La industria de la especialidad es basada en el conocimiento y con el fin de sobrevivir en el ámbito global, las empresas Indias (hindú) se han dado cuenta que tienen que convertirse en las empresas basadas en el conocimiento. ■

'Nutraceúticos, una nueva manía entre los conscientes por la salud

El deseo para llevar una vida sana y la creciente evidencia científica sosteniendo alimentos naturales continúa a impulsar el mercado de "nutraceúticos". Las tendencias que influyen la demanda para productos nutricionales incluyen la demografía cambiante del consumidor, consciencia creciente sobre la relación entre dieta/enfermedad y aceptación creciente de prácticas alternativas de asistencia sanitaria.

Nutraceúticos aumentan las capacidades del cuerpo para resistir al estrés y las tensiones que desafían nuestra salud por un estilo de vida cambiado e impulsivo. Esta industria consiste en varias categorías de productos de nutrición como alimento funcional, suplementos dietéticos (vitaminas, los minerales, hierbas/botánicos, nutrición deportiva, el reemplazo de comida y

especialidad), los alimentos natural/ de cultivo biológico, y los productos cuidado personal y de la casa. Los mercados primarios para el nutraceútico y alimentos funcionales son los países industrializados o las regiones con niveles más grandes del desarrollo económico como los EEUU, Suecia, Suiza y el RU.

El mercado indio de nutraceútico está en una etapa naciente y crece a un ritmo más rápido. El tamaño de mercadotecnia del mercado indio nutraceútico es de casi US\$ 43,80 millones (R 1,840 millones). Las rentas disponibles más altas y el conocimiento más grande sobre la salud son uno de las razones por lo que el sector de nutraceúticos crezca a 40 por ciento.

La dependencia de la comida rápida y la dieta

desequilibrada complica aún más el ciclo de la salud haciéndola incompleta. Este cambio refleja en la salud se ve infartos en los 30 y tantos, el colesterol a fines de los 20's, la acidez crónica, la diabetes, etc.

La pauta de la demanda en la industria global de asistencia sanitaria cambia apreciablemente, donde soluciones impeditivas y sostenedoras de asistencia sanitaria han ganado la importancia. El conocimiento sobre los beneficios de utilizar las medicinas alternativas aumenta debido al conocimiento más grande sobre la relación entre estilo de vida y enfermedades. La población envejeciendo, el aumento en gastos médicos y aumento en enfermedades causadas por desnutrición son otros factores que contribuyen a la demanda creciente para el nutraceuticos.

Según Peter Zambetti de la Alianza Internacional de la Asociación del Suplemento Dietético/Alimento (IADSA) el departamento de asuntos de mercadotecnia global en India, los productos con venta más alta en la categoría de nutraceuticos en 2006 fueron los minerales, que registraron las ventas de casi \$ 120 millones. Las vitaminas estuvieron muy cerca, con ventas de casi \$100 millones. El polvo de la proteína fue el tercero, con ventas de alrededor de \$90 millones. Cuarto en la línea era Chyawanprash, que contiene 48 diferentes ingredientes que cruza la marca de \$60m. Multivitaminas fueron vendidas por casi \$60 millones, y polvo de glucosa era próximo a justo sobre \$40 millones. El ginseng experimentó las ventas de alrededor \$30 millones, la vitamina B y el calcio fueron vendidos alrededor de \$20 cada uno, mientras el mercado de vitamina C valió justo sobre \$10 millones.

India en el escenario futuro global

El mercado global de nutraceuticos es estimado en EU \$120 mil millones en 2007 a crecer a 7% (CAGR) y es proyectado a experimentar el crecimiento sano a cruzar EU \$187 mil millones en ventas para 2010. Los EEUU han sido el mercado mayor para el nutraceuticos con India y China llegando a ser los mercados creciendo más rápidamente. Nutraceuticos gana la aceptación por su capacidad de atender a varias enfermedades. Las vitaminas, los Minerales y los Alimentos Nutritivos constituyen casi 85% del mercado mientras que antioxidantes y anti-agentes representan 10%, otros segmentos como los extractos de hierbas ocupan 5% del mercado, globalmente.

India tiene biodiversidad rica y muchos ingredientes naturales, basado en la especie de planta que están localmente disponibles, que son utilizados en la producción de nutraceuticos. La mayor parte de las

especies cultivadas en India tiene características medicinales, y son valorados en mercados internacionales.

Los participantes claves en el mercado indio de nutraceuticos Glaxosmithkline consumer healthcare, Dabur India, Cadila Health care, EID Parry's, Zandu Pharmaceuticals, Himalaya herbal Healthcare, Amway, Sami labs, Elder pharmaceuticals y Ranbaxy.

Problemas y desafíos

Las dificultades mayores encaradas por el sector de nutraceuticos incluyen la armazón regulativa, la disponibilidad de materias primas de calidad, la infraestructura para el almacenamiento y transporte, los asuntos asociados con la calidad, y la estandarización.

Otro problema es la falta del conocimiento adecuado entre las masa. "El conocimiento mismo es un riesgo, porque nosotros apenas tenemos siete a ocho por ciento de personas que están enteradas, mientras que casi 82 por ciento no sabe lo que el término nutraceutico significa. Ellos los llaman alimentos funcionales, suplementos dietéticos y son de la opinión que nutraceuticos son para enfermos.

La mayoría de los nutraceuticos tienen precios muy altos, que es uno de los factores disuasorios, ya que el consumidor del objetivo es limitado al urbano élite.

Sugerencias

Hay una necesidad de tomar la industria nutricional de suplemento de "basado en creencia" al estatus de "basado en evidencia". La industria debe iniciar la asociación activa con instituciones académicas para sostener los reclamos del producto con datos apropiados.

Los fabricantes indios deben centrarse en la calidad para emparejar la arena internacional. Posicionamiento innovador y estrategia de comunicación adoptados por las compañías dirigentes ayudarán aún más en aumentar la equidad de la industria de nutraceuticos.

Aunque los mercados urbanos tengan el potencial muy alto, el mercado rural también ensancha rápidamente lo que conducirá estrategias futuras de la expansión de marcas de nutraceuticos. El conocimiento aumentado, las rentas disponibles y el acceso mejorado a la asistencia sanitaria estrecharán la brecha entre el consumidor rural y urbano. El futuro del mercado indio de nutraceutico parece muy brillante y sube a estar entre los primeros tres mercados globales de nutraceutico en el futuro próximo. ■