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INDO-LAC BUSINESS

www.indolacbusiness.com

April-June 2009

News Magazine for Latin America & Caribbean Region ■ Rs.200

Crisis Response Initiative by Global Banks

$90 bn to Sustain LatAm Growth

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

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

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In This Issue

EDITORIAL

Dear Reader,

Greetings. The current global meltdown is taking its toll on every country and region. Latin America and the Caribbean is no exception, except for the fact that the region is more resilient than others. Nevertheless, the LAC region too is in need of a response package to tide over the present financial crisis. Leading multilateral development banks, including the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC), the Andean Development Corporation (CAF) and the World Bank group, have recently announced a collective response initiative by providing a package of $90 billion to the LAC region to help spur its economic growth in the next two years. This aid comes in the wake of a forecast by the International Monetary Fund (IMF) that Latin America and the Caribbean will face the impact of the current meltdown due to recessionary conditions in the United States, the biggest market for the region's exports. The current issue of Indo-LAC Business carries in detail the factors affecting the LAC region's economy and the response package that it has received. In the focus section if the issue, we carry a write-up on the recently released 5th edition of 'Report of Economy Development (RED): Paths for the Future Infrastructure Management in Latin America.' This report emphasizes the need to build infrastructure as a key to growth during recession. Then we have a delightful account of two countries, namely Nicaragua and Costa Rica, written by India's Ambassador to Argentina, Uruguay and Paraguay R. Vaswanathan, well-known for his in-depth understanding of Latin America. The Issue highlights various facets of Brazil. India's Ambassador to Brazil B.S. Prakash describes the country as he sees it, a kaleidoscope of colourful communities. And in the tourism section, we present Brazil's diversity, ranging from its deep rainforests to silvery beaches. Also, there is report on the visit to India of a Business Team from Brazil, which expects the two-way trade between the two countries to touch $10 billion by 2010. We carry a study of the Indian capital goods industry done by Export-Import Bank of India, which says that this sector needs technology upgradation to make its exports competitive. India's Preferential Trade Agreement with Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) comes into force, opening up new markets for this country's exports. We present an analytical report on the impact of falling oil prices on the economy of Venezuela. We also carry plenty of news besides our other regular features and the usual Spanish section.

Wish you happy reading

Satya Swaroop
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Crisis Response Initiative by Global Banks

LAC to Get $90 bn in Next 2 Yrs to Sustain Growth

Leading multilateral development banks have recently announced in Washington that they will increase their support to Latin America and the Caribbean by providing as much as US$ 90 billion during the next two years in a joint effort to spur economic growth in the region by coordinating their crisis response initiatives.

The Inter-American Development Bank and the Inter-American Investment Corporation (IDB/IIC), the World Bank Group (IBRD, IFC and MIGA), Corporacion Andina de Fomento (CAF), the Caribbean Development Bank (CBD) and the Central American Bank for Economic Integration (CABEI) are working together to identify partnerships to increase their collective impact and explore new opportunities to protect the economic and social gains achieved in the region during the last five years.

The IDB/IIC is expected to provide US$ 29.5 billion of the total while the World Bank Group plans to provide $35.6 billion over the next two years. In addition, CAF plans to provide US$ 20 billion while CABEI and CBD are expected to provide US$4.2 billion and US$500 million respectively.

"Latin America and the Caribbean have achieved substantial economic and social progress over the last five years and we must ensure that this is not lost because of the external shock of the global crisis. We need to avoid a social and human crisis," said World Bank Group President Robert B. Zoellick. "I welcome the close cooperation among the multilateral regional banks and the World Bank Group, and I am committed to making this common platform work as we help lay the foundations for an economic recovery."

Support from the IDB may increase further as the Bank is currently working on measures that may boost lending in the short run. The IDB has also started a process to review its capital to ensure adequate capacity to finance long-term development needs, under a resolution approved by its Governors in the Annual meeting at the end of March in Medellin.

"The IDB is working with its multilateral partners to make a collective response and is committing a

significant portion of its existing lending capacity to combat the crisis," said IDB President Luis Alberto Moreno. "In order to continue to support the region in its ongoing financing needs, the IDB will be seeking additional capital resources."

Unlike past crises, the effects of the current economic crisis are being transmitted in the region primarily through the real economy. This crisis has halted more than five years of sustained economic growth averaging 5.3 percent a year fueled in part by the adoption of responsible economic policies and a boom in commodity prices.

"In moments such as the current one, it is evident that multilateral development agencies should coordinate their work to meet the region's needs," CAF President Enrique García, said. "This joint effort, which we are forming, will allow us to offer concrete solutions to face the present situation. The amounts pledged by CAF under this effort will add to other similar efforts that we been doing since the beginning of the crisis."

The Latin American and the Caribbean region is not the epicenter of the crisis; on the contrary, this time the region is suffering the impact of the global shock. Latin America managed to lift 52 million people out of poverty from 2002-2007 but this trend may reverse and it is important to protect the region's social gains.

Pressure Growing on LAC Region: IMF

A report on the state of the world economy in 2009 released by the International Monetary Fund (IMF) recently says that Latin America and the Caribbean region will face growing pressures due to their dependence on the US economy, which is currently reeling under recession.

As in the other emerging regions, financial sector stress and deleveraging in advanced economies are raising borrowing costs and reducing capital inflows across Latin America and the Caribbean. In addition, the decline in commodity prices is pounding large economies in the region Argentina, Brazil, Chile, Mexico, and Venezuela, which are among the world's major exporters of primary products. Moreover, the economic slump in advanced economies, especially the United States, the region's largest trading Partner is depressing external demand and lowering revenues from exports, tourism, and remittances. Hence, the region is suffering from the same trifecta of shocks as the CIS economies.

In contrast, however, public and private balance sheets were relatively strong at the outset of the crisis in these economies, which were also less financially linked to advanced economies' banking systems. Thus, the decline in growth is generally projected to be less extreme than in the CIS or emerging European economies. The global financial crisis spread quickly to Latin American and Caribbean markets after mid-September 2008. Local equity markets have sold off heavily, with the largest losses (about 25 percent) in Argentina. Domestic currencies have depreciated sharply, especially in Brazil and Mexico, which are large commodity-exporting countries with flexible exchange rate regimes.

Local banks' funding costs have increased, particularly for small and mediumsize banks. The cost of external borrowing has also risen, since higher spreads on sovereign and corporate debt have been only partially offset by lower yields on U.S. Treasury bills, and capital flows to the region dwindled in the last quarter of 2008. Nonetheless, financial markets have differentiated between borrowers: the cost of financing has increased substantially for some countries (for example, Argentina, Ecuador, and Venezuela) but remains relatively low for other countries with better initial positions and larger policy buffers, including Brazil, Chile, Colombia, Mexico, and Peru. Some of the latter have successfully issued foreign debt in recent months. Adverse effects on real activity did not take long to surface.

Slump in Commodity Prices

The slump in commodity prices has dampened growth prospects for the region's commodity producers (mainly Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Trinidad and Tobago, Uruguay, and Venezuela), although it has helped commodity importers in the Caribbean and Central America.

Furthermore, the collapse in growth in advanced economies, particularly in the US, has lowered demand for exports, weakened tourism, and lowered workers' remittances key supports in the Caribbean and Central America. With all these factors playing out, credit growth has slowed abruptly, industrial production and exports have collapsed, and consumer confidence has plummeted across the region.

Considering the very challenging external environment, most countries are weathering the storm well relative to earlier experiences with global turbulence, thanks to improvements in policy frameworks and balance sheet positions. Nonetheless, real GDP is forecast to contract by 1.5 percent in 2009, before staging a modest recovery in 2010.

Domestic demand would shrink by about 2.25 percent in 2009, due to more expensive and scarce foreign financing, as well as lower demand for domestic products. With the exchange rate acting as a shock absorber, activity is projected to decline modestly or even expand in a number of inflation-targeting economies (Brazil, Chile, Peru, Uruguay).

The contraction is expected to be more severe in Mexico, given its close linkages with the U.S. economy, notwithstanding the mitigating effect of a flexible exchange rate, in Venezuela, and in some very small economies dependent on tourism (Antigua and Barbuda, The Bahamas, Barbados, Jamaica).

As output gaps widen, inflation pressures are expected to subside, despite the pass-through effects of currency depreciation in a number of countries. For the region as a whole, inflation is projected to decline from 8 percent to about 6.5 percent in 2009. At the same time, the region's current account deficit is projected to widen to slightly more than 2.0 percent in 2009 (from about 0.75 percent in 2008), owing to negative terms-of-trade effects.

The risks to this outlook are firmly planted to the downside. The main danger is that a protracted financial deleveraging in advanced economies will lead to a prolonged halt in capital inflows, which would require an even sharper domestic adjustment. Given sizable rollover requirements, the corporate and public sectors would be particularly vulnerable in a number of countries.

Moreover, a further drop in commodity prices would have a deleterious effect on exports and growth in most countries in the region. The overarching policy challenge is to cushion the adjustment to the external shocks. Given the region's high degree of openness and dependence on capital flows, however, the potential benefits of counter cyclical policies need to be balanced against the potential costs of destabilizing foreign investor confidence, raising external borrowing costs, and reducing capital flows further.

Policy Action

Room for policy action differs greatly across countries: economies with better frameworks and larger buffers will be able to offset the effects of the global crisis to varying degrees, whereas other economies may be forced to tighten policies to avoid instability. The task of monetary and exchange rate policy is particularly difficult. The region came into the crisis with relatively high inflation. For the inflation-targeting regimes, inflation was above the target ranges in all cases except Brazil. Faced with negative shocks to capital flows and demand pressure on exchange rates, central banks in these countries refrained from cutting rates until December, when Colombia's central bank lowered its policy rate by 50 basis points. As the sharp deterioration in real activity became increasingly evident and inflation started to decelerate, the central banks of Brazil, Chile, Mexico, and Peru followed suit. Across the region, existing reserve buffers have been used to alleviate currency pressures and smooth the adjustment to the shocks. Balancing domestic and external pressures could become more difficult, especially if global financial conditions deteriorate further. Nevertheless, central banks in countries with more flexible exchange rates anchored in credible inflation-targeting frameworks (for example, Brazil, Chile, Colombia, and Mexico) would have room to cut policy rates further, particularly if inflation continues to decelerate rapidly.

Room for Fiscal Reform

Room for fiscal policy to mitigate the adverse effects of the external shocks differs greatly across countries. Slowdowns in activity and declines in commodity prices are projected to weaken fiscal positions across the region in 2009. In countries with high external borrowing costs and large financing requirements, policymakers' ability to conduct counter cyclical fiscal policy will be severely limited. In fact, such efforts could backfire through higher borrowing costs and greater loss of reserves. In other countries, existing fiscal room is already being partly used, with stimulus packages announced in a number of countries with lower debt levels, including Brazil, Chile, Mexico, and Peru.

In light of the challenging external environment, the premium is high on preserving the smooth functioning of domestic financial markets. As global banks and foreign investors reduce their exposure to economies in the region, the relative importance of domestic financing will increase. To avoid a full-blown credit crunch, it will be important to maintain stable funding conditions (in domestic currency) and facilitate the flow of credit. Many countries have already taken steps to provide liquidity and support credit flows, especially to the corporate sector (notably in Brazil and Mexico). Several have sought IMF support, including under precautionary arrangements (Costa Rica, El Salvador), and Mexico has secured access to the new Flexible Credit Line.

Although domestic financial systems are now more resilient than in the past, the possibility of bank problems cannot be discounted in some cases, given the unfavorable external environment. This calls for continued work on improving financial safety nets and bank resolution frameworks. ■

Mexican Multiplex Chain to Open 500 Movie Screens across India

Mexican global multiplex operator Cinepolis plans to invest Rs 1,700 crore in India for its film exhibition business over the next seven years, notwithstanding the current tussle between multiplex operators and Bollywood producers.

Cinepolis has already established an Indian subsidiary that is in talks with mall developers for opening 500 movie screens by 2016. In the first phase of expansion, the company will pump in Rs 370 crore for opening 110 screens across eight locations. The company said it will open its first multiplex in India by the second half of this year.

The company plans to enter only in the emerging markets and therefore is looking at Brazil and Peru among other South American countries, after India.

A $675-million film exhibition company, Cinepolis operates over 2,000 screens globally, 90 percent of which are located in Mexico. The company, which is currently the fifth largest theatre chain in the world, is aiming to move up in the ladder to the fourth slot and its India venture is part of the company's plans to expand its global footprint.

Cinepolis also plans to introduce the concept of a megaplex where each theatre will have up to 14 screens. "We will make India the country with our largest presence outside Mexico. We will open around 500 screens in the next seven years and for every screen, we will be spending around $700,000," Cinepolis India country head Milan Saini said recently at the launch in New Delhi.

"We are also looking at launching our operations on smaller scales, whereby we may convert some of the single screens into multi-screen property. There is a space constraint issue here and we have to adjust our business plans accordingly," Saini said.

Most of the fund would go in rentals and developing of screens and the amount would be funded by internal accruals, he added. ■

COVER STORY

Building Infrastructure Key to LAC Growth during Recession

The Andean Development Corporation (CAF) and the Colombian Chamber of Infrastructure (CCI) and Banco de la Republica jointly organized a seminar recently during which the fifth edition of Report of Economy and Development (RED) 2009 "Paths for the future: infrastructure management in Latin America," was presented.

During the seminar, held in Bogota, Colombia, the challenges of the quantity and quality of infrastructure in the region were debated and analyzed.

At the opening event, CAF Director-Representative in Colombia Vctor Traverso said that infrastructure - as well as playing a fundamental role in the objectives set by governments to improve levels of productivity and competitiveness - is also a key sector for marking economic growth in a world recession like the current one.

Pablo Sanguinetti, Research Director of the CAF Office of Public Policy and Competitiveness, argued during his presentation that decision-making on allocation of public resources in infrastructure projects has to be increasingly based on knowledge, which results in a growing need for rigorous evaluation of intervention initiatives.

He stressed on the importance of strengthening the institutional capacity of the public sector for effective provision of infrastructure services, which requires regulatory improvement and the existence of investment planning bodies for the medium and long term, and highly qualified bodies for contracting with the private sector, a very important partner for guaranteeing these services in the region.

In the case of Colombia, RED 2009 highlights the Bogota Transmilenio system as one of the projects through which infrastructure can have a positive impact on the development of the country. In addition to improving the travel conditions of the population (e.g. travel time), it has had an impact on other variables which have noticeably affected the well-being of households such as personal insecurity. Implementation of this mass transport system reduced crime rates by approximately 80 percent around Avenida Caracas, one of the main thoroughfares where the system first began to operate.

Other participants in the presentation of the report were: Co-Director of Banco de la Repblica, Juan Pablo Zrate; President of the Colombian Chamber of Infrastructure, Juan Martn Caicedo; director of the National Planning Department, Esteban Piedrahita; Dean of the Faculty of Economics of the University of the Andes, Alejandro Gaviria; President of Analdex, Javier Daz; Director of Fedesarrollo, Roberto Steiner; former Minister of Economic Development, Eduardo Pizano; CAF Deputy Research Director, Jos Pineda; and Vice President of the Colombian Chamber of Infrastructure, Francisco Surez.

The RED was recently released in Lima, capital of Peru, contributes to the debate on public policies which promote the building of paths that lead to the economic and social development of the countries of the region.

CAF Director Representative in Peru, Eleonora Silva Pardo, and Peru's Vice Minister of Transport José Gonzáles Quijano opened the ceremony to present RED 2009, which this year is devoted to a detailed study of the impact of infrastructure on household well-being, productivity and international trade, and the environment.

Silva Pardo said that improvement of the quality and quantity of infrastructure of a society was not only fundamental for the prosperity and welfare of peoples, but also a significant public policy challenge.

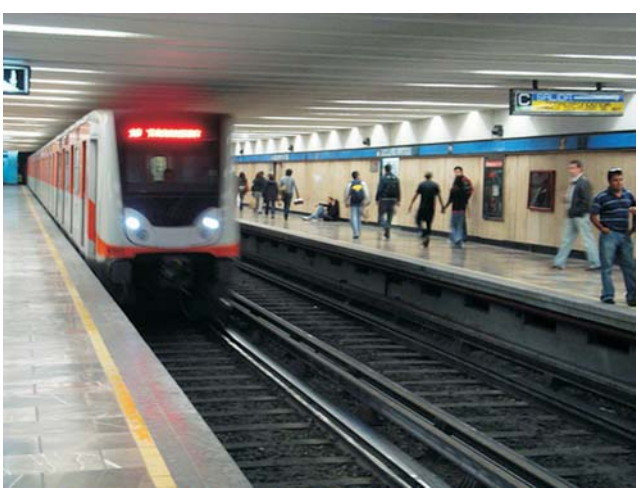
"The state of the infrastructure of a society is crucial for its development; moreover, infrastructure must be seen as an engine of development, an impact management which represents well-being and reaches households and people," Silva said, while recalling that CAF has become the main source of infrastructure financing in Latin America.

Quijano said the Peruvian Government was committed to development, and welcomed CAF as a relevant actor in integration projects in Peru, such as the Inter-Oceanic Highway.

RED Reflections

The RED was presented by Pablo Sanguinetti, CAF Research Director, who said that the fifth edition of RED offered reflections on the quality and quantity of infrastructure in Latin America. The CAF study is a reflection on the quality and quantity of infrastructure in Latin America. He argued that decision-making on allocation of public resources should be based increasingly on knowledge, which leads to a growing need for rigorous evaluation of intervention initiatives.

The publication underscores the importance of strengthening the institutional capacities of the public sector for effective provision of infrastructure services, which requires regulatory improvements, and the existence of bodies for planning medium- and long-term investment and specialized bodies for contracting with the private sector, which is a very important partner in provision of infrastructure services in the region.



"Improving the current state of infrastructure is a priority objective in Latin America. After a prolonged period of economic expansion originally stimulated by the export sectors and later attributable to the dynamism of domestic demand, the region shows signs of exhaustion in parts of its infrastructure, which is beginning to create bottlenecks in the growth processes of economies and trade in the region and with the rest of the world," the CAF research head warned.

Lastly, he said that RED 2009 offers two fundamental messages. First, it is vitally important that the impacts of the various interventions in infrastructure in the region be measured systematically and in line with high technical standards. This is the best way to inform decision-makers about priorities of allocation of public resources to different activities and projects. Second, the challenge of improving the quality and quantity of infrastructure in the region requires an adequate combination of incentives for private participation, regulatory frameworks, and territorial and sectoral planning and coordination bodies. Under this type of management scheme, each infrastructure project can opt for the system of provision and maintenance best adapted to its specific needs and with the best prospect of offering quality services sustainable over time.

Other participants in the presentation of RED were Stefania Scandizzo, CAF researcher; Cayetana Aljovín, executive director of Proinversión; and Gonzalo Prialé, president of the Association for National Infrastructure Development (AFIN).

Structuring Colombian Infrastructure Fund

Earlier, in the city of Medellin in Colombai, in the presence of Colombian President Álvaro Uribe Vélez as observer, a document of intent for structuring the Colombia Infrastructure Fund was signed during the 50th Governors' Meeting of the Inter-American Development Bank (IDB).

The Fund is a vehicle for raising funds from local professional investors, local pension and severance pay funds, insurance companies, international investors and multilateral organizations as a contribution to resolving the great need for

investment in this country.

The Fund is supported by the Inter-American Development Bank, the Andean Development Corporation and the Colombian government, which will contribute up to 50 percent in the first phase of Fund up to US$500 million.

The signing ceremony was attended by the Colombian Minister of Finance and Public Credit Oscar Iván Zuluaga; IDB President Luis Alberto Moreno; CAF President & CEO Enrique Garcia; and for Ashmore Investment Management Ltd Brent de Jong and Camilo Villaveces, who will act as fund managers.

Colombia has a great need for investment in infrastructure in all sectors and is open to private investment. From 1992 to 2007 about US$21 billion was invested in infrastructure in the country, mostly by strategic investors with very little participation from local investors.

In the first phase, the Infrastructure Fund will have a capital of US$500 million which is expected to rise to US$750 million. The Fund has an operating life of 15 years extendable for a further five years. The investment period is five years in sectors such as electric power; telecommunications; land, rail, air, port (sea and river) transport; mass transport; logistics infrastructure; gas; potable water; solid waste management; and others.

The management company of the Fund is Ashmore Investment Ltd, a highly successful international fund manager with proven experience in investing significant amounts of capital.

MoU with Peru

During the same 50th Governors' Meeting of the Inter-American Development Bank (IDB), CAF President & CEO Enrique García, IDB President Luis Alberto Moreno, and Peruvian Vice Minister of Finance Jose Berley Arista signed a Memorandum of Understanding whose purpose is to work together on structuring mechanisms to facilitate the financing of infrastructure projects with private sector participation in Peru.

The Peruvian government's awareness of the importance of private participation in the financing of infrastructure projects has lead to this first initiative to promote a capital fund with contributions from government, IDB and CAF, but managed with the criterion of profitability, and applying the best international practices for this business, and seeking the participation of domestic private savings and foreign capital.

The objective of the fund is to exploit the long-term opportunities which are appearing on the horizon. Many of these opportunities will require a fund manager with great skill in structuring and assembling businesses.

Latin America suffers from an important lag in infrastructure, which is a fundamental and indispensable condition for sustainable development, productivity and consequently for the region's economic growth. Additionally, investment in infrastructure projects has an important role to play as a counter-cyclical initiative amidst the worst global economic and financial crisis in memory.

About CAF

The Andean Development Corporation (CAF) is a multilateral financial institution whose mission is to promote the sustainable development of its shareholder countries and regional integration. Its current members are 17 countries in Latin America, the Caribbean, and Europe, namely: Argentina, Bolivia, Brazil, Costa Rica, Colombia, Chile, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Spain, Trinidad & Tobago, Uruguay and Venezuela, along with 14 private banks from the Andean region.

With headquarters in Caracas, Venezuela, the CAF has representative offices in Buenos Aires, La Paz, Brasilia, Bogota, Quito, Madrid, Panama City and Lima. ■

Brazil: A kaleidoscope of Colourful Communities

B. S. Prakash, India's Ambassador to Brazil, in an article written for www.rediffmail.com talks about the colourful colonial roots of that fascinating country and its similarities with India. We reproduce the article here.

"So how is your Spanish?" ask my friends in India when I talk to them from my current location - Brazil

"Why Spanish?"

"Aren't you now in Latin America, in Brazil, the land of football, Samba, and beauty queens?"

"Indeed, I am. But it is Portuguese here and not Spanish and to answer your question my language is still pretty bad," I answer.

Their ignorance is understandable. This land is so far, so remote in one's imagination, that to believe that all of Latin America speaks Spanish; that to Samba is the same as to tango is natural though not true.

At my Brazilian end too, I get questions. "What is common and what is starkly different between Brazil and India?" ask some Brazilian journalists to me, a new Indian ambassador. Our two countries today are in several common groupings with fancy acronyms which bring emerging countries together - IBSA, BRIC, G-20 and so on and hence curiosity about India has been rising.

"Well, the commonalities are several," I start and enumerate the obvious: "We are both big countries: Brazil is actually two-and-a-half terms the size of India, but India is a big country too; both have large populations - Brazil is one fifth of India, but two hundred million is not a small population; both are vibrant democracies; possess great diversity - Brazil has large numbers of people of Japanese and Lebanese origin apart from millions with European, African and native Indian descent making it a happily assimilative melting pot for the last 300 years; have

capabilities in industry and in S&T..."

Even as I go on listing all this, my questioners from the media become impatient. "What are the differences then?"

Again I start with the obvious. "We speak English, Hindi and many other languages; but you are nearly mono-lingual in Portuguese; you excel at football and we are passionate about cricket; your cuisine is varied no doubt but tends to be bland at least to me and ours is also diverse and exotic, but spicy to most Brazilians."

When I am saying all this, my mind is wandering and wondering about how our different pasts, specialty the colonial past have influenced our present.

The story of European colonisation starts with Portugal, a small country compared to England, France or Spain, but which had many adventurous seafarers. Their first voyages occurred at the same time with landings in both India and Brazil. If Vasco de Gama landed at Calicut in 1498, Cabral the sailor who 'discovered' Brazil landed in the northeast coast of Brazil in 1500, again in a search for a route to India.

As we know, Columbus was trying to reach India and in the process 'discovered' America; Cabral with a similar intention landed at the coast of another country in another continent to the South that came to be named Brazil.

What lay at the other end of these voyages was however very different. India already had hundreds of millions of people, an ancient civilisation and a long history of political organisation and administration. The Portuguese and later the British were in a long line of foreigners landing on our shores.

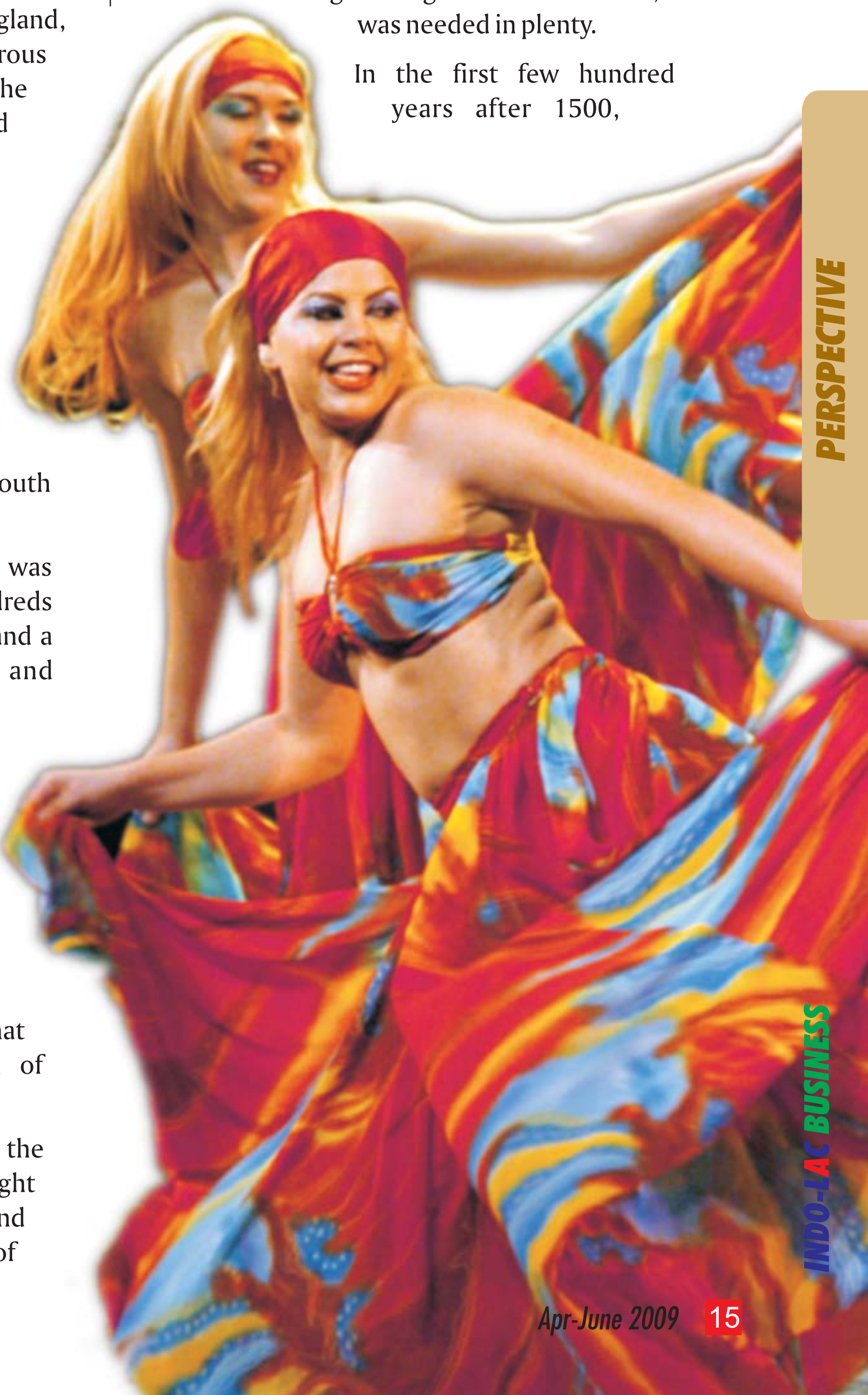
In contrast, the huge area of Brazil was much less inhabited, some estimates put the figure of indigenous people at one million, had nearly empty vast interior spaces and the Tupis -- the native inhabitants were readily welcoming the European 'guests' according to accounts of that period, a bit different from the Zamorin of Kozhikode.

Each colonial history is different: The British, the French, the Spanish or the Portuguese brought their own distinctive traits to bear on the land that they colonised, but equally the character of the land and the people too shaped the outcome of the encounter. In Brazil this took a distinctive form like nowhere else.

Portuguese may have been the first Europeans in Brazil and today, five hundred years later, Portuguese may still be the lingua franca of Brazil, but its identity, culture, customs or cuisine have been shaped by many other influences apart from the European. The reasons for this are the sheer vastness of Brazil, its abundant riches and resources, and as a result the influx of people from different parts of the world starting from as early as 1550.

As we noted, first there were the indigenous natives and then the new settlers from Portugal. But soon it became evident that to farm the land, to grow sugar and later coffee, labour was needed in plenty.

In the first few hundred years after 1500,



slaves were brought from Africa, on a scale much larger than the United States. Their large numbers and the cohabitation and to use that terrible word that we see in colonial studies the so-called 'miscegenation' has imprinted Brazil with a distinctive African heritage.

The manifestations today are in the world famous Carnival, the sensuous appeal of the Samba and in the pulsating magic of figures like Pele or Ronaldinho. They are integrally Brazilian but with some African ancestors casting a benevolent eye on their graceful exploits on the football field.

But this, the influence of Europe and Africa is not all. In 1908, a century ago, there was a famine in Japan and the search for work led to a large migration from Japan to initially work in the coffee plantations of Brazil, the world's richest coffee grower. Today next to Japan, the largest Japanese community is in Brazil, all speaking Portuguese and many following the Catholic faith.

There are also very large Brazilian communities tracing their roots to Lebanon, Germany and Italy adding to the colours of the kaleidoscope.

I find it fascinating that this is one country without many Indians, our kind of Indians. The reasons are natural, once you think of it. The huge numbers of Indian labour that were taken or sent to work in plantations went to where the British ruled -- Sri Lanka, Fiji, Mauritius and farther apart to the Caribbean - Guyana or Trinidad. No British domination over Brazil and hence no Indian migration.

That India would get ruled by the British and not by Portuguese except in some parts was a historic destiny. Why, even Mumbai was given away as a dowry gift by the Portuguese, when their princess, Catherine de Braganza married Prince Charles of England in 1661.

Apart from all this, there is another interesting and perhaps unique twist in the Brazilian past that has made Brazilians not to think of themselves as having been 'colonised'. Though the huge landmass of Brazil had come under tiny Portugal, in 1807 Napoleon threatened the Portuguese monarchy in Lisbon.

In a flotilla of four hundred boats the royal family fled to Brazil and established their capital in Rio de Janeiro. Subsequently, the Portuguese empire declared that its capital and seat would be Rio rather than Lisbon. Comparable to Calcutta being declared the seat of all of the British Empire!

One result of this history is that there are few seminars on 'colonial inheritance' or 'post-colonial deconstruction' of the kind that we see in Indian academic circles. Portuguese is not a foreign language for the Brazilians: in fact it is their language, often their only one.

'How come, you don't speak Portuguese?' ask some friendly Brazilians.

I don't know what to say. "Well, I am learning," I answer tamely. "Not all Indians are Goans," I try as a joke. They look mystified, understandably clueless at a shared bit of historical connection from the remote past.

(B S Prakash can be reached at ambassador@indianembassy.org.br)

Net Profit at Rs 477 cr; LoCs at $3.75 bn,

Exim Bank Posts Overall Impressive Growth in '08-09

Export-Import Bank of India (Exim Bank) has announced its annual results for 2008-09, posting an overall impressive growth in loan assets, resources and net profit.

Announcing the results at a press conference in Mumbai recently, Exim Bank Chairman & Managing Director T.C. Venkat Subramanian said the Bank, during the 27th year of the its operations, had registered a profit before tax amounting to Rs. 610 crore, and a net profit (after tax) Rs. 477 crore. Capital Adequacy (Capital to Risk Assets Ratio) as on March 31, 2009 stood at 16.77 percent, as compared to 15.13 percent as on March 31, 2008.

Loan Assets & LoCs

Loan Assets increased by 18 percent moving upwards to Rs. 34,505 crore as on March 31, 2009 from Rs. 29,152 crore as on March 31, 2008. Loan approvals aggregated Rs. 33,628 crore during 2008-09, while disbursements aggregated Rs. 28,933 crore.

Net NPAs decreased to 0.23 percent of net loan assets as on March 31, 2009, as compared to 0.29 percent in the previous year.

During the year, the Bank extended 25 Lines of Credit (LOCs), aggregating US$ 783.5 mn, covering 20 countries to support export of projects, goods and services from India. As many as 114 LOCs covering 94 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 3.75 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 during the year amounted to Rs. 26,709 crore and were secured by 25 companies in 29 countries.

During the year, 16 corporates were sanctioned funded and non-funded assistance aggregating Rs. 2,338 crore for part financing their overseas investments in 11 countries. Exim Bank has so far provided finance to 241 ventures set up by over 193 companies in 63 countries including Austria, Canada, China, Ireland, Indonesia, Italy, Malaysia, Mauritius, Morocco, Netherlands, Oman, Romania, Singapore, Spain, South Africa, Sri Lanka, UAE, UK and USA. As on March 31, 2009, guarantees on book were at Rs. 3,540 crore.

Resources/Treasury

During the year, the Bank received capital of Rs. 300 crore from the Government of India, increasing the paid-up capital to Rs. 1,400 crore as on March 31, 2009, as against authorised capital of Rs. 2,000 crore.

During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 17,650 crore comprising rupee resources of Rs. 11,708 crore and foreign currency resources of US$ 1.17 billion equivalent. Foreign currency resources of US$ 725 mn equivalent were raised through bilateral / club loans and US$ 447 mn by way of Buy-Sell swaps.

As on March 31, 2009, outstanding Rupee borrowings including bonds/commercial paper/certificate of deposit amounted to Rs. 22,556 crore, and the Bank had a pool of foreign currency resources equivalent to US$ 3.46 billion. Total borrowings as on March 31, 2009 stood at Rs. 37,202 crore, as compared to Rs. 31,716 crore, a rise of 17 percent.

The Bank's rupee term deposits increased from Rs. 284 crore as on March 31, 2008 to Rs. 950 crore as on March 31, 2009 with the number of depositors around 15,000. Market borrowings as on March 31, 2009 constituted 81 percent total resources of the Bank.

High Ratings

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

As on March 31, 2009 the Bank was rated Baa3 (stable) by Moody's, BBB- (negative) by Standard & Poor's, BBB- (stable) by Fitch Ratings and BBB+ (stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.

Refinance Facility

During the year, Reserve Bank of India extended Refinance facility of Rs. 5,000 crore to Exim Bank. Reserve Bank of India also made available to the Bank Buy-Sell swap facility of US$ 1 billion to provide liquidity support for disbursements under Lines of Credit extended by the Bank at the behest of the Government of India to overseas financial institutions, regional development banks, sovereign governments and other entities overseas.

New Initiatives

Exim Bank signed a Framework Loan Agreement with European Investment Bank (EIB) during the year. The agreement covers a long term loan of Euro 150 mn with EIB, the European Union's major long term lending institution. EIB has extended a credit line to an Indian entity for the first time in the past 15 years. The purpose of the EIB loan to Exim Bank is for supporting

projects that contribute to climate change mitigation and to EU presence in India through FDI, transfer of technology or know-how from Europe. The borrowings under this facility will enable the Bank to on-lend for import of equipment for projects including renewable energy projects, energy efficiency enhancement, as well as projects that would reduce greenhouse gases emission, clean environment, afforestation. Rural Grassroots Business Initiatives.

Support to Rural Industries

The Bank continues its efforts 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 signed between the Bank and the Ministry of Panchayati Raj (MOPR) has been leveraged to enhance the export promotion 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.

The Bank, under this cooperation arrangement, has been designated as the gateway agency for implementing rural business hubs in Wayanad, Kerala; Nagapattinam, Tamil Nadu; and Bastar, Chhattisgarh. Towards this end, the Bank organised a worshop for rural craftpersons and artisans at Wayanad, Kerala, during March 2009, for dissemination of information about the concept of RBH and identification of potential products and services from the region. Further, in Nagapattinam District, Tamil Nadu, the Bank, in association with Periyar Maniammai University, has facilitated generation of employment for the rural poor under the RBH initiative in activities including dairy development and production of vermin compost.

Under its rural initiatives, Bank has also sought to act as an enabling agency. Thus for instance, Bank facilitated Trust for Village Self Governance, Kuthambakkam (TVSG), a NGO near Chennai, to tie-up with ITC Ltd, Agarbatti Business Unit for rolling of incense sticks, Inca Hammock Ltd for netting of hammocks and Inca Radiant Ltd for assembling of filters. Bank also facilitated TVSG for setting up a rural BPO employing educated youth from the village for data entry/data capturing tasks for a leading e-publishing company. Bank has entered into formal cooperation arrangements with select broad-based NGOs in order to directly reach out to the artisans by helping in capacity building, quality improvement, market access, training.

Aiding Tribal Rugby Teams under CSR

Exim Bank is supporting the Rugby Team of the Kalinga Institute of Social Sciences (KISS), Bhubaneshwar under its Corporate Social Responsibility (CSR) scheme. The mission of KISS, which provides a combination of formal education with vocational education for more than 7000 tribal children of Orissa, 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. Exim Bank's support to the Rugby Team of KISS encompasses training facilities with associated infrastructure, participation in select domestic/ international tournaments. During August 2008, the Bank facilitated a visit of the KISS Rugby Team to Australia to play several exhibition matches with renowned local rugby clubs in Australia, and one of the players was awarded the "Sir Edward Weary Dunlop" Award by the Victorian Schools' Rugby Union for excellent performance and character during the tour. Further, the KISS rugby team won the under-16 All India Rugby Tournament held in Bhubaneswar during November 2008, while three under-19 KISS rugby players have been selected for the training camp being held in Pune for the Indian team probables for the 2010 Commonwealth Games to be held in New Delhi. The Bank at present is also supporting the girls' rugby team.

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) programme, 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 has partnered the Commonwealth Secretariat in the 8th Commonwealth - India Small Business Competitiveness Development Programme held at Chennai and Puducherry during June 2008 on the theme "MSMEs as Agents of Economic Growth and Export Development". The objective of the programme is to undertake capacity development initiatives that promote economic development (increased employment, investment, trade and economic activity) in Commonwealth member states.

Research & Planning

Nine Occasional Papers were published by the Bank during the year, namely, Financial Liberalisation and its Distributional Consequences; Indian Capital Goods Industry: A Sector Study; Indian Textiles and Clothing Industry in Global Context: Salient Features and Issues; Fair Trade: Fair Way of Enhancing Export Value; Indian Automotive Industry: At the Crossroads; SAARC: An Emerging Vibrant Trade Block; ECOWAS: A Study of India's Trade and Investment Potential; IBSA: Enhancing Economic Cooperation Across Continents; and CARICOM: Gateway to the Americas.

G-NEXID

The Global Network of Exim Banks and Development Finance Institutions (G-NEXID), was set up in Geneva in March 2006 through the Bank's initiative, under the auspices of UNCTAD, has endeavoured to foster enhanced South-South trade and investment cooperation. '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 24 by March 2009.

To foster sharing of experiences on the challenges and opportunities being faced by SMEs in the current global scenario, G-NEXID, in collaboration with Banque De Financement Des Petites Et Moyennes Entreprises (BFPME), Tunisia, organised a seminar in Tunis during January 2009, wherein G-NEXID member organisations shared their views and experiences with the participants on issues including SME growth and challenges; SME lending in the global context; SME lending strategies, approach, risk management and best practices in SME lending.

ADFIAP Development Award

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognizes 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 2009 "Trade Development Award". The Award is in recognition of the Bank's "Overseas Investment Finance Programme" which seeks to catalyse trade creation through overseas investments with the underlying objective being to assist Indian firms to organise production optimally to serve regional or global markets. Under this programme, the Bank seeks to cover the entire cycle of Indian investment overseas including financing requirements of Indian Joint Ventures and Wholly Owned Subsidiaries, particularly of outward oriented small and medium enterprises, supplemented by advisory and support services in terms of provision of analytical information, partner identification, feasibility studies, review and due diligence.

Commencement Day Annual Lecture 2009

Justin Yifu Lin, Chief Economist and Senior Vice President, the World Bank, delivered the Bank's 24th Commencement Day Annual Lecture for the year 2009. Lin spoke on "Beyond Keynesian Economics: A Stimulus for Development". Dr. Dilip M. Nachane, Director, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, presided over the function.

Brazilian Business Team Hopes for $10 bn 2-Way Trade by 2010

Visiting businessmen from Brazil and their Indian counterparts, who have interacted under the auspice of the Confederation of Indian Industry (CII) recently in Mumbai and Chennai, are confident that the two-way trade between the two countries is poised to touch $10 billion by 2010.

India and Brazil are not only strategic partners but natural allies, was the unanimous voice of the Brazilian industry delegation coming to Mumbai to promote trade and investment. The exclusive interaction with the objective of consolidating the existing trade relations between India and Brazil and for exploring newer opportunities for growth in the Brazilian market was organized by Confederation of India Industry (CII) in association with the Brazil-India Chamber of Commerce.

The bilateral trade between the two countries has grown from a mere $500 million in 2000 to $3.12 billion in 2007 and is targeted to reach $10 billion by 2010, said Ms Harshbeena Zaveri, Chairperson, CII nternational Trade Panel & President, NRB Bearings Pvt Ltd while speaking on the increasing trade volumes between India and Brazil.

She said that relations between Brazil and India have recently grown considerably and co-operation between the two countries has been extended to such diverse areas as science & technology, pharmaceuticals and space.

Ms Zaveri stressed the increasing importance of Brazil to a globalizing India and to Indian businesses. She said that the significance of Brazilian trade relationship was evident not only because of the greater global interest and outreach of Indian public and private sector companies, but also because of the new dynamics of South-South cooperation.

The Indian companies are increasingly setting up operations in Latin America in everything from IT, steel and chemicals to autos and pharmaceuticals. In fact, with the western markets slowing, the time is ripe for Indian and Latin American companies to set up their engagements with each other, said Ms Zaveri.

India is the best partner that we can have in Asia, remarked Roberto Paranhos, President, Brazil India Chamber of Commerce. He further explained the region wise distribution of resources and industries in Brazil and the highlights of doing business in the Latin American country. He stated that from being an international creditor, Brazil had risen to become an investment centre. Also with inflation under control and internal debt decreasing as percentage of GDP, Brazil offered some excellent investment opportunities. Exports are still growing fast touching 20 percent in 2008 and with growing consumption, decreasing unemployment and growing wages, Brazil has the inimitable competitive advantage, said Paranhos.

The conference was attended

by representatives from diverse sectors of Brazilian industry associations such as mining, oil & gas, food processing, agriculture, medical and dental equipments, biofuels etc presenting the statistical advantage of doing business in Brazil. The delegates expressed their undivided opinion that Brazil not only looked at increasing trade in terms of exports and imports to India but also to develop strategic partnership and strong relationship with India Inc.

Speaking at a similar business get-together in Chennai, on "Business Opportunities with Brazil"Paranhos, said, India is the best partner that we can have in Asia."

He said that the closeness between the two countries started from 2006 and there has been a healthy exchange of trade between them since then. In fact, there has been trade of close to just five million dollars between the two countries in the previous years. India exports minerals, fuels, iron & steel, energy equipments to Brazil and imports sugar as Brazil is the largest producer of sugar. Brazil is also important exporter of Iron ore, vegetable fat, Ethanol and leather.

Talking about Brazil's growing economy, Paranhos said that Brazil's exports have been growing steadily at 20 percent and its GDP in 2008 stood at 4.8-5.2 percent. Inflation has been under control with decreasing unemployment. With abundant natural resources like India, the two countries can add to each other's growth, he added

Ms. Anita Praveen, IAS, Chairman & Managing Director, Tamil Nadu Industrial Development Corporation Ltd (TIDCO) in her address said that Tamil Nadu's core competencies in skilled manpower and infrastructure makes it a great destination for investment. The close association of the two countries should yield good results as both countries have abundant resources for exchange, she added.

J N Amrolia Chairman, Task Force on International Business Promotion & Networking, CII - Southern Region & Executive Director (Construction & Allied Business), Ashok Leyland Ltd in his welcome remarks said that both India & Brazil are democracies with fast growing economies and both have huge opportunities of business and trade with each other. India and Brazil had four and a half billion Dollar trade in 2008. The two countries have also signed nine trade pacts in the previous years and trade between the two countries is expected to go up by ten billion dollars by 2010.

The conference had representatives from diverse sectors of Brazilian industry associations such as mining, oil & gas, food processing, agriculture, medical and dental equipments, biofuels etc presenting the statistical advantage of doing business in Brazil. The delegates expressed their undivided opinion that Brazil not only looked at increasing trade in terms of exports and imports to India but also to develop strategic partnership and strong relationship with India Inc. ■

To make Indian Capital Goods Industry Competitive…

Capacity Expansion & Tech Upgradation Vital - Exim Bank Study

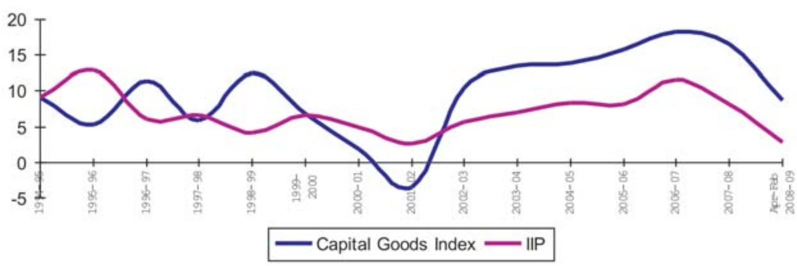
The capital goods industry is the backbone of India's manufacturing sector, says a study conducted by Export-Import Bank of India (Exim Bank). This industry needs capacity expansion and technology upgradation to cope with rising domestic demand as well as to make its exports competitive in international markets, according to the study.

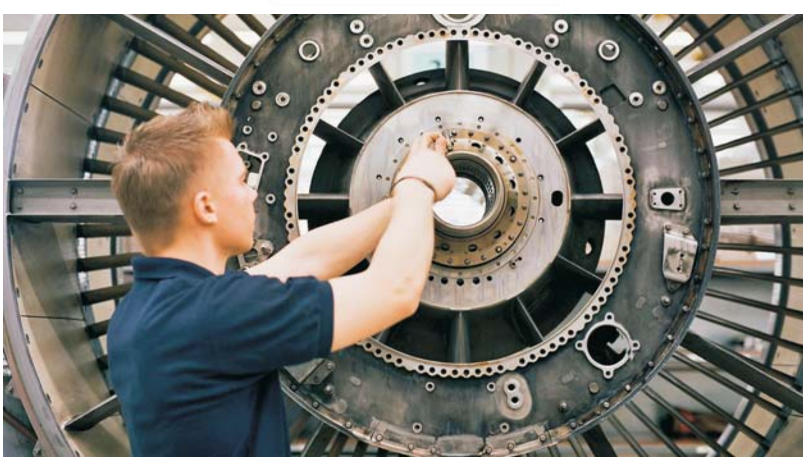
Some of the key capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, industrial furnaces etc.

The Index of Industrial Production (IIP), compiled by the Central Statistical Organization (CSO), Government of India, has classified capital goods under use-based classification having a weight of 9.2 percent in IIP. Over 50 items are covered under the capital goods industry. From 1994-95, the Indian capital goods industry has witnessed a cyclical phase, and thereafter the sector witnessed a recessionary phase till 2001-02, during which year, it witnessed a negative growth, mainly due to deceleration in production of transport equipment. However, since 2002-03, the sector has been witnessing buoyancy in production trends. Though the growth momentum has slowed down since 2007-08, the capital goods industry still continues to be the driver of growth for IIP.

Movement of Index of Capital Goods industry vis-à-vis IIP in India

Capacity creation in the Indian capital goods industry has been





growing, since liberalization in 1991, and in tune with the growth in industrial output. Cumulative foreign direct investments (actual inflows) in the capital goods industry amounted to over US $ 2.2 billion for the period April 2000 - January 2009.

Production of machine tools in the country reached the level of more than Rs. 2000 crore by the end of 2007-08, showing a growth rate of almost 10 percent, over the previous year. Export of machine tools has shown a steady increase in the last few years. In 2007-08, exports of machine tools fetched more than US $ 300 million. During the period April-September 2008-09, the exports of machine tools were valued at US $ 200 million.

The total production of textile machinery in the country increased from around Rs. 1175 crore in 2002-03 to more than Rs. 3000 crore by 2007-08. India's export of textile machinery during 2007-08 is estimated at around US $174 million, while imports were valued at around US $1799 million. During the period April-September 2008-09, exports of textile machinery were valued at US$92 million and the imports were valued at US $858 million.

India produces a wide range of construction and mining machinery. However, being a large and growing economy, the domestic demand is greater than the production capacity and thus the major portion of demand is met through imports. During the period 2007-08, India's export of construction machinery was valued at US$237 million and the imports stood at US$2468 million. During the period April-September 2008-09, exports of construction and mining machinery were valued at US $ 234 million and the imports at US$1200 million.

The process plant machinery and components sector in India is a heterogeneous segment of the capital goods industry. During the period 2007-08, India exported process plant/machinery worth US$ 1118 million, while its imports were valued at over US$2547 million. During the period April-September 2008-09, exports of process plant / machinery were valued at US$658 million and imports at US$1500 million.

The electrical equipment and machinery sector comprises a range of products, such as transformers, switch gears, motors, generators and control equipment. India exported electrical equipments and machinery worth over US$1987 million during the period 2007-08 and imported electrical equipments and machinery worth US$2455 million. During the period April-September 2008-09, exports of electrical equipments and machinery was valued at US$1248 million and imports at US$1408 million.

Analyses of India's trade in select capital goods products reveal that in most of the products India is a net importer, indicating the need for capacity expansion, including technology upgradation, to cater to the rising demand, both from domestic and export markets. India's export destinations of capital goods is a mixed bag with both developed and developing countries. However, India's share in these markets is insignificant indicating ample scope for expansion of market share.

It is being viewed that economies of scale would position India further as a cost-effective manufacturing base for capital goods. Strategies such as transformation of the shop-floors to be flexible to produce different types of machinery, redesigning the machining process to accommodate usage of common components/parts in various types of machinery, and leveraging of India's IT strengths in developing new generation machines, would contribute to the scale economies significantly. In addition, technology sourcing from countries such as Germany, Switzerland, Italy and Spain need to be encouraged, especially in the context of a shift in manufacturing bases from developed to developing countries. Indian players should also effectively adapt the strengths of machining technologies in other developing countries such as China and Taiwan.

Changing trends in product quality and safety standards should be monitored and addressed, to sustain market presence in developed countries. Also, developing countries of Asia, Africa, Latin America and central and Eastern Europe should be targeted for market expansion with effective supply chain management, thereby optimizing the product delivery schedules. With such strategies, the Indian capital goods industry would be well positioned to compete internationally. ■

EXIM BANK'S SUPPORT TO INDIAN MACHINE TOOLS SECTOR

Export-Import Bank of India (Exim Bank) some years back identified the Indian machine tools sector a sub-segment of Indian capital goods industry and brought out a study pinpointing appropriate strategies to strengthen this sector and thereby help contribute to the growth of the Indian manufacturing sector. One such recommendation made by the study was that the Indian Machine Tools Manufacturers Association (IMTMA) to adopt a cluster approach, seeking support from United Nations Industrial Development Organisation (UNIDO) and the Government of India (then Department of Small Scale Industries) to help the member-firms in overcoming the weaknesses by adopting best practices in the industry across the globe.

Following this recommendation, at the instance of the industry, National Programme for Development of Indian Machine Tool Industry (NPDMI) was launched in December 2002 as a cooperative effort of UNIDO, Government of India, Exim Bank and IMTMA with an aim to strengthen the competitive position and technological and market development capacity of players and to achieve high growth in CNC machine tool production, ushering in an era of e-commerce in machine tool trade, and establishing 'Made in India' label in machine tools.

Also, A Steering Committee was formed drawing expertise from various fields to guide successful implementation of the project. Exim Bank's representation in the Committee significantly contributed to the successful implementation of the programme. Exim Bank has been closely associated with the export efforts of Indian machine tools sector. The Bank has been supporting the machine tool sector to modernize and upgrade their production facilities, adaptation of technology and internationally acceptable standards through its various financing products and services. The Bank under its export facilitation programme, has supported the initiative of IMTMA in setting up of the Bangalore International Exhibition Centre (BIEC).

PTA with Mercosur Members to Boost Indo-Lac Bilateral Trade

The preferential trade agreement (PTA) with Mercosur (Argentina, Brazil, Paraguay and Uruguay), that comes into effect from next month, may throw open new markets for India.

R Viswanathan, Ambassador of India to Argentina, Uruguay and Paraguay, said that, "Indian goods, priced competitively, stand a good chance of replacing the more expensive imports that Mercosur countries have been making from the Western and European countries."

"The PTA, which comes into force on June 1, will give India an edge over others. The imports of MERCOSUR have gone down. There is a fundamental factor in our favor. The products that we will sell to them are of the right kind," said Viswanathan.

According to the envoy, the PTA, which was signed in March 2005, has finally been ratified by the Parliaments of the four Mercosur countries. A total of 450 items of India's exports to Mercosur and 450 items of import will get customs duty discounts of 10 percent and 20 percent and in a few cases even 100 percent.

The pact, which will lower tariffs on a wide range of goods, is intended to serve as a stepping-stone toward the establishment of a full-fledged free trade area among the signatories.

The PTA is India's second major agreement in Latin America. New Delhi had signed a similar PTA with Chile in 2005. Earlier this month, Santiago has indicated that the two countries will soon begin negotiations to expand the deal into a broader free trade agreement.

Senior MEA officials said that the PTA would usher in a new wave of economic and business cooperation with India.

Under the terms of the deal, India will give preferential access to 450 goods from Mercosur countries, including chemicals, petrochemicals and electronic equipment. In exchange, Mercosur will open its markets to some 452 Indian products, including air conditioning systems, refrigerators, silk and glass.

Trade between India and Mercosur, whose four member countries are home to 200 million people, totaled \$3.9 billion in 2008.

According to a recent FICCI interactive session on India-Mercosur, the fact that India's trade with Mercosur countries was \$4.6 billion during April 2007-March 2008 was highlighted. In the subsequent 8 months from April 2008-December 2008, the trade touched about \$3.9 billion.

Therefore, going by this trend, it is estimated that India's trade with Mercosur countries in 2008-09, until March 2009, would have surpassed the figures of 2007-08 in spite of the global recession.

However, overall trade between India and the Mercosur countries is much below the potential. For example, Brazil's share in India's total trade currently is a meager 0.84 percent, that of Argentina 0.29

percent; Paraguay just 0.01 percent and Uruguay just 0.02 percent.

With the India-Mercosur PTA coming into effect, Indian companies could take better advantage of the immense opportunities and tap into the Latin American, as well as other markets. Requisite support to businesses in India and Mercosur countries would be required to explore newer avenues for commercial linkages, suggested FICCI officials.

According to Genaro Vicente Pappalardo, ambassador of Paraguay in New Delhi, "agriculture, agri- business and cattle ranching offer a lot of synergies for business between the two countries." Paraguay is the world's fourth largest exporter of soybeans. Other agro products are corn, sunflower, cotton, wheat, tobacco and sugarcane.

The mainstay of the Uruguayan economy is the export-oriented agricultural sector. "Uruguay offers competitive incentives to foreign investors to set up assembly units and warehouses for exports to the rest of South America. Indian companies can take good advantage of this for increasing trade in Americas region," said Cesar Ferrer, Uruguay Ambassador in New Delhi.

Competitive Features

- Indian goods, priced competitively, stand a good chance of replacing the more expensive imports that Mercosur countries have been making from the Western and European countries
- A total of 450 items of India's exports to Mercosur and 450 items of import will get customs duty discounts of 10 percent and 20 percent, and in a few cases even 100 percent
- The PTA is India's second major agreement in Latin America, after a similar PTA with Chile in 2005
- Earlier this month, Santiago has indicated that the two countries will soon begin negotiations to expand the deal into a broader FTA. ■

JV with Chile to Produce Water Soluble Fertilizer in India

In a first of its kind in India, Coromandel Fertilisers Ltd, the over Rs 9,300-crore fertilizer major and part of the Murugappa group, has entered into a 50:50 joint venture agreement with SQM of Chile to manufacture water soluble fertilizers at Kakinada in Andhra Pradesh. Water soluble fertilizer is nothing but potassium nitrate which is 100 percent soluble in water and is used for horticulture, floriculture, plantations, etc.

P Nagarajan, chief financial officer, CFL, said, "We are setting up a plant at Kakinada in Andhra Pradesh to manufacture 15,000 tonne a year initially. Being a premium product and a non-subsidised fertilizer, we have decided to go slow initially. Based on the response we have plans to scale it up trebly over the next three years."

Currently, India imports nearly 50,000 tonnes from countries such as Chile, China and Israel and fertilizer majors such as RCF, Zuari, CFL among others are involved in importing the same, he said. As water is a scarce commodity in India, particularly in those cultivation areas, this fertiliser is found to be more suitable for drip irrigation like plantations and can be utilized fully without any wastage, he added.

Explaining in detail, a senior official of the company, who is involved in this project, said, "It is a high value product and almost costs 10 times that of a normal fertilizer on kilogramme basis."

A person can use only 4 or 5 kg of this fertilizer per acre as against 150 kg to 200 kg of normal fertilizers (DAP, urea, etc). "We have been importing this product over the years from SQM and selling in India in a small way and now we have decided to set up a JV for the same in India to offer the farmers at competitive prices," he said. Currently, farmers in AP, UP, Maharashtra, Karnataka are using this product, he added.

The company, which generates Rs 120 crore revenue through imports annually, is targeting Rs 400 crore per annum in the next two to three years with the local JV, he said.

Venezuela Hit by Sharp Oil Price Fall, May Recover in 2010

The real GDP growth of Venezuela slowed down to an estimated 4.9 percent in 2008 as compared to 8.4 percent in the previous year, primarily owing to weaker private investments and oil prices. In absolute terms, GDP stood higher at an estimated US$316.7 billion in 2008 as compared to US$228.1 billion in 2007. GDP per capita stood at US$ 11,433.2 in 2007. Consumer price inflation, which was 18.7 percent in 2007, increased sharply to 30.4 percent in 2007, mainly due to higher import prices prevailed during the first half of 2008. In 2007, services sector accounted for 54.1 percent of GDP, while the shares of industry and agriculture stood at 41.9 percent and 4.0 percent, respectively. Bolivar (Bs) is Venezuela's local currency and the average exchange rate remained unchanged at US$1: Bs 2.15 in 2008. The foreign exchange reserves increased in 2008 to an estimated US$ 42.1 billion from US$33.5 billion in 2007, representing an import cover for 10.8 months. Total external debt of Venezuela also increased to an estimated US$ 46.9 billion in 2008 from US$ 43.3 billion in the previous year (Table 1).

Table 1: Macroeconomic Indicators

Economic Indicators	2004	2005	2006	2007	2008[b]
GDP at market prices (US$ billion)	112.5	145.5	184.5	228.1	316.7
GDP at market prices (Bs tn)	212.7	304.1	396.1	489.7	680.0
Real GDP growth (%)	18.3	10.3	10.3	8.4	4.9
Consumer price inflation (avg. %)	21.7	16.0	13.7	18.7	30.4
Population (mn)	26.0	26.5	26.9	27.3	27.7
Exports (US$ billion)	39.7	55.6	65.2	69.2	99.2
Imports (US$ billion)	17.0	24.2	32.5	45.5	46.8
Current-account balance (US$ billion)	15.5	25.1	27.1	20.0	46.8
Total International Reserves (US$ billion)	23.5	29.6	36.7	33.5	42.1
Total external debt (US$ billion)	40.8	45.8	43.0	43.3	46.9
Exchange rate (avg. BsF: US$)	1.89	2.09	2.15	2.15	2.15
Local currency in Bolivar (Bs)					

Note: b- Estimates. *Source: IMF; EIU.*

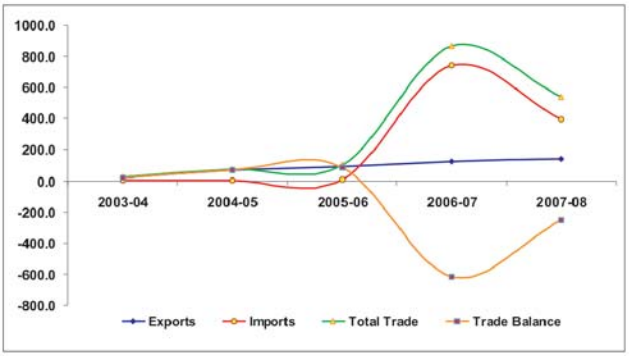
Trade & External Sector

Export earnings of Venezuela increased by 43.4 percent to an estimated US$ 99.2 billion in 2008 from US$ 69.2 billion in 2007, mainly as result of high international oil prices. In 2008, import of Venezuela also increased by 2.9 percent to an estimated US$ 46.8 billion from US$ 45.5 billion in the previous year, due to high international prices during the first half of 2008. Thus, Venezuela's trade surplus increased by 121.1 percent from US$ 23.7 billion in 2006-07 to US$ 52.4 billion in 2007-08. The major export destinations in 2006 were the US (53.5 percent of total exports), the Netherlands Antilles (8.8 percent), China (3.7 percent) and Spain (3.0 percent). The principal origins of imports in 2006 were the US (29.2 percent of total imports), Colombia (9.6 percent), Brazil (7.9 percent) and Mexico (6.1 percent). Petroleum is the major export item of Venezuela, accounting for 90.5 percent of total exports in 2007-08. As regards imports, intermediate goods accounted for 44.5 percent of total imports, followed by capital goods (31.0 percent) and consumer goods (24.5 percent). The current account surplus of Venezuela increased to an estimated US$ 46.8 billion in 2008, as compared to US$ 20 billion in the previous year, reflecting higher surplus in trade account.

Bilateral Trade Relations with India

India's exports to Venezuela increased by 13.6 percent from US$ 126.4 mn in 2006-07 to US$ 143.6 mn in 2007-08, mainly due to increase in exports of pharmaceutical products and machinery and instruments. On the other hand, India's imports from Venezuela decreased significantly by 46.5 percent from US$ 742.6 mn in 2006-07 to US$ 397.1 mn in 2007-08, due to decrease in imports of petroleum crude (Chart 1). During 2008-09 (April-December), India's exports to Venezuela decreased by 1.4 percent to US$ 118.0 percent from US$ 119.6 mn during the same period in the previous year. At the same time, India's imports from Venezuela during 2008-09 (April-December) increased by several fold to US$ 3837.5 mn from US$ 240.2 mn during the same period in the previous year.

Chart 1: Trend in India's Trade with Venezuela (US$ mn)



Source: Ministry of Commerce and Industry, GOI; Exim Bank Analysis.

The main export items of India to Venezuela in 2007-08 included pharmaceutical products (26.1 percent of total exports), petroleum products (14.4 percent), machinery and instruments (10.6 percent), cotton yarn fabrics madeups (9.9 percent) and transport equipments (6.8 percent) (Table 2). Petroleum crude was India's major import from Venezuela in 2007-08, accounting for 98.1 percent of total imports from Venezuela. Other items of India's import from Venezuela in 2007-08 were Organic chemicals (0.58 percent of total imports), metaliferous ores and metal scrap (0.38 percent) and iron and steel (0.21 percent). As a result, India's trade deficit with Venezuela narrowed from US$ 616.2 mn in 2006-07 to US$ 253.5 mn in 2007-08 (Table 3).

Export-Import Bank of India in the LAC Region

Export-Import Bank of India (Exim Bank) operates a range of lending, services and support programmes to facilitate and promote India's trade and investment relations with the Latin America & Caribbean (LAC) region. Exim Bank has currently 15 operative lines of credit (LOCs) amounting US$ 167.89 mn covering 17 countries in the LAC region. Exim Bank has also signed MOCs with a number of institutions in LAC region, which include: Caribbean Association of Industry & Commerce (CAIC), Trinidad & Tobago; Banco Mercantil, Venezuela; Central American Bank for Economic Integration (CABEI), Honduras; and Corporacion Andina De Fomento, Venezuela. Further, the Bank has supported several Indian project exporters to execute contracts, in the LAC region, including: Praj Industries - Ethanol plant project (Colombia); Aarti Drugs - Pharmaceuticals (Mexico); GPCL - El Nino Emergency Assistance Project (Guyana); Jyoti Structures Ltd. - Power Transmission (Brazil); and Larsen & Toubro Ltd. -Construction (Barbados). Bank has also carried out a number of research studies to examine India's trade and investment potential with the LAC region.

Recently, Exim Bank has signed an agreement with the Government of Suriname for a LOC of US$ 4.3 mn to be provided by Exim Bank to the Government of Suriname for supply of ten crash fire tenders by BEML to Suriname.

Table 2: India's Exports to Venezuela - Commodity wise (Percent in total)

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Exports	100.0	100.0	100.0	100.0	100.0
Pharmaceutical products	19.6	23.1	17.2	16.9	26.1
Petroleum products	14.9	17.8	15.6	27.4	14.4
Machinery & instruments	4.7	9.5	15.3	6.5	10.6
Transport equipment	5.1	3.9	6.7	6.8	9.9
Cotton yarn fabrics madeups	8.6	8.0	7.3	12.3	9.8
Inorganic/organic/agro chemicals	11.1	3.1	3.1	1.9	5.5
Rubber manufactured products	3.5	4.9	5.7	3.5	2.5
Manmade yarn fabrics madeups	2.7	5.6	2.1	3.3	2.2
Processed minerals	0.3	1.5	1.3	1.5	2.2
Manufactures of metals	3.5	3.1	2.6	3.5	2.2

Source: Ministry of Commerce and Industry, GOI; Exim Bank Analysis.

Table 3: India's Imports from Venezuela - Commodity wise (Percent in total)

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Imports	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Petroleum crude	0.0	0.0	0.0	95.3	98.1
Organic chemicals	0.0	0.0	0.0	0.0	0.6
Metaliferrous ores & metal scrap	27.5	35.1	12.7	0.2	0.4
Iron & steel	3.6	0.0	13.6	0.0	0.2
Synthetic & regenerated fibres	0.0	0.0	1.6	0.0	0.2
Inorganic chemicals	0.0	0.0	3.6	0.1	0.1
Non-ferrous metals	3.2	0.7	0.0	0.0	0.1
Non-electrical machinery	2.8	0.0	0.0	0.1	0.1
Medicinal & pharmaceutical products	0.0	0.0	0.0	0.0	0.1
Manufactures of metals	0.0	0.2	0.0	0.0	0.0

Source: Ministry of Commerce and Industry, GOI; Exim Bank Analysis.

Outlook

Real GDP growth of Venezuela is expected to contract by 3 percent in 2009, mainly affected by deepening of world economic recession. However, GDP growth is expected to recover to 5.4 percent in 2010. Tighter import restrictions and the gradual upward adjustment of some prices are expected to prevent inflation from falling. As a result, inflation is expected to average 31.6 percent in 2009. Currency is expected to continue to appreciate 17 percent in real terms in 2009. A sharper depreciation of the fixed exchange rate, to BsF 4: US$ 1 early in 2010 is expected to result in a weakening of the real exchange rate. A sharp projected fall in oil prices is expected to wipe out the large current account surplus in 2009. Assuming a moderate pick-up in oil prices in 2010 and falling import volumes, the current-account surplus is expected to rise in 2010. ■

Mexican Bank Back to Funding Infrastructure Projects

The uncertainty produced by the global financial crisis is prompting Mexican development bank Banobras to go back to its original role as an infrastructure project catalyst, bank director Alonso García said.

"In the current crisis scenario, development banks are recuperating the essence of what they were created for," he said.

"Development banks are tasked with correcting market deficiencies and facilitating the flow of funds toward the sectors they are responsible for. In the case of Banobras, this means infrastructure projects," he added.

In addition to designing new financial instruments, Banobras is working on two fronts to facilitate project finance.

"The first front is the traditional role the bank has played since it was created 75 years ago, which is offering credit. The second role started with the creation of Fonadin (national infrastructure fund) in early 2008," García said.

"Both combine to turn initiatives into bankable projects for the private sector. This means projects that can attract financial resources from the private sector via credit," he said.

To do this, Banobras channels non-reimbursable funds to make projects credit-worthy, the executive said, adding: "In the current scenario, making projects bankable is becoming increasingly difficult."

Once a project is acceptable, Banobras offers credit at market level interest rates in an environment where many banks have restricted credit.

"This way, Banobras guarantees the government project agenda keeps moving forward, while making sure that projects that have taken a long time to put together are not suspended because of current conditions," García said. ■

Global Economic Meltdown

IMF Sees Quicker LatAm Recovery

The impact of the global recession on the Latin America and Caribbean (LAC) region has been severe and wide-ranging, but the region is now better positioned to weather the current downturn and is expected to emerge from the financial crisis earlier than the advanced economies, according to the latest Regional Economic Outlook: Western Hemisphere report of the International Monetary Fund (IMF). The report also predicts that economic activity in LAC will suffer less than in previous global downturns.

The Fund estimates the LAC region will hit bottom in the first part of 2009 and will begin to grow in the second part of the year, while growth in advanced economies may not turn positive until the middle of 2010. According to the latest IMF forecasts, the LAC economies will shrink 1.5 percent in the current year and return to a positive growth rate of 1.6 percent in 2010. That compares to a drop of 3.8 percent for advanced economies in 2009 and no growth in 2010.

“There is no doubt that the region is being hurt by the global turmoil,” said Nicolas Eyzaguirre, Director of the IMF's Western Hemisphere Department. “But the region has a much higher level of preparedness today in terms of stronger public finances and financial sectors, and policies that help cushion external shocks. As a result, the region is not facing a fiscal crisis, as some other developing regions, or a banking crisis, as the United States and much of Europe. Looking back at previous global downturns, the LAC region would normally trail the world economy by one or two percentage points. Now, however, we expect the region to keep up with world growth, which, in relative terms, is a positive development.”

Eyzaguirre noted that, in contrast to past downturns, when policymakers in the region had to react defensively to external shocks with spending cuts and interest rate hikes to avoid a deeper downward spiral, this time around they have been able to respond in a very different way: with active policies to boost output and employment. They have been able to implement more counter-cyclical policies than at any other time. To different degrees, according to each country's condition, governments have been able either to maintain public expenditure or increase it.

“Many central banks were able to provide liquidity and interest rates were lowered,” Eyzaguirre said.

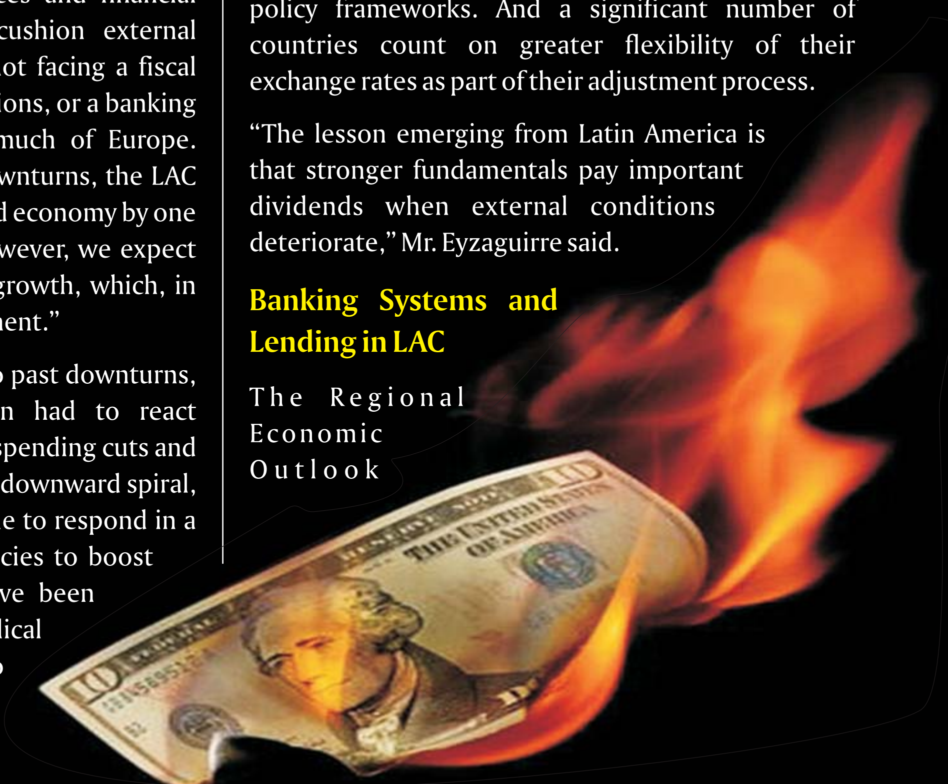
The external shocks hitting the region have been unusually severe, the latest outlook notes. All countries have sustained a loss of external demand, and many have also suffered a deterioration in their terms of trade as commodity export prices plunged. Countries with relatively large manufacturing sectors have been especially hard hit. Income from remittances and tourism is also sinking. And external financing has become more costly for all, with some borrowers cut off from financing, the regional outlook explains.

Against all this, the region had accumulated many sources of strength and resilience during the past decadealthough to varying degrees. Many countries have made important strides in strengthening fiscal positions and public debt structures, solidifying financial systems and their regulation, anchoring inflation expectations, and building more credible policy frameworks. And a significant number of countries count on greater flexibility of their exchange rates as part of their adjustment process.

“The lesson emerging from Latin America is that stronger fundamentals pay important dividends when external conditions deteriorate,” Mr. Eyzaguirre said.

Banking Systems and Lending in LAC

The Regional Economic Outlook



also discusses the impact of the crisis on the region's financial systems. Chapter III of the report analyzes the impact of the global financial crisis on LAC's banking sectors, and concludes they are much more resilient than in the past because earlier weaknesses, such as exposure to currency depreciation and reliance on external financing, have been reduced considerably.

The report considers whether the international banks that are active in the LAC region will transmit advanced countries' credit crunch to the region. While bank loans from abroad already have contracted, the report predicts that credit extended by local affiliates of foreign bankswhich is more important to most countrieswill continue to be more resilient. ■

Scorecard to evaluate LatAm Tourism Projects

The Inter-American Development Bank has recently released a new Tourism Sustainability Scorecard, an interactive tool developed to ensure that the IDB's investments in private sector tourism projects maximize social, economic, cultural and environmental benefits for local communities and destinations.

Tourism is an important source of employment and revenue in Latin America and the Caribbean, and a widely acknowledged contributor to sustainable development and poverty alleviation. The World Travel and Tourism Council estimates that tourism will contribute as much as $217 billion to the region's economies in 2009.

The Scorecard will allow the Bank to assess the sustainability of private sector projects that request IDB financing and give priority to requests that demonstrate potentially positive impacts. Also, the scorecard is expected to be a guide for developers to formulate more sustainable projects and encourage them to think about sustainability issues from the outset. Although the Scorecard has been specifically designed for the private sector, it can also be a valuable tool for government entities, NGOs, scholars, and other tourism stakeholders to assess private sector initiatives.

The Scorecard was developed on the basis of the Global Sustainable Tourism Criteria. It includes 52 criteria and their corresponding indicators grouped into five sections: effective sustainable management practices; socioeconomic issues; cultural heritage issues; environmental issues; impacts on the tourism destination; and real estate activities associated with the tourism project.

The Scorecard is designed to be used at multiple stages of a project's lifecycle: during project development, screening, or initial analysis, and then again throughout due diligence and investment approvals. Use of the Scorecard at multiple stages will help decision makers identify areas that need improvement and later on allow them to measure the impact of the changes they have introduced.

The Scorecard does not provide a score for a particular project, but rather generates a “color map” of performance indicators showing how sustainable the project is likely to be. A color code, ranging from green to red, is used to designate performance indicators from excellent to unacceptable.

The IDB is inviting comments and suggestions regarding the Scorecard, which is available at www.iadb.org/tourismscorecard/, during a six month public consultation period that will end in November 2009. ■

CAF' $1 bn Bond Placement in US Market Successful

The US$1 billion bond issue which the Andean Development Corporation (CAF), based in Caracas, Venezuela, has placed recently on the US market was seen as a success and a new milestone. The rapid growth of the institution, combined with the good reception of investors, resulted in the highest placement in the history of the international financial organization.

Heavy demand from numerous institutional investors in the United States, Europe and Latin America tripled the amount offered. The operation enjoyed a high level of participation by prestigious new investors which, during the session, significantly increased the order book. The agents responsible for the transaction were Credit Suisse and Bank of America Securities-Merrill Lynch.

"This placement reflects the fact that CAF, even in the difficult environment of the financial crisis, is established as a reliable issuer," President & CEO Enrique Garcia said. "This is the largest issue in the Corporation's history with a demand of approximately US$3 billion, with high participation by new investors."

Garcia added, "This would not be possible without the financial strength of the institution, reflecting the continuous growth of capital, consistent improvement in risk ratings and the strong commitment of its member countries, which permit the Corporation to raise funds in a stable and competitive way, strengthening its catalytic and anti-cyclical role"

As financial intermediary, CAF attracts funds into Latin America to promote investments and trade opportunities in the region. With these funds, it concentrates its strategy of action on the socioeconomic development of the shareholder countries by financing operations to improve the competitiveness of their economic sectors, develop their economic and social structure, support the physical and border integration of the region, reduce poverty, promote small- and micro-enterprise, strengthen local and regional financial markets, develop human capital, and foster the reform and modernization of the State. ■

NEWS

'Leadership for Transformation' Agenda Caching Up in LAC

The Andean Development Corporation and the Institute of Government of the University of San Martn de Porres (UPSMP) have recently opened the CAF Leadership for Transformation Program 2009 in Lima with the objective of strengthening citizen leadership in civic-democratic values in 12 provinces of Peru.

Participants in the opening ceremony were Eleonora Silva Pardo, CAF director representative in Peru; Javier Tantalen Arbul, director of the USMP Institute of Government; and Susana Pinilla, president of the Institute of Microenterprise Development (IDECI).

The CAF representative said that the multilateral organization would execute the Leadership for Transformation Program in Peru for the fourth year running. The courses will train 500 natural leaders representing social, cultural, indigenous and campesino organizations and labor unions and associations of micro and small enterprises from 12 provinces of the country.

Silva Pardo said the programme began in Colombia in 2002 out of a CAF initiative and since then has been successfully replicated in Bolivia, Peru, Venezuela and Ecuador, with the objective of identifying natural leaders of the region and laying the base for a new style of leadership, enriching their system of values and equipping them with tools for assuming the responsibilities of future leadership with a deep civic, democratic and ethical sense.

"The strategic value of the program lies in the importance of training as a mechanism for strengthening democratic governance, improving the situation of citizens and their context, helping their communities achieve a better quality of life and a better dialogue between all levels of society which is so important for our countries," Silva Pedro said.

The main objectives of the program are to identify, select and train natural leaders in an effort to generate a transformational leadership, which manages tools and has the technical capacity to detect community needs, and prepare actions that enhance the exercise of their citizenship, thus contributing to the governance of their peoples and the transformation into a more democratic and modern country, the CAF executive added.

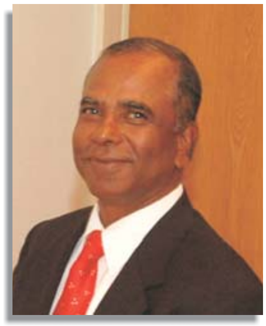
Tantalen Arbul thanked CAF for supporting the fourth training event which this year will be take place in Amazonas, Ayacucho, Callao, Huacavelica, (Huacho-Huaura), Hunuco, Lambayeque, Lima, Moquegua, Puerto Maldonado, Puno and Tacna. Recalling that 572 leaders were trained last year, he said that overall 1,500 participants had graduated in Peru and that the great challenge was to improve the quality and results of this fourth course.

The Leadership for Transformation program responds to one of the lines of action which CAF is implementing in the area of governance, and which by the end of 2008 had trained 10,530 leaders in the five countries of the Andean region. ■

Costa Rica

Where People Are At Peace & Full of Life

By R. Viswanathan



Pura Vida.. is how the Costa Ricans respond cheerfully when you ask them , Como esta (how are you). Pura vida literally means pure life. But what the Costa Ricans mean is ¨full of life¨, ¨great¨. This makes them distinct among the Latin Americans who respond generally as Bien (fine) or Muy Bien (very well). I had the opportunity to discover some more unique characteristics of this Pura Vida country during my visit there last week from 6 to 9 May.

The Ticos (nick name of Costa Rican men) or Ticas (Costa Rican women) distinguish themselves from the other Central Americans and Latin Americans not just by the word Pura Vida. They have genuinely made themselves distinct and succeeded in marketing their country as a business and tourist destination with a difference. Here are some facts substantiating their claim.

Costa Rica had abolished the armed forces in December 1948 and has been peacefully and democratically governed in the last 50 years. Unbelievable... but true. This is their greatest distinction from the rest of Latin America which had suffered military dictatorships and the consequent miseries during this period. Mind you .. the Ticos are not living in a far away island. They live right in the middle of Central America which has gone through devastating civil wars, proxy wars, contra wars and even soccer wars. It is against this background that Costa Rica's achievement looks even more admirable. From an intellectual, cultural and historic point view, abolishment of an army by Costa Rica is indeed a civilizational advance! As the first country to abolish armed forces, Costa Rica has set an example not only for Latin America but for the whole world. The neighbouring Panama has followed the example of the Ticos by abolishing their army in 1990.

The Ticos are not just content with passive peace within the frontiers of their chiquitico country of four million. They have established a University for Peace (UPEACE) in 1980 "to contribute to the great universal task of educating for peace by engaging in teaching, research, post-graduate training and dissemination of knowledge fundamental to the full development of the human person and societies through the interdisciplinary study of all matters related to

peace". At present, the UPEACE Costa Rica Campus has 170 students from 52 different countries, including India, making it one of the most diverse universities in the world for its size.

Oscar Arias, the president of Costa Rica successfully mediated to stop the Central American wars and get the presidents of the region to sign a peace agreement in 1987. Peace has since endured in the region. Arias was awarded the Nobel peace prize in 1987. He used the monetary award from the Nobel Peace prize to establish the Arias Foundation for Peace and Human Progress. In his Nobel Prize acceptance speech he said We are a people without arms and we are fighting to continue to be a people without hunger. Our children walk with books under their arms rather than guns on their shoulders. We are a symbol of peace for America.¨ Not rhetoric. Preaching based on practice.

In 1869, the country became one of the first in the world to make education both free and obligatory, funded by the state's share of the great coffee wealth. The literacy rate of Costa Rica is one of the highest in Latin America.

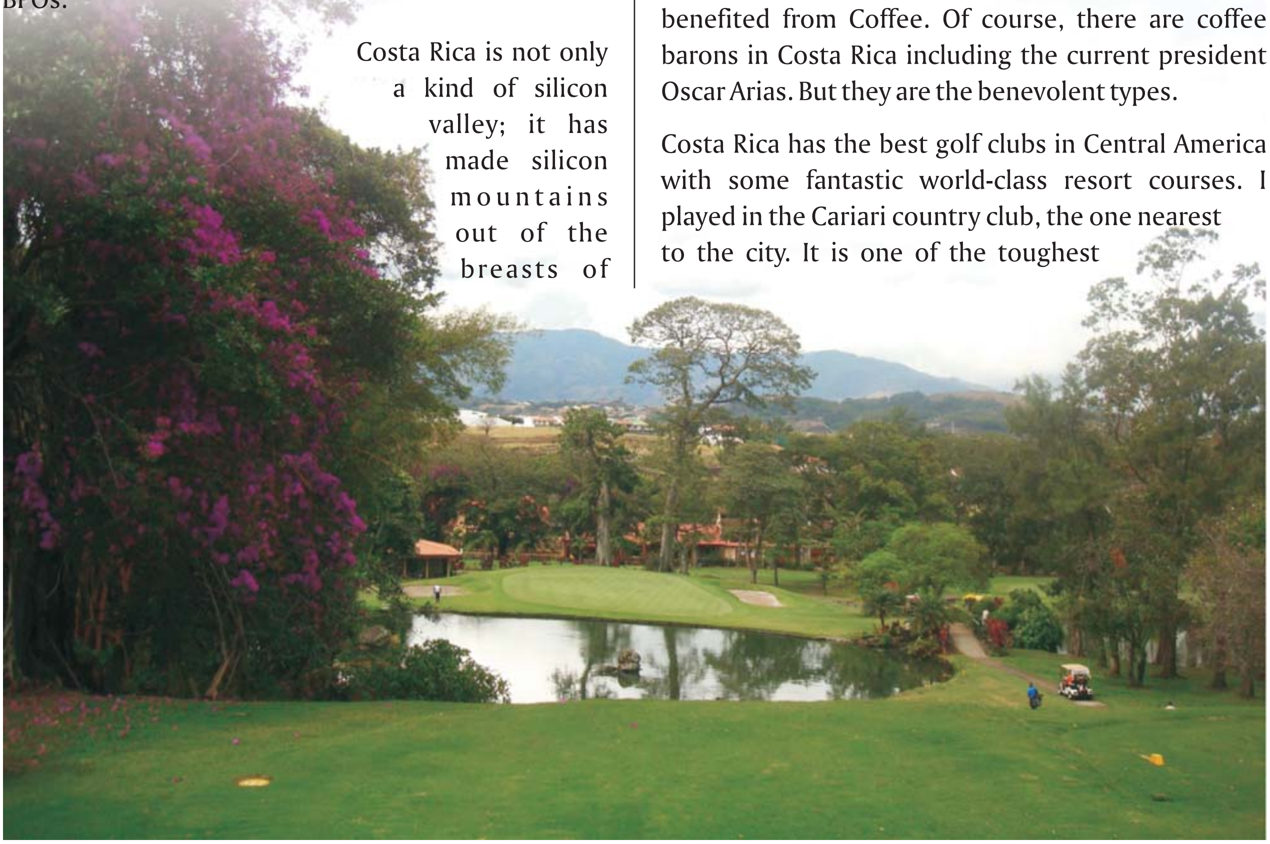
With its high literacy rate, Costa Rica has positioned itself as the silicon valley of Latin America. Intel has a chip making plant employing 5000 Ticos. Hewlett Packard employs 7000 Ticos in its call centres and BPOs.

Costa Rica is not only a kind of silicon valley; it has made silicon mountains out of the breasts of Latino women. Read my blog story on this http://latinamericanaffairs.blogspot.com/2008/09/indian-men-want-to-conquer-silicon.html#links

Costa Rica was the pioneer in introducing Canopy Tours. There are 190 of them in various parts of the rain forests of the country. It is an adrenaline rush soaring above the canopies of the forest and sliding down the steel ropes (like monkeys!) through the branches and leaves of the trees. It gives an intimate feel of the forest. My own monkey trick on the rope was not a big deal. I used to climb palm trees in my village. I was scared for another reason. Behind me in the rope was a MacDonald-fed 400 pound Gringa. I was afraid that the rope would break and she would fall on me and crush me to a pulp. But the ropes were stronger and I survived. Here is a picture of the Canopy tour:

Costa Rica was the first country to start coffee plantations in Central America, in 1779. Again the Ticos have distinguished themselves from the other Central Americans. While in the other countries cafe oligarchy has caused political and social problems, in Costa Rica the coffee economy is more inclusive with the participation of a large number of small and medium coffee farmers. Whereas in other countries the Indios and tenant farmers were displaced from their communal lands, most Costa Ricans have benefited from Coffee. Of course, there are coffee barons in Costa Rica including the current president Oscar Arias. But they are the benevolent types.

Costa Rica has the best golf clubs in Central America with some fantastic world-class resort courses. I played in the Cariari country club, the one nearest to the city. It is one of the toughest



courses I have ever played. It is narrow with hazards and out of bound scaring the hell out of the players. I survived without losing a ball or going out of bounds but with a poor score of 92! David, one of the foursome in which I played is a retiree from US, settled there for the last seven years. He comes to the club in his own golf cart from his house located inside the golf course. The snack and drinks cart moving around the golf course had many alcoholic drinks including black label whisky. Lou Aguillera, one of our foursome started playing better after a couple of glasses of rum...

Here is the signature hole (par three hole number four) Tourism is the largest source of foreign exchange for the country. About two million tourists visit the country every year. Ecotourism has been well developed. Many Ticos in the services sector such as Tourism and Hotels speak fluent English. The climate, political stability and friendly services has attracted a number of Americans who have settled down there permanently.

I went in a tour group to see local folk dances at Pueblo Antigo. Two Ticas namely, Chavela and Consuelo gave a guided tour of the place and cultural event for two hours. They entertained us with jokes, stories, songs, dances and anecdotes explaining the history and culture of Costa Rica. They were like a two-woman theatre. They were the best and the most impressive tourist guides I have ever met in my travels around the world. Chavela is on the right and Consuelo is on the left in the picture below:

Costa Rica has a distinction from the Indian point of view too. It is the Americas Headquarters of the Indian company Havells Sylvania, which has a global turnover of $1 billion. Kapil Gulati, a bright young Indian is based in San Jose as the Director of Americas managing the $160 million operations in the whole region of Americas including USA. This company has perhaps the largest volume of business in Latin America among the Indian companies operating in the region. It has business in 10 countries and has production units in Costa Rica, Brazil and Colombia. The Indian company Havells (sounds German..no.. it was founded by a Havelli Ram) bought the lighting and fixtures business of the American company Sylavania worldwide including Latin America. Here is their website www.havells-sylvania.com

Gulati is in the process of consolidating and streamlining the business in the whole region, operating out of the chiquitico Costa Rica.

There are a few Indians there, the most notable being Dr Nandwani, who has been there for over 30 years and has earned the respect of the Ticos as a leading scientist and Head of the Solar Energy centre in the university. Tico Nandwani has become a Tio Indiano (Indian Uncle) for the small Indian community there.

Two disclaimers...

-This is not marketing for Costa Rica... my genuine experience and feeling.

- Costa Ricans did not pay for my trip to write this story.. I was on a private tour paid by myself.

Why did I choose to go there?

Answer in the next blog story on Nicaragua to be published this week.

(R. Viswanathan, Ambassador of India to Argentina, Uruguay and Paraguay)

Nicaragua The Land of Passionate Poets & Fiery Volcanoes

On my recent (9-11 May 2009) visit to Nicaragua I took a travel companion with me. Guess.. a book on Nicaragua written by Salman Rushdie with the title, ¨The Jaguar Smile¨. Rushdie quoted someone's saying that there are poets and writers in every street of Nicaragua and that everybody is considered to be a poet until proved to the contrary¨. Incidentally this was the first non-fiction written by Rushdie.

Daniel Ortega, the Nicaraguan President himself writes poetry. When he was a political prisoner at the age of 23 from 1967 to 1974, he wrote many poems, one of which is titled ¨I Never Saw Managua When Miniskirts Were in Fashion¨. While in jail he received visits from Rosario Murillo, a poet. The prisoner and the visitor fell in love; Murillo became Ortega's wife. She has published several books of poems. One of them is called as ¨Amar es combatir¨- to love is to combat. She is now the President of the Foundation for Promotion of Love (FUNDAMOR).

One of Daniel Ortega´s brothers Humborto Ortega is a published writer. Many ministers in his cabinet now and during his previous presidency and Sandinista leaders are poets and writers. Notable among these are Sergio Ramirez, Gioconda Belli and Ernesto Cardinal. The revolutionaries and common people found solace and expression in poetry for survival and inspiration during the volcanic eruptions of revolutions, war and struggles.

Ruben Dario, the poet and writer of Nicaragua is the most well-known in the world. He is considered as the father of the Modernist Movement in Spanish literature in the 20th century. His book Azul (1888) is said to be the inaugural book of Hispanic-American modernism. He was a precocious poet and published his poem in a newspaper at the age of thirteen. He was precocious in love too. He fell in love with an eleven year-old girl, when he was fifteen. Thereafter he fell in love frequently with different women in later life and married some of them. In San Salvador, he was married to Rafaela Contreras, daughter of a famous Honduran orator, Álvaro Contreras, on June 21, 1890. One day after the wedding there was a coup d'état in which his wife died. The coup was engineered by General Carlos Ezeta, who had been a guest at Dario's wedding.

Dario had lived in several central and South American countries and worked in the newspapers of these countries including the Argentine daily La Nacion for a long time. He wrote a book Canto a la Argentina. Interestingly he was appointed as the Colombian honorary consul in Buenos Aires by the Colombian president Miguel Antonio Caro during the period 1893-1895.

Dario is remembered for the following prophetic poem in which he anticipated US as an invader.

Eres los Estados Unidos, eres el futuro invasor

You are the United States, You are the future invader

Nicaragua was one of the worst victims of American invasion and the infamous Contra war.

An American mercenary adventurer William Walker maneuvered to appoint himself as President of Nicaragua in 1856 and ruled for a year and even made English as the official language. Walker recruited about a thousand American and European mercenaries to invade the other four Central American nations: Guatemala, El Salvador, Honduras, and Costa Rica. This was supported by the American tycoon Cornelius Vanderbilt who had business interests in the region. Fortunately the invasion failed and Walker was later executed.

Here is the iron plate statue (in Managua, the capital) of Sandino, the father of the nation who raised a rebellion against US presence in Nicaragua during the period 1927-33. He was assassinated by Somoza whose cruel dynastic dictatorship was brought down by Sandinistas in 1979.

Nicaragua is a land of lakes too. May be it is nature's compensation to cool the volcanic heat. The largest, Lake Nicaragua is spread over 8,000 sq km. I visited Granada, the former capital and a picturesque city, on the shore of the lake and took a boat tour of the small islands called islets. There are more than 350 of them in varying sizes ranging from an acre to dozens of acres. These can be bought and used for private purposes. Rich people have built attractive holiday homes. The islets, although rocky, have dense vegetation and many of them have large and tall trees.

Here is an island house:

I asked the boatman what did he know of India. He replied that he associated India with two things: motos and high economic growth. Nicaragua is full of Bajaj motorcycles and three wheelers. While the three wheelers are for the poor people, Bajaj Pulsar motorcycle has become a status symbol among the young Nicaraguans.

The landscape and people of Nicaragua reminded me of Kerala. The countryside of Nicaragua is like the Kerala villages with palm and banana trees, yukka and beans, mountains and waterbodies, literacy and marxism.

I wanted to play golf in Nicaragua. But I was not sure if golf courses existed in the land of Sandinistas. To my surprise, I found a world-class course called as Nejapa golf club. I played with India´s honorary consul Alejandro Lacaya, who is a golf fanatic with a handicap of nine. He told me that the original golf course in Managua was taken over by the first Sandinista government, which converted it into a housing colony for the poor. Later, the Chamorros government, paid a compensation to the golfers who supplemented it with their funds to acquire land and build the new Nejapa golf course, which is dotted with neem trees from India.

I found an interesting Indian business executive too in Managua. Ashwani Dhingra, the Latin America regional head of Tablets India Ltd, Chennai, runs his $6 million business from his residence in Managua. He is at home there with his family and a passion for Latin America.

The Government of Nicaragua, in an unusual but welcome move, have authorized their honorary consul in Mumbai Paresh Mehta tel 022-40479444 to issue visas.

Volcanoes are part of the geology of Nicaraguan land and they erupt from time to time, like the politics of the country. Here is a volcano poem of Gioconda Belli with the title,

Yo, la que te quiere - I am the Woman Who Loves You.
Yo caliento tus noches,
encendiendo volcanes en mis manos,
mojándote los ojos con el humo de mis
cráteres.

I warm your nights,
lighting volcanoes with my hands,
making you cry with the smoke from my
craters.

Below is the picture I took at the Masaya volcano, between Managua and Grenada.

To me the whole country of Nicaragua looked like a political crater, having suffered so many eruptions of wars, invasion and violence in the past. I hope the country will erupt in the future with more poetry instead of volcanos and wars.

Here is the answer to the question in the previous blog on Costa Rica. Why did I choose to visit these two countries?

They were the only two countries missing from my Latin American curriculum. I can, now claim, that I have kissed the land and breathed the air of every Latin American country. My Latin American Karma is complete now...

(Author R. Viswanathan, Ambassador of India to Argentina, Uruguay and Paraguay)

Land of Deep Rainforests & Silvery Beaches

Brazil is the biggest country in South America, and one of the most diverse countries in the world. From the Amazon River and its rainforest to the beaches in Rio de Janeiro, from industrial Sao Paulo to colorful Salvador de Bahia, Brazil is a country to discover.

Brazil is a tropical country that extends well into the temperate zone. The coastal area ranges from tropical in the north to temperate in the south. The coolest period is from May to September, and the hottest is from December to March. October to May is the rainy season. December to February are Brazil summer holidays, so accommodation and transport may be a problem.

The capital of Brazil is Brazilia, but the two main entry ports are the cities of Sao Paulo and Rio de Janeiro, with their International Airports. Belem and Manaus also have international flights.

Rio de Janeiro

Rio de Janeiro is definitely one of the nicest cities in the world. Rio de Janeiro has everything: green hills, blue skies, rocky mountains, a beautiful bay, islands, nice beaches ...

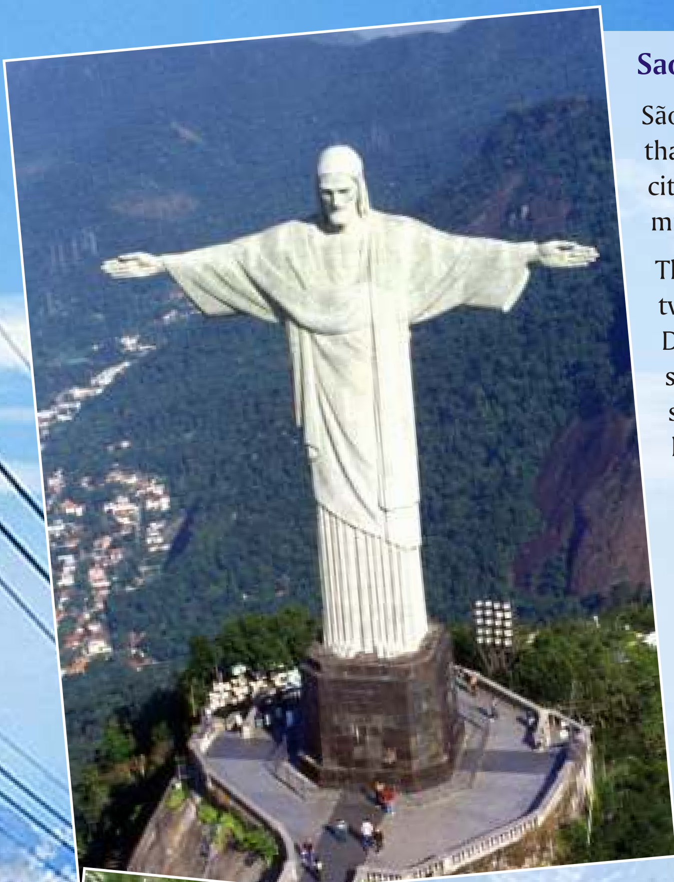
But what has made Rio famous is its carnival. The festival is celebrated throughout the city (streets, squares, clubs, beaches, almost everywhere), but the main event takes place in the Samba Stadium, the Sambodrome.

Salvador da Bahia

Salvador da Bahia, or São Salvador da Baía de Todos os Santos, is the capital of the Brazilian state of Bahia. The city is located on the northeast coast of Brazil.

Salvador da Bahia, or Bahia, was founded in 1549 , and was the capital of Brazil for more than 200 years (17th and 18th centuries). In its historical center you will find a group of churches and colonial houses that deserved the recognition of the UNESCO as a World Heritage Site.

The local government with international help, is making an extraordinary effort to restore its colonial center. The pastel colors of its houses, its colonial churches, its people and its blue skies make of Salvador da Bahia one of the most beautiful cities in the world.



Sao Paulo, Brazil

São Paulo is a megalopolis in the south of Brazil. With more than 11 million inhabitants São Paulo is the most populous city in Brazil. And its metropolitan area, with more than 23 million people, is one of the biggest in the world.

The main tourist attractions in São Paulo are centered in two areas: downtown and Avenue Paulista. In the Downtown area you will find the cathedral, the town's skyscrapers, the historical buildings, and the shopping streets and malls. In Avenue Paulista you find the headquarters of Brazil's biggest companies, cultural institutions, some historical building, shopping malls and restaurants. Outside these areas is the Ibirapuera Park, especially recommended for families with children.

Ouro Preto, Minas Gerais

The region of Minas Gerais became famous as the Brazilian El Dorado. The first Portuguese settlers who found out the region was full of gold did not miss the opportunity to become rich. In the region of Minas Gerais is the town of Ouro Preto, one of the nicest and most beautiful in the area.

The first Portuguese underwent several difficulties to get to the area. Ouro Preto was several days away on foot from Rio de Janeiro. Most of the gold dug out of the mines in Ouro Preto and its region ended up in Portugal, but a small amount of it was invested here. That is why Ouro Preto has some of the nicest buildings from this period in Brazil. This town's colonial center is a UNESCO world heritage site.

Porto Seguro

Porto Seguro is a town located on the Central Atlantic coast of Brazil. The town is famous for being the first area where Portuguese settled in Brazil.

Nowadays not much is left of the historical center, Porto Seguro is more well-known as a tourist beach destination. The region has some great beaches, but as you will see on the following pages, this is not the only reason to visit Porto Seguro.

Olinda, Brazil!

W Olinda is one of the most beautiful towns in Brazil. Olinda is located in the state of Pernambuco, a few miles north of Recife, on the northeast coast.

In Olinda you can visit its colonial churches, its historical center and its unique carnival. The city of Olinda received the recognition of the UNESCO back in 1982, when its center was designated a World Heritage Site.

Itacare, Bahia, Brazil!

Itacaré is a nice beach town on the central coast of Brazil. Located 250 miles (450 km) south of Salvador da Bahia, and 50 miles (70 km) north of Ilheus. The town of Itacaré is famous for the beauty of its beaches, and for its waves, that attract surfers from all over the world.

Itacaré is also famous for its tropical forest, its rivers, and its waterfalls. Itacaré is a destination where one can enjoy life, and practice adventure sports.

Canoa Quebrada!

Canoa Quebrada is a beach destination located 100 miles (175 Km) south of Fortaleza, in Northeast Brazil. Canoa Quebrada's main points of interest are its beaches, its buggy excursions, its dunes and its nightlife.

Most tourists come to Canoa Quebrada to relax on the beach during the day, and to party at night. This old hippy community is actually a group of houses along a main street perpendicular to the beach, Broadway Avenue.

Recife

Hi! I'm Cary Elcome and I am going to give you a tour of Recife, the capital of the state of Pernambuco. This is the commercial district of Rio Branco (White River), developed about 200 years ago. About 30 years ago, the city restored many buildings and now there's a vibrant business district here. At night it is bustling with people visiting night clubs and fine restaurants. The building with two towers is a bank and the van outside is picking up money. It's quite a scene when the security guards enter the street with machine guns to transfer funds ...

São Felix from Cachoeira

Welcome to the real Brazil. I believe you can learn much about a country by visiting the smaller towns, so I'd like to give you a tour of two of my favorite places in the Northeast of this remarkable country. There is a large cross on top of the hill of São Felix, a small town west of Salvador..

Sete Cidades & Ubajara

Sete Cidades is a natural park in the North of Brazil, in the Estado do Piauí, near to the towns of Iripiri and Piracuruca (see map of Brazil).

In the National Park of Sete Cidades you will find unique geological rock formations of great beauty. Enigmas have always surrounded these strange formations. In the park there are some wild animals, but they are very difficult to spot.

Close to Sete Cidades is the National Park of Ubajara, where you can go on some excursions. The most interesting sights in Ubajara are a grotto and the waterfalls.

Welcome to Belem do Para!

Belem, with two million inhabitants, is the biggest city on the delta of the Amazon river, in the North of Brazil. Belem is also the starting point for the cruise ships that sail along the Amazon River to the city of Manaus. Belem itself has some points of interest, but the main attraction of Belem is the longest river in the world and its rainforest.

Belem, located on the banks of the Bay of Guajara, on the estuary of the Amazon river, has many points of interest, among them: the refurbished docks, with the port, the market of Vero Peso and the old city (or Cidade Velha). Next to the market of Vero Peso is downtown Belem (or Centro).

Long-Term Travel & Tourism Outlook for Brazil Favourable

The World Travel and Tourism Council (WTTC) has predicted a slowdown in Travel and Tourism (T&T) GDP across the globe, including Latin America, in its outlook for 2009.

The outlook for Brazil says that the country's solid performance in 2008 is expected to be followed by a more muted outturn this year as the full effect of the world recession is felt. Long-term prospects remain favorable, with 10-year travel and tourism economy GDP growth forecast to be 4.5 percent per annum.

Following is the summary of the WTTC's T&T outlook for 2009:

• The deterioration in the macroeconomic environment and the marked slowdown in monthly indicators of tourism activity in the last months of 2008 point towards a more pronounced cycle in T&T GDP than initial envisaged in January 2008

• Emerging economies and the BRIC nations, initially assumed to be immune from the economic slowdown have experienced slowdowns in economic growth and this is being transferred in the Travel & Tourism industry.

• The relatively resilient first-half 2008 performance plus the lead time between holiday bookings and actual vacations suggest the impact on growth in 2008 was limited nonetheless, T&T Economy GDP is now expected to have increased by just 1.0 percent in 2008, two percentage point below our January 2008 forecast

• However, the impact on Travel & Tourism in future years is much greater. T&T Economy GDP is now expected to contract in 2009 by 3.5 percent and merely to grow by 1.0 percent in 2010, significantly below its long term trend (4.0 percent).

• Furthermore, even this forecast like macroeconomic prospects generally carries downside risks if the intensified credit crunch extends through the whole of this year

Long-term prospects in the Travel & Tourism industry are supported thanks to the continued rapid expansion of emerging destinations along with the global increase in per capita income. ■

Ganancia neta en 4.77 mil millones de rupias; Líneas de crédito en $3,75 mil millones

Banco Exim registra un crecimiento general impresionante en 2008-09

El Export-Import Bank of India [Banco de Exportación - Importación de la India - Banco Exim] ha anunciado sus resultados anuales para 2008-09, fijando un crecimiento impresionante en el total de activos de préstamo, recursos y ganancia neta.

Anunciando los resultados en una rueda de prensa en Mumbai recientemente, el Presidente y Gerente general del Banco, el Sr. T.C. Venkat Subramanian dijo que el Banco, durante el 27mo año de sus operaciones, había registrado una ganancia (antes de impuestos) de más de 6.1 mil millones de rupias, y una ganancia neta (después de impuestos) de 4.77 mil millones de rupias. La Suficiencia de Capital (la Proporción de Capital para Arriesgar de Activos) el 31 de marzo de 2009 estuvo en el 16.77 por ciento, comparando con el 15.13 por ciento el 31 de marzo de 2008.

Los activos de préstamo y Líneas de crédito

Los activos de préstamo aumentaron en un 18 por ciento subiendo a 345.05 mil millones de rupias el 31 de marzo de 2009 de 291.52 mil millones de rupias el 31 de marzo de 2008. Las aprobaciones de préstamo agregaron 336.28 mil millones de rupias durante 2008-09, mientras los desembolsos agregaron 289.33 mil millones de rupias.

Los activos sin rendimiento netos disminuyeron al 0.23 por ciento de activos de préstamo netos el 31 de marzo de 2009, comparando con un 0.29 por ciento en el año anterior.

Durante el año, el Banco amplió 25 Líneas del Crédito (LOCs), agregando $783,5 millones, cubriendo 20 países para apoyar la exportación de proyectos, bienes y servicios de la India. No menos de 114 LOCs abarcando 94 países en África, Asia, CEI, Europa y América Latina, con compromisos de crédito que agregan $3,75 mil millones están actualmente disponibles para la utilización, mientras varias LOCs anticipadas se encuentran en varias etapas de la negociación. El Banco pone énfasis especial en la extensión de LOCs ya que es un mecanismo eficaz para entrar en el mercado, sobre todo para empresas pequeñas y medias.

Los contratos de proyectos de exportación apoyados durante el año ascendieron a 267.09 mil millones de rupias y fueron asegurados por 25 compañías en 29 países. Durante el año, 16 empresas fueron sancionadas ayuda financiada y no financiada que agrega 233.8 mil millones de rupias para financiar en parte sus inversiones extranjeras en 11 países. El Banco Exim ha proporcionado hasta ahora finanzas a 241 firmas establecidas por más de 193 compañías en 63 países incluso Austria, Canadá, China, Irlanda, Indonesia, Italia, Malasia, Mauricio, Marruecos, Países Bajos, Omán, Rumania, Singapur, España, Sudáfrica, Sri Lanka, EAU, el Reino Unido y EE. UU. El 31 de marzo de 2009, las garantías en el libro estaban en 35.4 mil millones de rupias.

Recursos/Tesorería

Durante el año, el Banco recibió el capital de 3 mil millones de rupias del Gobierno de India, aumentando el capital pagado a 14 mil millones de rupias el 31 de marzo de 2009, en comparación con capital autorizado de 20 mil millones de rupias.

Durante el año, el Banco levantó préstamos de plazos variados que agregan a 176.5 mil millones de rupias comprendiendo recursos de rupias de 117.08 mil millones de rupias y recursos de divisas equivalentes a $1.17 mil millones. Los recursos de divisas equivalentes a $ Reserve Bank of India 725 millones fueron levantados por préstamos bilaterales / de club y $447 millones por vía de trueques de compra - venta.

El 31 de marzo de 2009, los préstamos de rupias excepcionales incluso obligaciones / papel comercial /certificado del depósito ascendieron a 225.56 mil millones de rupias, y el Banco tenía un fondo de recursos de divisas equivalentes a $3,46 mil millones. Los préstamos totales el 31 de marzo de 2009 eran de 372.02 mil millones de rupias, comparando con 317.16 mil millones de rupias, una subida de 17 por ciento.

Los depósitos de plazo fijo de rupia del Banco aumentaron de 2.84 mil millones de rupias el 31 de marzo de 2008 a 9.5 mil millones de rupias el 31 de marzo de 2009 con unos 15 000 de depositantes aproximadamente. Los préstamos de mercado el 31 de marzo de 2009 comprendían un 81 por ciento de los recursos totales del Banco.

Posiciones altas

Los instrumentos de deudas domésticas del Banco siguieron disfrutando de la posición más alta de 'AAA' de las agencias de clasificación como CRISIL e ICRA. El 31 de marzo de 2009 el Banco fue tasado Baa3 (estable) por Moody's, BBB-(negativo) por Standard & Poor's, BBB-(estable) por Fitch Ratings y BBB + (estable) por la Japan Credit Rating Agency (JCRA). Todas las susodichas posiciones están del grado de inversión o encima y son el mismo como la posición soberana.

Facilidad de Refinanciación

Durante el año, el Reserve Bank of India ofreció el servicio de refinanciación de 50 mil millones de rupias a Banco Exim. El Reserve Bank of India también ha hecho disponible al Banco la facilidad de trueque de compra - venta de $1 mil millones para proporcionar el apoyo de liquidez a desembolsos bajo Líneas del Crédito ofrecidos por el Banco al orden del Gobierno de India a instituciones financieras extranjeras, bancos de desarrollo regionales, gobiernos soberanos y otras entidades en el extranjero.

Nuevas iniciativas

El Banco Exim firmó un Acuerdo de Préstamo Marco con el Banco Europeo de Inversiones (EIB) durante el año. El acuerdo cubre un préstamo a largo plazo de 150 millones de euros con EIB, la institución de préstamo de largo plazo principal de la Unión Europea. EIB ha ampliado una línea de crédito a una entidad india por primera vez en los últimos 15 años. El objetivo del préstamo de EIB al Banco Exim es para apoyar proyectos que contribuyen a la mitigación de cambio climático y a la presencia de la Unión Europea en India por FDI, la transferencia de tecnología o know-how de Europa. Los préstamos bajo esta instalación permitirán al Banco prestar para la importación del equipo para proyectos como proyectos de energía renovables, realce de eficacia de energía, así como proyectos que reducirían la emisión de gases de invernadero, medio ambiente limpio, la repoblación forestal, iniciativas de negocio de bases rurales.

Apoyo a industrias rurales

El Banco sigue sus esfuerzos de apoyar la globalización de industrias rurales por su Iniciativa de Negocio de Bases. El programa edifica sobre el otros programas de apoyo del Banco y procura dirigirse a las necesidades de secciones relativamente desfavorecidas de la sociedad creando oportunidades ampliadas de artesanos tradicionales y empresarios rurales del país. El Banco ha procurado conscientemente establecer, nutrir y criar varios encadenamientos institucionales. Hacia este final, un Memorándum de Cooperación firmado entre el Banco y el Ministerio de Panchayati Raj (MOPR) ha sido reforzado para realzar las actividades de promoción de exportación de MOPR por la iniciativa Eje Comercial Rural (RBH) y está de acuerdo con las iniciativas del Banco Exim en el apoyo de exportaciones de la India rural.

El Banco, conforme a este arreglo de cooperación, ha sido designado como la agencia de entrada para poner en práctica ejes comerciales rurales en Wayanad, Kerala; Nagapattinam, TamilNadu; y Bastar, Chhattisgarh. Hacia este final, el Banco organizó un taller para técnicos de mantenimiento y artesanos rurales en Wayanad, Kerala, durante el marzo de 2009, para la diseminación de la información sobre el concepto de RBH y la identificación de productos potenciales y servicios de la región. Más adelante, en el Distrito de Nagapattinam, Tamil Nadu, el Banco, conjuntamente con la Universidad Periyar Maniammai, ha facilitado la generación del empleo para los pobres rurales en la iniciativa RBH en actividades como el desarrollo de leche y producción del abono orgánico.

En sus iniciativas rurales, el Banco también ha procurado actuar como una agencia de fomento. Así por ejemplo, el Banco facilitó el vínculo entre la Confianza para el Auto- Gobierno de los Pueblos, Kuthambakkam (TVSG), una organización no gubernamental cerca de Chennai con ITC Ltd, Unidad de Negocio de Agarbatti para rodar palos de incienso, Inca Hammock Ltd para fabricar hamacas e Inca Radiant Ltd para ensamblaje de filtros. El Banco también contactó con TVSG para establecer un BPO rural que ofreciera empleo a la juventud culta del pueblo para tareas de entrada de datos para una casa editorial electrónica principal. El banco ha firmado acuerdos de cooperación formales con organizaciones no gubernamentales escogidas a fin de tender la mano directamente a los artesanos ayudando en edificar la capacidad, mejora de calidad, acceso de mercado, formación.

Ayuda a Equipos de Rugbi Tribales bajo CSR

El Banco Exim apoya el Equipo de Rugbi del Instituto Kalinga de Ciencias Sociales (KISS), Bhubaneshwar bajo su esquema de Responsabilidad Social Corporativa (CSR). La misión de KISS, que provee una combinación de educación formal con la educación profesional a más de 7000 niños tribales de Orissa, es traer un cambio paradigmático de la mera educación al aprendizaje innovador para los niños tribales más pobres de diversas partes de Orissa, enfocándose en la educación formal y de sustento y potencial para el desarrollo completo. El apoyo de Banco Exim al Equipo de Rugbi de KISS incluye instalaciones de formación con infraestructura asociada, participación en torneos internacionales / domésticos escogidos. Durante el agosto de 2008, el Banco facilitó una visita del Equipo de Rugbi de KISS a Australia para jugar varios partidos de exposición con clubes de rugbi locales renombrados en Australia, y uno de los jugadores fue concedido el Premio "Sir Edward Weary Dunlop" por la Unión de Rugbi de las Escuelas Victorianas para su interpretación y carácter excelentes durante el viaje. Además, el equipo de rugbi de KISS ganó Torneo de Rugbi de India (para jugadores de menos de 16 años) celebrado en Bhubaneswar durante el noviembre de 2008, mientras tres jugadores de rugbi de KISS (bajo 19 años) fuweron seleccionados para el campo de entrenamiento celebrado en Pune para los probables del equipo indio para los Juegos de CommonWealth 2010 que tendrán lugar en Nueva Delhi. El Banco actualmente también apoya el equipo de rugbi de las muchachas.

Programa Innovador para PYMEs

El Banco ha firmado un arreglo de cooperación con el Centro Comercial Internacional (ITC), Ginebra, para poner en práctica un programa único de Servicios de Desarrollo Gerencial de Empresa (EMDS), que es un abastecedor de soluciones basadas en informática para permitir a que las pequeñas empresas preparen sus planes de negocio centrándose en el mercado internacional. Esta es una iniciativa pionera para apoyar PYMEs y para proporcionar préstamos a plazo fijo e instalaciones de finanzas de exportación a las unidades identificadas para ayudarles en sus esfuerzos de globalización. El Banco ha acompañado a ITC en la realización de este proyecto.

El Banco seha asociado con la Secretaría de Commonwealth en el 8vo Programa de Desarrollo del Espíritu Competitivo Comercial Commonwealth - India celebrado en Chennai y Puducherry durante el junio de 2008 sobre el tema "PYMEs como Agentes de Crecimiento Económico y Desarrollo de Exportación". El objetivo del programa es emprender iniciativas de desarrollo de capacidad que promuevan el desarrollo económico (empleo, inversión, actividad comercial y económica) en estados miembros de la Commonwealth.

Investigación y Planificación

Nueve Papeles Ocasionales fueron publicados por el Banco durante el año, a saber, Liberalización financiera y sus consecuencias distribucionales; Industria de bienes de equipo: un estudio del sector; Tejidos indios e industria india de la confección en contexto global: rasgos y cuestiones salientes; Comercio justo: modo justo de realzar valor de exportación; Industria automotora india: en la encrucijada; SAARC: un bloque comercial vibrante emergente; ECOWAS: un estudio del potencial de inversión y comercio de India; IBSA: realzar la cooperación económica a través de continentes; y CARICOM: Entrada a las Américas.

G-NEXID

La Red Global de Bancos Exim e Instituciones de Finanzas de Desarrollo (G-NEXID), fue establecida en Ginebra en el marzo de 2006 por la iniciativa del Banco, bajo los auspicios de UNCTAD, se ha esforzado por criar el comercio del Sur-del sur y la cooperación de inversión. 'El estado de Observador' en UNCTAD subraya el apoyo al Foro, mientras la aceptación de la visión del Foro por países en vías de desarrollo puede ser evaluada del hecho que la membrecía del Foro alcanzó la cifra de 24 hacia el marzo de 2009.

Para fomentar el compartimiento de experiencias en los desafíos y oportunidades afrontadas por PYMEs en el actual escenario global, la G-NEXID, en colaboración con Banque De Financement Des Petites y Moyennes Entreprises (BFPME), Túnez, organizó un seminario en Túnez durante el enero de 2009, en donde las organizaciones miembros de la G-NEXID compartieron sus vistas y experiencias con los participantes en cuestiones como el crecimiento de PYMEs y desafíos; Préstamos PYMEs en el contexto global; Estrategias de Préstamos de PYMEs, enfoques, gestión de riesgos y mejores prácticas en préstamos PYMEs.

Premio de Desarrollo de ADFIAP

La Asociación de Instituciones de Financiación de Desarrollo en Asia y el Océano Pacífico (ADFIAP) y el Premio de Desarrollo reconoce y honra instituciones miembros de ADFIAP, que han apoyado proyectos que han creado un impacto de desarrollo en sus países respectivos. Se dan premios a instituciones miembros, que han puesto en práctica o han apoyado proyectos de desarrollo excepcionales e innovadores durante el año.

El Banco ha sido conferido el "Premio de Desarrollo Comercial 2009". El Premio es en reconocimiento del “Programa de Inversión Extranjera de Finanzas del Banco" que procura catalizar la creación comercial por inversiones extranjeras con el objetivo subyacente de asistir a firmas indias a organizar la producción óptimamente para servir mercados regionales o globales. Conforme a este programa, el Banco procura cubrir el ciclo entero de la inversión india en el extranjero incluso la financiación de exigencias de empresas conjuntas indias y filiales, en particular de empresas pequeñas y medias orientadas hacia el exterior, complementadas por servicios de apoyo y asesoría en términos de provisión de información analítica, identificación de socios, estudios de viabilidad, revisión y diligencia debida.

Conferencia Anual del Día de Comienzo 2009

Justin Yifu Lin, economista principal y Vicepresidente Mayor del Banco Mundial, dio la Conferencia Anual del 24to Día de Comienzo del Banco para el año 2009. Lin habló sobre el tema "Más allá de la economía keynesiana: un estímulo para el desarrollo". El Doctor Dilip M. Nachane, Director del Instituto Indira Gandhi de Investigación y Desarrollo (IGIDR), Mumbai, presidió la función. ■

Para que la industria india de bienes de capital sea competitiva…

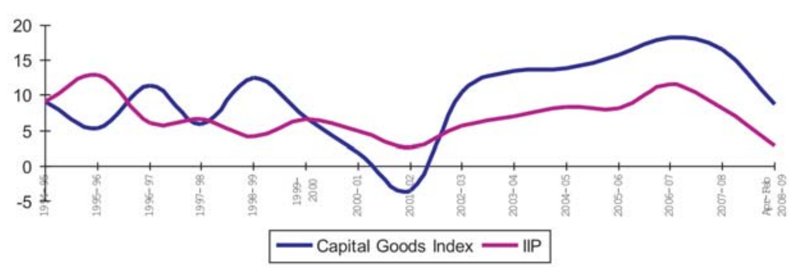
Imprescindibles la expansión de capacidad y la actualización tecnológica

La industria de bienes de capital es la espina dorsal del sector industrial de la India, dice un estudio hecho por el Export-Import Bank of India (Banco Exim). Esta industria necesita la extensión de la capacidad y la actualización de la tecnología para hacer frente a la creciente demanda nacional así como para hacer sus exportaciones competitivas en mercados internacionales, según el estudio.

Algunos de los bienes de capital dominantes producidos en la India incluyen el material pesado de la maquinaria eléctrica, la maquinaria de la materia textil, las máquinas de herramientas, del movimiento de tierras y de construcción incluyendo el equipo minero, el equipo de la construcción de carreteras, la maquinaria de impresión, la maquinaria de la lechería, la refrigeración industrial, los hornos industriales etc.

El índice de la producción industrial (IIP), compilado por la Organización Estadística Central (CSO), del gobierno de la India, ha clasificado los bienes de capital bajo la clasificación basada en uso con un peso del 9.2 por ciento en IIP. Más de 50 artículos se cubren bajo la industria de bienes de capital. A partir de 1994-95, la industria india de bienes de capital ha atestiguado una fase cíclica, y el sector vio después de eso una fase retrógrada hasta 2001-02, durante cual año, vio un crecimiento negativo, principalmente debido a la desaceleración en la producción de equipos de transporte. Sin embargo, desde 2002-03, el sector ha estado experimentando flotabilidad en tendencias de la producción. Aunque el ímpetu del crecimiento ha retrasado desde 2007-08, la industria de bienes de capital todavía continúa siendo el conductor del crecimiento para IIP.

Movimiento del índice de la industria de bienes de capital ante el IIP en la India



Fuente: Central Statistical Organization [Organización Estadística Central], Gobierno de la India.

La creación de capacidad en la industria india de bienes de capital ha estado creciendo, desde la liberalización en 1991, y en armonía con el crecimiento en la producción industrial. Las inversiones directas extranjeras acumulativas (afluencias reales) en la industria de bienes de capital ascendieron a más de $ 2.2 mil millones para el período abril de 2000-enero de 2009.

La producción de máquinas de herramientas en el país alcanzó el nivel de más de 20 mil millones de rupias antes del fin de 2007-08, demostrando un índice de crecimiento de casi 10 por ciento, durante el año pasado. La exportación de máquinas de herramientas ha demostrado un aumento constante en los años últimos. En 2007-08, las exportaciones de máquinas de herramientas trajeron más de $ 300 millones. Durante el período abril-septiembre de 2008 - 09, las exportaciones de máquinas de herramientas fueron valorados en $ 200 millones.

La producción total de maquinaria de la materia textil en el país aumentó alrededor de 11.75 mil millones de rupias en 2002-03 a más de 30 mil millones de rupias antes de 2007-08. La exportación de la India de la maquinaria de la materia textil durante 2007-08 se estima aproximadamente en $174 millones, mientras que las importaciones fueron valoradas aproximadamente en $1799 millones. Durante el período abril- septiembre de 2008 - 09, exportaciones de la maquinaria de la materia textil fueron valorados en $92 millones y las importaciones fueron valoradas en $858 millones.

La India produce una amplia gama de la maquinaria de la construcción y de mina. Sin embargo, siendo una economía grande y cada vez mayor, la demanda nacional es mayor que la capacidad de producción y la porción principal de la demanda se resuelve así a través de las importaciones. Durante el período 2007-08, la exportación de la India de la maquinaria de construcción fue valorada en $ 237 millones y las importaciones en $2468 millón. Durante el período abril-septiembre de 2008 - 09, las exportaciones de la construcción y la maquinaria de mina fueron valorados en $ 234 millones y las importaciones en $1200 millones.

La maquinaria de las plantas de procesamiento y el sector de los componentes en la India es un segmento heterogéneo de la industria de bienes de capital. Durante el período

2007-08, la India exportó maquinaria de plantas de procesamiento de 1118 millones, mientras que sus importaciones fueron valoradas en más de $2547 millones. Durante el período abril-septiembre de 2008 - 09, las exportaciones de la maquinaria de las plantas de procesamiento fueron valoradas en $658 millones y las importaciones en $1500 millones.

El sector del equipo eléctrico y de la maquinaria abarca una gama de productos, tales como transformadores, dispositivos de distribución, motores, generadores y equipo del control. La India exportó equipos eléctricos y maquinaria de más de $1987 millones durante el período 2007-08 e importó equipos eléctricos y maquinaria de $2455 millones. Durante el período abril-septiembre de 2008 - 09, las exportaciones de equipos eléctricos y la maquinaria fueron valoradas en $1248 millones y las importaciones en $1408 millones.

Los análisis del comercio de la India en productos selectos de los bienes de capital revelan que en la mayor parte de los productos la India es un importador neto, indicando la necesidad de la extensión de la capacidad, incluyendo la mejora de la tecnología, para abastecer a la creciente demanda tanto de mercados domésticos y de exportación. Las destinaciones de la exportación de la India de los bienes de capital son variadas e incluyen tanto los países en vías de desarrollo como los países desarrollados. Sin embargo, la parte de la India en estos mercados es insignificante indicando el potencial amplio para la extensión de su cuota de mercado.

Se está viendo que las economías a escala colocarían la India como base de fabricación rentable para los bienes de capital. Las estrategias como transformación dirigida hacia la flexibilidad a fin de producir diversos tipos de maquinaria, reajuste del proceso de hacer máquinas para acomodar el uso de componentes/de partes comunes en varios tipos de maquinaria, y aprovechar las fuerzas de informática de la India en desarrollar máquinas de nueva generación, contribuirían a las economías de escala perceptiblemente.

AYUDA DEL BANCO EXIM AL SECTOR INDIO DE LAS HERRAMIENTAS DE MÁQUINAS

El Export-Import Bank of India (Banco Exim) hace algunos años identificó el sector indio de las herramientas de máquinas, un subsegmento de la industria india de bienes de capital, y presentó un estudio que establecía claramente las estrategias apropiadas para consolidar este sector y de este modo ayudar a contribuir al crecimiento del sector industrial indio. Una de las recomendaciones hechas por el estudio era que la asociación india de fabricantes de las herramientas de máquinas (IMTMA) debe adoptar el modo de cluster, solicitando la ayuda de la Organización de Desarrollo Industrial de las Naciones Unidas (UNIDO) y del gobierno de la India (entonces el Departamento de Industrias de la Pequeña Escala) para ayudar a las firmas miembro en superar las debilidades adoptando las mejores prácticas en la industria mundialmente

Después de esta recomendación, a la iniciativa de la industria, el Programa Nacional para el Desarrollo de la Industria india de Herramientas de Máquinas (NPDMI) fue puesto en marcha en diciembre de 2002 como un esfuerzo cooperativo de UNIDO, gobierno de la India, Banco Exim e IMTMA con el objetivo de consolidar la posición competitiva y la capacidad tecnológica y del desarrollo del mercado de los jugadores así como para alcanzar un elevado crecimiento en la producción de herramientas de máquinas CNC, introduciendo así una era de comercio electrónico en el comercio de las herramientas de máquinas, y estableciendo la etiqueta 'hecho en la India' en el sector.

También fue establecido un comité de dirección con expertos de varios campos para dirigir la puesta en práctica del proyecto. La representación del Banco Exim en el comité contribuyó perceptiblemente a la puesta en práctica acertada del programa. El Banco Exim se ha asociado a los esfuerzos de exportación del sector indio de las herramientas de máquinas. El Banco ha estado apoyando el sector para modernizar y para aumentar sus instalaciones de producción, adaptación de la tecnología y estándares internacionalmente aceptables por medio de sus productos y servicios del financiamiento. El Banco bajo su programa de facilitación de la exportación, ha apoyado la iniciativa de IMTMA en la creación del Bangalore International Exhibition Centre [Centro Internacional de Exposiciones de Bangalore-BIEC].

Además, hay que fomentar la compra de tecnología de países como Alemania, Suiza, Italia y España, especialmente en el contexto del cambio en bases de fabricación desde países desarrollados a los países en vías de desarrollo. Los jugadores indios deben también adaptar con eficacia las fuerzas de tecnologías de máquinas en otros países en vías de desarrollo como China y Taiwán.

Las tendencias cambiantes en calidad del producto y los estándares de seguridad se deben supervisar y tratar, para sostener la presencia del mercado en países desarrollados. También, se deben incluir los países en vías de desarrollo de Asia, África, América Latina y Europa Central y Europa Oriental para la extensión del mercado con una administración eficaz de la cadena de suministro, optimizando de tal modo los horarios de entrega del producto. Con tales estrategias, la industria de bienes de capital india sería bien colocada para competir internacionalmente. ■