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India, Chile to Double Trade, & Work for FTA



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Dear Reader,



Greetings. Among the Latin American countries, Chile has stood out as a model for the rest. The Chilean government's management of its economy has been exemplary. Its recent \$4 billion stimulus package to beat the impact of the current global economic downturn is effective in creating jobs. India too has acted in a similar way in recent months. It is clear that South-South economic co-operation is an effective antidote to the meltdown. Rightly, India and Chile, both vibrant democracies and emerging economies, have pledged to double bilateral trade in the next five years from \$2.3 billion achieved in 2008. The recent visit to India of Chilean President Michelle Bachelet has further fortified the two countries' resolve to work towards a Free trade Agreement. President Bachelet's visit has also marked the celebration of 60 years of Indo-Chilean diplomatic relationship. Coinciding with President Bachelet's visit, the Confederation of Indian Industry (CII) has called for setting up of an India-Chile Trade Forum to leverage the immense potential that exists between the two countries. In study, the CII has said that there is ample scope for business between the two countries, which can touch \$5 billion by 2014. The cover story of Indo-LAC Business highlights President Bachelet's visit. Another major Latin American country with which India is interacting in a big way is Brazil. We present an analytical study of Brazil's economic growth by Export-Import Bank of India. The two-way trade between the two countries has been rising by leaps and bounds, with India's exports to Brazil shooting up seven-fold in the last five years. Argentina, which is a major agricultural power, has many similarities with India. Agribusiness is the mainstay of Argentina's economy. This is one area in which both countries can collaborate for mutual benefit, as an in-depth article by Ambassador R. Viswanathan projects in the magazine's perspective section. India is also celebrating 50 years of its diplomatic relations with Colombia and Cuba. In the case of Cuba, it was a strong emotional bond, with India being one of the first to recognize the revolutionary government of Fidel Castro in 1959. The issue carries an interview with Cuban Ambassador to India Ramirez Ramos who believes that India and Cuba have entered a new era of sustained growth in trade relations. As the world is reeling under the worst-ever recession, World Bank Chief Economist Justin Yifu Lin calls for a global, coordinated fiscal stimulus as a remedy, while delivering the annual Commemoration Day Lecture of the Export-Import Bank of India. We carry a detailed report. The Confederation of Indian Industry (CII) in association with the Ministry of External Affairs has recently organized an India-LAC Partnership Enclave in Bangalore, highlighting joint venture opportunities available in various fields including agribusiness, IT & ITES, energy, pharmaceuticals and healthcare. We carry a report. Then we have an interview with West Bengal's Minister for Micro & Small Scale Enterprises, Textiles & Tourism Manabendra Mukherjee on how his government is helping the artisans to be part of the State's tourism bonanza. The issue carries plenty of CAF news and other features besides the usual Spanish section.

Wish you happy reading

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

Satya Swaroop
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Celebrating 60 Years' Friendship India & Chile



**Pledge to
Double Trade
in Five Years,
Work
towards
FTA**

India and Chile, both vibrant democracies and emerging economies have pledged to double their bilateral trade in the next five years from the level of \$2.3 billion achieved in 2008. In a joint statement issued on 17 March 2009 on the occasion of Chilean President Michelle Bachelet's visit to India the two countries have also endeavoured to work towards a Free trade Agreement. Coinciding with President Bachelet's visit, the Confederation of Indian Industry (CII) has called for setting up of an India-Chile Trade Forum to leverage the immense potential that exists between the two countries. In study, the CII has said that there is ample scope for business between the two countries, which can touch \$5 billion by 2014.



The Prime Minister, Dr. Manmohan Singh with the President of the Republic of Chile, Dr. Michelle Bachelet at the delegation level talks.

Chile's President Michelle Bachelet paid a state visit to India from 16 to 20 March 2009, at the invitation of President Pratibha Patil. The Chilean leader's visit to India assumes special significance as it coincides with the 60th Anniversary of the establishment of diplomatic relations between the two countries. The anniversary was marked by the holding of a special concert in New Delhi on 16 March 2009 at which both Indian and Chilean artists performed in the presence of the Presidents of both countries.

During her five-day visit, President Bachelet held talks with President Patil and Prime Minister Manmohan Singh, External Affairs Minister Pranab Mukherjee. Leader of the Opposition L.K. Advani and ruling UPA Chairperson Sonia Gandhi called on the visiting President.

During the official talks between India and Chile, both sides reviewed the state of bilateral relations and expressed satisfaction at the pace at which mutually beneficial cooperation is progressing. During the talks in which Prime Minister Singh and President Bachelet participated, both underlined the importance of enhancing trade and economic relations. They noted that the Preferential Trade Agreement (PTA) between Chile and India, in force since August 2007, has facilitated the growth in bilateral trade which reached \$ 2.3 billion in 2008. They welcomed the growing and dynamic trade relations and agreed that the PTA has opened new avenues for cooperation and investment for Chilean and Indian companies. Both leaders evinced interest in exploring the feasibility of entering into a Free Trade Agreement and expressed satisfaction that the process of broadening and deepening of the existing PTA has already been initiated. It was also agreed to enhance the periodic exchanges of business missions and participation in

each other's trade fairs to facilitate promotion of their respective countries' products and services. Both sides agreed to endeavour to double bilateral trade in the next five years.

The two Leaders expressed interest in strengthening cooperation in new areas such as Information Technology (IT) and bio-technology in which India is regarded as a pioneer amongst developing nations.

With a view to further enhancing the mutually beneficial ties between India and Chile in different spheres of co-operation, the following documents were signed at the conclusion of the talks between the two sides:

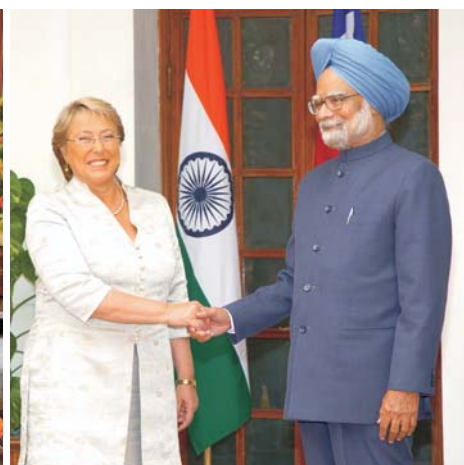
- An Exchange Programme on Cooperation in the field of Education between the Ministry of Human Resource Development and the Ministry of Education of Chile.
- MoU on Cooperation in the field of new and renewable energy between Chile's National Energy Commission and the Indian Ministry of New and Renewable Energy.
- An Agreement between the governments of India and Chile on cooperation in the exploration and utilization of outer space for peaceful purposes.
- MoU between the governments of India and Chile on cooperation in the field of Geology and mineral resources.

The two sides noted with satisfaction the growing links between the private sectors and Non Governmental Organizations of their respective countries. In this regard, they welcomed the proposed signing during the visit of:

- A Memorandum of Understanding between the Confederation of Indian Industry and the Chilean-Indo



The President of the Republic of Chile, Dr. Michelle Bachelet meeting the President, Smt. Pratibha Devisingh Patil.



The President of the Republic of Chile, Dr. Michelle Bachelet meeting the Prime Minister, Dr. Manmohan Singh.

Chamber of Commerce;

- An Investment Agreement between University Adolfo Ibanez of Chile and Avesthagen India;
- An Agreement between NASSCOM [National Association for Software and Service Companies of India] and ACTI [Chilean Association of Information and Technology Companies];
- A Memorandum of Understanding between the Fondo de Innovación Agrícola (FIA) of Chile and the Swaminathan Research Foundation of India.

Both countries seek a development-oriented, ambitious and balanced outcome to the Doha Development Round at the earliest.

The two Leaders held in-depth discussions about the ongoing financial and economic crisis and agreed that it was important that the regulatory failure in developed countries leading to the crisis should be urgently addressed. They called on developed countries to ensure uninterrupted flow of development assistance and credit, as well as encouraged the flow of foreign direct investment into developing countries. Countries should not respond by taking recourse to protectionist measures. They

further agreed that in the medium and long-term, there is need for far reaching and comprehensive reforms of the existing international financial institutions to craft a new international financial architecture for the future in order to reflect the contemporary realities.

The two sides welcomed the growing interest of Chilean and Indian educational institutions in establishing stronger ties. This was reflected in the two Memoranda of Understanding (MoU) signed by the Jawaharlal Nehru University with the Pontificia Universidad Católica de Chile and with the Universidad del Desarrollo, on 21 and 22 October 2008, respectively. In the same spirit they welcomed the MoU between the University of Madrás and the Universidad de Talca, signed on 20 March 2009.

Both sides agreed to pursue cooperation in the Antarctica in accordance with the MoU of April 2008. In this context, the Chilean side invited India to join its 2009-2010 Scientific Antarctic Expedition by sending an expert scientist to participate in an Ice Coring research project. India proposes to host a joint scientific conference on Polar Science at a suitable date convenient to both the countries within the framework of the MOU. ■



The Union Finance & External Affairs Minister, Pranab Mukherjee meeting the President of the Republic of Chile, Dr. Michelle Bachelet.



The President of the Republic of Chile, Dr. Michelle Bachelet being presented the bust of Mahatma Gandhi by the Minister of State for Information & Broadcasting and External Affairs, Anand Sharma, at Rajghat.

CII Calls for Setting Up of Joint Trade Forum

Coinciding with Chile's President Michelle Bachelet's visit to India, the Confederation of Indian Industry (CII) has recommended a two-way trade target of \$ 5 billion between the two countries by 2014. In a study released on the day of the Chilean leader's arrival, CII has also called for setting up of an India-Chile Trade Forum to leverage the immense potential that exists between the two countries. The study finds ample

scope for business between the two countries, which can touch \$5 billion e by 2014.

CII noted that an institutionalized bilateral Trade and Investment Promotion Forum between India and Chile should have the active participation of both governments as well as industry leaders in key sectors. Continuous and regular interaction and

dialogue between governments and industry of both countries would create further opportunities to increase bilateral trade and economic cooperation. The two nations should use the period of the economic downturn to consolidate on existing trade and build avenues for future trade.

The two economies can benefit from each other's macroeconomic experiences by sharing data and policy interventions, especially during the crisis period. Chile's sound macroeconomic management and commitment to liberalization has transformed it into one of most efficient and business-friendly environments in the region, with stable and strong macroeconomic fundamentals. The Heritage Foundation ranks it as 11th in its 2009 Index of Economic Freedom, citing its transparent and efficient regulatory systems. Similarly, India's calibrated approach to reforms has helped protect it from the worst of the economic crisis.

The chief barriers to trade that have been cited are distance, lack of information, poor connectivity of air and shipping lines, language, unfamiliarity with local trade regulations, etc. However, these factors have not deterred robust trade between Chile and key exporting nations in Asia.

It is evident that given the strong industrial profile of both countries, as well as synergies arising from large number of agri-climatic zones in both countries, there is high potential in bilateral trade.

Both countries should view each other as stepping-stones for their respective regions, according to the CII. India is geo-strategically situated at the center of East, West and Central Asia, while Chile's trading agreements can help India access other markets in South America. Chile has FTAs with Canada, USA, EU, and Mexico and is a member of Mercosur and Latin America Integration Association. It is a participant in the Free Trade Area of the Americas which seeks to create a single FTA for the region.

The CII note examining the potential of trade between the two countries recommends a partnership in which India could learn about raising agricultural productivity from Chile, where Chile has acknowledged strengths. Best practices in commercial agriculture management, supply chain linkages including cold storage, warehousing and transport, setting up a robust infrastructure for meeting international quality and sanitary and phytosanitary norms, and strengthening the link

between agriculture and industry can be focus areas. Experts from Chile could provide consultation, advice and handholding to Indian corporates as well as government in these areas, it suggested.

For Chile also, this would be a profitable area to consider as India's natural advantages in climate and other conditions are very different from those of Chile. India is the world's second largest producer of fruits and vegetables, but has high wastage in the supply chain. With the help of Chile, India can expand its international agricultural activities.

On the other hand, India can provide expertise on services. IT, education, healthcare, training and skill development, software services, etc are India's areas of strength. This might involve mutual recognition of professional degrees, facilitation of travel and work permits, access to higher education, and greater movement of personnel. Chile is particularly interested in positioning itself as an outsourcing hub with the help of Indian companies. In addition, IT education and training as well as language training could be an area of opportunity for Indian companies.

The two countries need to actively explore newer areas of cooperation in areas such as mining, manufacturing, railways, leather and textiles. India's engineering goods, machinery, equipment and machine tools may find a good market in Chile. Defence production and trade is also an area of high potential.

To realise the potential, the CII paper said that trade facilitation issues such as direct shipping, aviation links, and non-tariff barriers need to be addressed. A protocol on trade and business facilitation should be set in place, which could include agreements on rule of origin measures, valuation and standards. Such a protocol could facilitate certification by industry associations for easier and faster implementation.

India's overall trade with Chile expanded from \$586.65 million in 2005-06 to \$2093.35 million in 2007-08. However, trade has been fluctuating with the price of commodities, particularly copper.

India's exports to Chile have gone up by almost three times since 2003-04. But the export level is still far below potential and Chile forms a minuscule proportion of India's total exports. India's imports from Chile have risen by more than ten times in the same period, quadrupling between 2005-06 and 2006-07. However, the next year, imports moderated somewhat to \$1.8 billion. ■

India's Exports to Brazil Rise Seven-Fold in Last Five Years

Brazil's economic growth is estimated to have moderated to 5.3 percent in 2008, compared to 5.4 percent in the previous year, primarily due to global economic slowdown and moderation in external demand. In absolute terms, GDP stood at an estimated US\$ 1,558.2 bn in 2008 with a per capita GDP of US\$ 8120. Consumer price inflation rose to an estimated 5.8 percent in 2008 from 3.6 percent in 2007, mainly due to higher import prices prevailed during the first half of 2008 (Table 1). The services sector dominates the economy, accounting for 65.8 percent of GDP in 2007. Industry accounted for 28.7 percent of GDP, while agriculture contributed 5.5 percent of GDP in the same year.



Table 1: Macroeconomic Indicators

Economic Indicators	2004	2005	2006	2007	2008 ^b
GDP at market prices (US\$ bn)	663.6	881.8	1,072.1	1,313.7	1,558.2
GDP at market prices (R bn)	1,941	2,147	2,333	2,559	2,855
Real GDP growth (percent)	5.7	3.1	3.7	5.4	5.3
Consumer price inflation (avg., percent)	6.6	6.9	4.2	3.6	5.8
Population (mn)	181.6	184.2	186.8	189.3	191.9
Exports of goods fob (US\$ bn)	96.5	118.3	137.8	160.6	196.3
Imports of goods fob (US\$ bn)	62.8	73.6	91.3	120.6	173.8
Current-account balance (US\$ bn)	11.7	14	13.6	1.7	-27.7
Total International Reserves (US\$ bn)	52.9	53.8	85.8	180.3	196.1
Total external debt (US\$ bn)	219.5	187.3	192	229.4	226.1
Exchange rate (avg.; R: US\$) (Local Currency: Real)	2.93	2.44	2.18	1.95	1.83

Note: b- Estimates Source: IMF; EIU.

The local currency is the Real (R). In 2008, the Real is estimated to have averaged R 1.83: US\$ 1 appreciating from R 1.95: US\$ 1 in 2007. Foreign exchange market was characterised by strong volatility in 2008. Brazil's total international reserves increased from US\$ 180.3 bn in 2007 to an estimated US\$ 196.1 bn in 2008. In 2007, reserves provided 13.5 months of import cover. Brazil's external debt decreased to an estimated US\$ 226.1 bn in 2008 from US\$ 229.4 bn in 2007.

Trade and External Sector

Brazil's exports increased by 22.2 percent to an estimated US\$ 196.3 bn in 2008 from US\$ 160.6 bn, as a result of rise in commodity prices during the first three quarter of 2008. Imports also increased by 44.1 percent from US\$ 120.6 bn in 2007 to an estimated US\$ 173.8 bn in 2008, mainly owing to higher import prices and robust domestic demand. Trade surplus, thus, decreased to US\$ 22.5 bn in 2008 from US\$ 40 bn in 2007. Brazil's current account balance turned from a surplus of US\$ 1.7 bn in 2007 to a deficit of US\$ 27.7 bn in 2008, primarily due to higher import spending growth than export earning growth and deficit in services balance. Brazil primarily exports manufactured goods and vegetable oils. In 2007, Brazil's top export item was transport equipment and parts, amounting to US\$ 20 bn (12.4 percent of total exports). Metallurgical products (US\$ 18.7 bn), soybeans, meal and oils (US\$ 13.2 bn) and chemical products (US\$ 3 bn) were the other important export items in the same year. In 2007, Brazil's imports

included machinery and electrical equipments (US\$ 31.4 bn or 26.0 percent of total imports), oil and derivatives (US\$ 20.1 bn), chemicals products (US\$ 18.6 bn), and transport equipment and parts (US\$ 14.4 bn). Brazil's exports are primarily directed towards the US. Around 16 percent of total exports were directed to the US in 2007. Other major destinations in the same year were - Argentina (9.0 percent), China (6.7 percent), and Germany (4.5 percent). The US is also the major source for Brazil's imports. In 2006, 15.7 percent of Brazil's imports originated from the US, followed by China (10.5 percent), Argentina (8.7 percent) and the Netherlands (0.9 percent).

Outlook

Real GDP growth of Brazil is expected to slow from 5.3 percent in 2008 to 2.4 percent in 2009 on the back of weaker credit growth and external demand, before recovering modestly to 3.2 percent in 2010. Year-end inflation is expected to decline to 5.2 percent in 2009 and further to 3.7 percent in 2010, on account of fall in global commodity prices. The current-account deterioration is expected to keep the Real under downward pressure in 2009. Thus, real is expected to average R 2.30: US\$ 1 in 2009 depreciating from R 1.83: US\$ 1 in 2008, before recovering to R 2:19: US\$ 1 in 2010. The current-account deficit is expected to widen from 1.8 percent of GDP in 2008 to 2.2 percent in 2009, due to expected contraction in export earnings in 2009. However, it is expected to narrow to 2 percent of GDP in 2010.



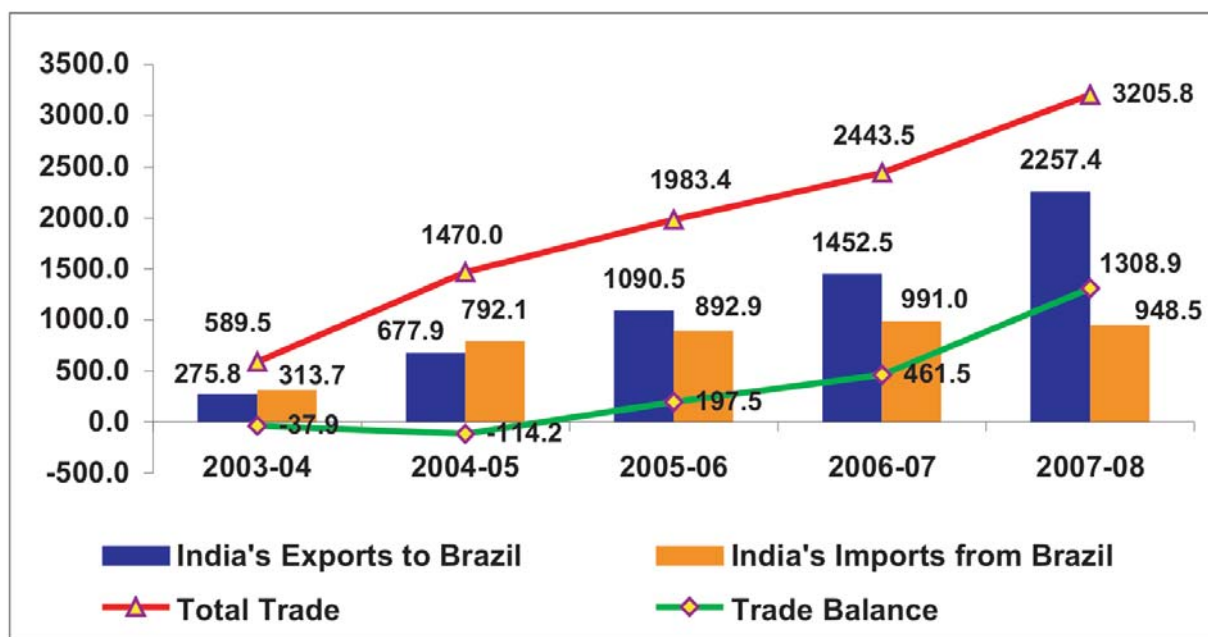
Bilateral Trade and Investment Relations between India and Brazil

Brazil is India's largest export destination in the LAC region, accounting for 44.5 percent of India's total exports to the region in 2007-08. Brazil is also the third largest source for India's imports from the LAC region, accounting for 14.5 percent of India's total imports from the region in 2007-08. During the last five years, India's exports to Brazil increased by more than seven-fold from US\$ 275.8 mn in 2003-04 to US\$ 2257.4 mn

in 2007-08. Further, India's exports to Brazil increased sharply by 55.4 percent from US\$ 1.4 bn in 2006-07 to US\$ 2.3 bn in 2007-08 (Chart 1). This robust rise was on account of higher exports of petroleum products, manmade yarn fabrics madeups and machinery and instruments. During the past five years, India's imports from Brazil also increased by more than two-fold from US\$ 313.7 mn in 2003-04 to US\$ 948.5 mn in 2007-08. Further, India's imports from Brazil decreased by 4.3 percent from US\$ 991 mn in 2006-07 to US\$ 948.4 mn in 2007-08, mainly on account of lower imports of metaliferrous ores and metal scrap. During 2008-09 (April-November), India's exports to Brazil increased by 52.7 percent to US\$ 2.2 bn as compared to US\$ 1.4 bn during the same period in the previous year. As regards imports, during 2008-09, India's imports from Brazil increased by 29.5 percent to US\$ 859.7 bn as compared to US\$ 663.8 bn during the same period in the previous year.

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

The major items of India's export basket to Brazil in 2007-08 were petroleum products (US\$ 1.1 bn), pharmaceutical products (US\$ 187 mn), manmade yarn fabrics (US\$ 162.9 mn), machinery and instruments (US\$ 150.4 mn),



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

inorganic/organic/agro chemicals (US\$ 114.7 mn), cotton yarn fabrics madeups (US\$ 70 mn), plastic and linoleum products (US\$ 58.7 mn), dyes, intermediates and coal tar chemicals (US\$ 47.9 mn) and electronic goods (US\$ 44.9 mn) (Table 2). Major items of India's imports from Brazil in 2007-08 were metaliferrous ores and metal scrap (US\$ 228.8 mn), edible vegetable oils (US\$ 144.7 mn), non-electrical machinery (US\$ 94.9 mn), non-ferrous metals (US\$ 67 mn), organic chemicals (US\$ 56.6 mn), iron and steel (US\$ 49.2 mn), wheat (US\$ 39 mn)

and transport equipment (US\$ 36.1 mn) (Table 3). Thus, India's trade surplus with Brazil sharply increased from US\$ 461.5 mn in 2006-07 to US\$ 1.3 bn in 2007-08.

Table 2: India's Exports to Brazil Commodity wise (Percent in Total)

Table 3: India's Imports from Brazil Commodity wise (Percent in Total)

Table 2: India's Exports to Brazil Commodity wise (Percent in Total)

	2003-04	2004-05	2005-06	2006-07	2007-08
Petroleum products	8.3	43.5	51.6	53.8	48.7
Pharmaceutical Products	31.6	16.1	12.9	11.8	8.3
Manmade yarn fabrics madeups	5.9	6.5	4.0	6.0	7.2
Machinery & instruments	6.3	4.9	4.2	3.7	6.7
Inorganic/organic/agro chemicals	11.4	6.4	5.0	3.6	5.1
Cotton yarn fabrics madeups etc.	1.3	1.0	1.6	1.7	3.1
Plastic & linoleum products	3.2	3.5	3.5	2.3	2.6
Dyes intermediates & coal tar chemicals	6.2	2.6	2.2	2.2	2.1
Electronic goods	1.8	0.6	1.8	1.4	2.0
Transport equipment	3.1	0.9	1.0	0.7	1.2
Total Exports	100.0	100.0	100.0	100.0	100.0

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

Table 3: India's Imports from Brazil Commodity wise (Percent in Total)

	2003-04	2004-05	2005-06	2006-07	2007-08
Metaliferrous ores & metal scrap	7.5	8.2	7.5	26.8	24.1
Vegetable oils (edible)	39.3	21.1	21.5	7.2	15.3
Non-electrical machinery	9.0	5.8	9.6	10.1	10.0
Non-ferrous metals	2.3	1.5	2.7	4.8	7.1
Organic chemicals	7.4	18.4	20.2	6.4	6.0
Iron & steel	2.1	0.9	3.6	8.9	5.2
Crude minerals	2.3	1.5	1.7	2.2	4.1
Wheat	0.0	0.0	0.0	0.0	4.1
Transport equipment	4.2	2.8	3.3	3.6	3.8
Primary steel pig iron based items	1.6	1.0	1.0	1.8	3.6
Total Imports	100.0	100.0	100.0	100.0	100.0

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

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 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 (CABEL), 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, to enhance trade relations with India, a high-level delegation from Peru visited Bank's Head Office in Mumbai on June 07, 2006. The delegation was led by Mr. Juan Carlos Mathews, Executive Director, Export Promotion Agency of Peru-PROMPEX.

Brazil is the 16th largest destination for Indian direct investment abroad. The approved Indian direct investments in Brazil in joint ventures and wholly owned subsidiaries amounted to US\$ 495.4 mn during the period from April 1996 to December 2007. At the same time, Brazil's total direct investments in India amounted to US\$ 1.7 bn from April 2000 to December 2008. ■

Resurgent Argentina Right Partner for India in Agribusiness

Argentina, a resurgent Latin American country and India, an emerging economic power have many areas of common interests to grow together, especially in agri-business. The economies of both countries are rooted strongly in agriculture and allied areas, argues R. Viswanathan, India's Ambassador to Argentina.



Argentina is Latin America's third largest market with a GDP of \$338 billion, after Brazil and Mexico. It has the potential to be one of the richest countries in the region as well as in the world. In fact, it was among the top 10 richest countries of the world in the early twentieth century. It is now in the process of reconfiguring its market and mindset to become a prosperous country again.

Argentina is an agricultural power. It produces 100 million tonnes of food products and exports more than 50 million tonnes. Argentina is the second largest producer of agricultural commodities and livestock after the United States. It is a large exporter of wheat, soya and meat. It is the world's largest exporter of soy oil and sunflower oil, the second largest exporter of corn, third largest producer of beef, soybeans and biodiesel and fourth largest of wheat. Argentina is the fifth largest producer of wine in the world.

Agribusiness is the mainstay of the economy and exports. It is modern, large-scale and globally competitive. While in the US and EU, agro-exports are subsidised, the Argentine

government imposes an export tax of over 30 percent for some commodities and still the exports are competitive.

Total area under crops is 32 million hectares. Soy is the main crop and accounts for 16.6 million hectares. Wheat is planted in 5.6 million hectares, Maize in four million hectares and Sunflower in 2.6 m hectares.

Total production of grains and oilseeds is about 100 million tones.

- Soy - 48 million
- Maiz - 22 m
- wheat - 15 m
- sunflower seeds - 4 m
- sorghum - 3 m

Soy yield per hectare is 3-4 tones per hectare. Corn yield per hectare is 10 tonnes. Wheat yield is around 4.3 tonnes.

Argentina is using at present only 32 million hectares for agriculture. They can easily triple the area of cultivation and production. Argentina has a large area - almost equal to that of India- with variety of fertile soils and climates. There are abundant water resources. The climate is congenial without extremes. It ranges from the warm northern parts to the cold Patagonia in the south lending itself for growing different crops. The famous Pampa region of Argentina, the vast fertile plains, is one of the most productive regions in the world.



Most of the farming is done in a commercial scale by large landowners holding thousands of hectares. Most of the farms are managed by professionals who have studied agronomy. They are supported by an excellent network of research and development laboratories.

Argentina has developed an efficient infrastructure, logistics and network for transportation and shipping. The river ports around Rosario connect to the grain silos and agroprocessing plants. The food processing industries of Argentina are one of the most advanced in the world and globally competitive. For example, the oil crushing capacity of Argentina is the third highest in the world- even ahead of Brazil- with the latest technology and plants. The commercialization of agribusiness is done by well established Commodity Exchanges specializing in cereals and other agroproducts in Buenos Aires and Rosario.

Thus, it is evident that Argentina is well-placed to become a global agricultural power in the coming decades in which food shortage is going to be one of the main concerns of the world.

Argentina is self-sufficient in energy and a net exporter of oil and gas. It produces 800,000 billion per day of crude oil of which 300,000 bpd is exported. It has two billion barrels of reserves. Off-shore exploration has only now been started and the land area is under-explored. Argentina is the second largest gas producer (50 billion cubic metres) in Latin America and exports to Chile.

The Argentine manufacturing industry is relatively large and diversified. It is strong in food processing, automobiles, auto parts, engineering, metallurgy, pharmaceuticals and biotechnology. Argentina is a pioneer in the world in the development and use of CNG technology. Some Argentine companies are globally competitive in pharmaceuticals,



biotechnology, CNG technology, hydroelectric power machinery and niche engineering fields.

Argentina has significant reserves of gold, silver, zinc, uranium, copper, phosphate and iron. The mineral resources have not yet been fully explored yet.

Argentina has a population of 40 million which is a homogeneous stock of European origin mainly from Spain and Italy- speaking a single language and belonging to one faith (Catholic). There are no ethnic, linguistic, religious strifes. The literacy rate is 97 percent and the human resources have a range of good quality skills. The Indian companies operating in Argentina employing 1500 Argentines are impressed and happy with the quality of human resources and the range and depth of the Argentine skill sets. There is a strong base of expertise in science and technology including in IT and nuclear energy. Many Multinational Corporations including MTV use Argentina as the centre of creative work and production for the Spanish- speaking world. IBM and other IT companies have established off-shore centres of software development, BPOs and KPOs.



Argentina was one of the most developed countries in the beginning of the twentieth century. It had the earliest railroads, metro and industrial development. Buenos Aires city was built like the Paris of Latin America with elegant parks, public buildings, apartment blocks, theatres, cafes, restaurants and bars. Even now Buenos Aires stands out as the most well organized, elegant and stylish city of Latin America. Argentina has the most sophisticated and beautiful country clubs and golf and ski resorts in the region.

Argentina celebrated its 25th anniversary of the restoration of democracy in 2008. In this period, democracy has been established firmly and irreversibly. The democratic institutions and practices have taken strong roots.

Since 2003, the Argentine economy has had a go-go growth of over eight percent annually up to 2007. The GDP growth in 2008 is estimated to be seven percent and the forecast for 2009 is less than 3 per cent. The decline in growth is due to the global financial crisis, fall in the demand and prices of commodities exported by Argentina, the recession in the developed markets and credit crunch.

In the past six years, the macro economic fundamentals of the economy have become strong and stable. The economy has become more resilient and less vulnerable to external shocks. This is evident from the fact that the Argentine market has withstood the global financial crisis with only moderate adverse impact. This has been recognized and commended by external observers, including IMF. The Argentines have put an end to the curses of hyper inflation, unbearable external debt and drastic fluctuations in exchange rates. The Argentine economy is now poised to sustain its stability and growth in the long term.

The Argentines from all walks of life, including political leaders, businessmen, professionals have, now a new mindset, especially after the historic 2001

crisis. There is greater discipline, restraint and pragmatism in place of adventurism and experiments which characterized policies of the government and the business practices in the past. Policy-makers and the people in general are now looking towards the future with confidence, hope and vision. This is in contrast to the days of hyper-inflation and crises when day-to-day survival was the biggest worry.

The stability and growth of the Argentina has been reinforced by its membership of MERCOSUR, the regional group formed with Brazil, Uruguay and Paraguay. Argentina has access to the larger market of Mercosur and benefits from the integration process. It is also attaching importance to its integration in the new South American group called as UNASUR (South American Union of the 12 countries).

Argentina has the potential for contributing to India's food security in future. At present, Argentina is a major source of edible oils for India. In 2008, India's imports of soy and sunflower oil were worth \$700 million. According to the Solvent Extractors Association of India (SEA), the requirement of edible oils in 2006 was 12 million tonnes of which seven 7 million was produced domestically and five million imported. In 2010, the requirement of edible oils is expected to increase to 15 million tones and more in the years to come. But the production of oilseeds in India cannot match the demand and India will continue to be a long term importer of edible oils. In this respect, India can count on Argentina as a reliable source. Argentina is the world's largest exporter of soy oil and sunflower oil. Argentina has the third largest capacity for edible oil processing after China and the US.

India has imported wheat from Argentina from time to time, including purchase of \$44 million in 2008. Besides, edible oil and wheat, Argentina can be a new source of pulses. India imports about two million tonnes of pulses from countries such as Myanmar,



Australia, Turkey and Canada. Although, India does not import any pulses from Argentina at present, the Argentine soil is suitable for cultivation of pulses of interest to India. The Argentine agrobusiness companies are willing to grow these, attracted by the large and growing market in India.

It is advisable for India to think beyond imports and go in for acquisition of land in Argentina to grow oil seeds, wheat and pulses for its requirements. There is no restriction on foreign investment in land in Argentina. A number of foreign companies and individuals own thousands of hectares of land. Sterling Group of NRI Sivasankaran has acquired an olive farm of 1700 hectares in the Catamarca province of Argentina. A Non-Resident Indian company 'Olam' has leased 15,000 hectares of land in Argentina to produce peanuts. Encouraged by the success of this venture, they are now planning to grow wheat, soybeans and pulses with additional leasing of land. Land is available in lots of hundreds and thousands of hectares. SEA had sent two delegations to Argentina (also Uruguay, Paraguay and Brazil) in 2006 and 2007 to study the possibility of acquisition of land for production of oilseeds. They have already formed a consortium of 14 companies which proposes to invest in agricultural land in the region. To start with, they have a plan to invest 40 million dollars in Paraguay. Besides SEA of India and STC, private sector groups have also shown interest in acquisition of land in Argentina.

India is going to be under more pressure for agricultural land in future. India's population increases by 15 million every year and it adds a new Argentina (40 million) every 32 months. On the other hand, agricultural land is diminishing because of the increasing use for residential, industrial and commercial purposes. This is in contrast with Argentina which has a small population of 40 million with an area almost equal to that of India. Besides the large area, the Argentine productivity of grains and oilseeds are three times that of India. For example, average yield per hectare of soybean in India is 900 kg while the Argentine average is three tonnes. In India, the subsistence farmers with their average land holding of just a few acres are unable to invest and increase productivity significantly. But



the Argentine farmers who hold thousands of hectares of land do farming commercially and professionally and are able to invest in innovation and productivity.

Argentina can also contribute, to a small extent, to India's energy security. Argentine oil resources are under-explored. They have two billion barrels of discovered reserves and are currently producing 800,000 bpd. They are just starting off-shore exploration and the land area has not been fully explored. Indian oil companies in public and private sector could make entry here. Reliance has formed a joint venture with an Argentine private company Pluspetrol (along with an Australian company Woodside) and their consortium has won concessions in Peru and Bolivia for oil and gas exploration. They are also exploring opportunities in Argentina and in other countries of the region. ONGC Videsh Ltd. (OVL) is planning to sign an MOU with their Argentine counterpart ENARSA and jointly seek opportunities in Argentina and in this region.

Argentina is the third largest exporter of bio-diesel in the world. They exported 1.4 million tonnes in 2008 and are increasing production capacity to 3.7 million tonnes by 2010. India can also consider imports from Argentina. The only problem is that the Argentine bio-diesel is made from soy and this adds to the price rise of food items. But whether India likes it or not, the Argentine companies are going to continue production and exports.

There are thousands of hectares of land available in the warmer northern parts of Argentina where jatropha can be grown and used to produce bio-diesel. There are some land offers for sale. The Indian companies can also invest in commercial forestry in Argentina to take back to India wood and paper pulp which are imported by India regularly.

India's exports to Argentina in 2008 were worth \$418 million increasing by 27 percent from \$328 million in 2007. There is scope for increasing the exports to a billion dollars in the next four years if the exporters target this market systematically.



Major export items are: chemicals, bulk drugs, engineering products, autoparts and textiles. There is scope for new items such as tractors, automobiles and agricultural machinery.

There are 10 Indian companies (six IT companies, two in agro-chemicals, one in pharma and one in mining) who have invested and established operations in Argentina. The IT companies (TCS, Cognizant, First Source, Irevna, Cellent and Aaliptha) have found a new business model of 12 hours of service from Argentina (same time zone as North America) and 12 hours from India to their North American clients. They also use Argentina as the base to service European clients in Spanish, Italian and other European languages in which the Argentines have skills. According to them, the Argentine human resources are less expensive in comparison to those of Brazil, Chile and Mexico. It should be noted here that the operations of the Indian IT companies are managed successfully and almost exclusively by Argentine managers and professionals. For example, an Indian manager came to establish the KPO of Irevna in Argentina. He stayed here only for less than a year recruiting and training the local staff. Now he has left and the operations are managed by the Argentines to the satisfaction of the Indian company and the North American clients.

United Phosphorus Ltd (UPL) and Punjab Agrochemicals and Crop Protection Ltd. have a total of five manufacturing plants producing agro-chemicals and seeds in Argentina. They export part of their production to other Latin American countries.

Glenmark has acquired an Argentine company specializing in oncological products. They are building a new factory (to be inaugurated in the middle of 2009) which will become their global centre of oncological products. They are already exporting to 20 countries.

Indo-Borax Ltd. has bought a small borax mine and is planning to buy bigger mines. There is scope for entry of Indian companies in copper and silver mining in Argentina.

More Indian companies have shown interest in entry into Argentine market in areas such as chemicals, pharmaceuticals, agribusiness, mining, energy and IT.

The Argentine business as well as the government look at India as a large and growing market for their exports and business. Argentine exports were one billion dollars in 2007 and \$946 million in 2008. Their main export is edible oils for which the demand in India will continue to increase in the long term. They also see opportunities for export of other agricultural products. Since agribusiness and exports is the core competence of Argentina, they are targeting India as a strategic market to be cultivated.

The Argentine government and business are discovering the reach and strength of Indian companies which have invested over \$9 billion in Latin America, including in Argentina. The Argentine government is keen to encourage and invite more Indian companies for investment and joint ventures. Argentina has opened a Consulate in Mumbai in 2009. This is a confirmation of the priority they attach to Economic Diplomacy with India. Argentina is the second Latin American country to open a Consulate in Mumbai.

On the other hand, there are some Argentine companies who have started showing interest in investment and joint ventures in India. An Argentine biotech company Biosidus is planning to establish a plant in India to cater to the Indian and Asian market. The Argentine CNG companies are in contact with Reliance and other Indian companies for transfer of Argentine technology to India. The Argentine engineering company IMPSA has set up an office in Gurgaon to explore projects and joint ventures in hydroelectric projects and in new sources of energy. Argentine food processing companies are also interested in joint ventures in India.

Given the complementarities between the two economies with their bright growth prospects, the mutual attraction of the two markets and the forward looking new mindset of the businessmen and policy makers, the two countries could become long term partners, contributing to the prosperity of each other.

(R. Viswanathan is Ambassador of India to Argentina. The views expressed are strictly personal and do not reflect those of the government.)

Celebrating 50 Years of Indo-Colombian Ties

India and Colombia are celebrating the establishment of 50 years of diplomatic relations between the two countries. India's Ambassador to Colombia **Deepak Bhojwani** says the year 2009 holds great promise because of bilateral visits planned with Indian businessmen looking towards Colombia as an investment destination.

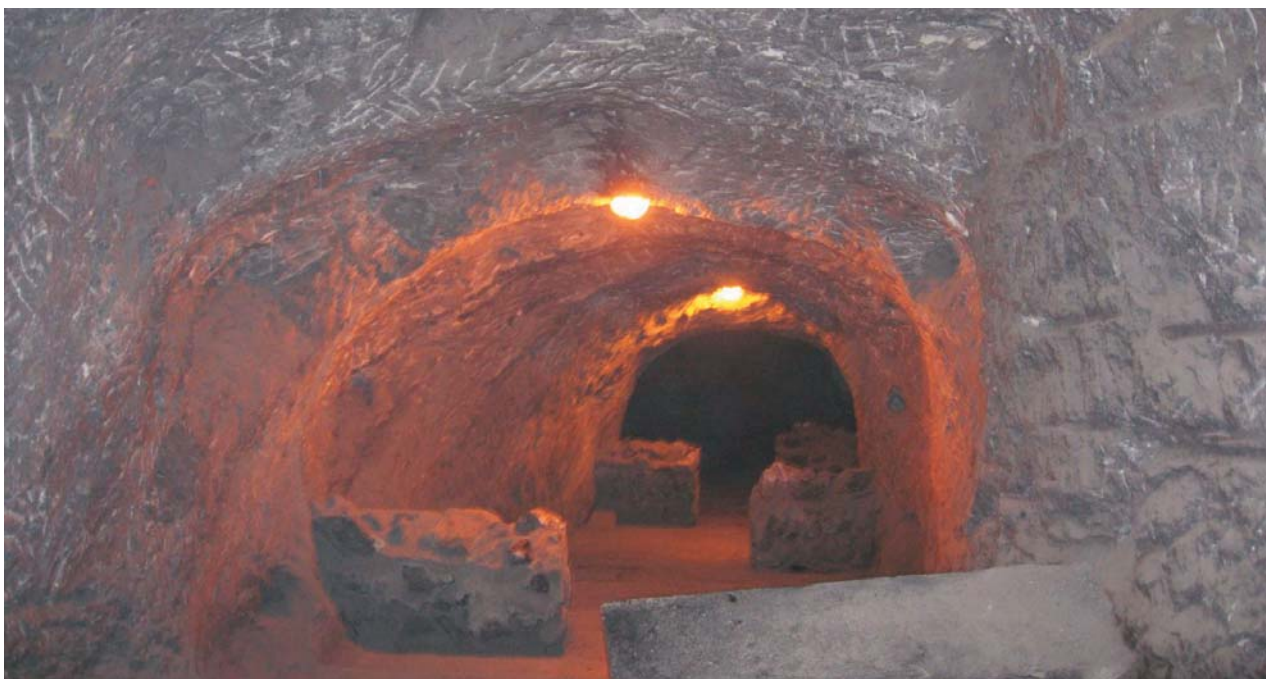


The Embassy of India in Bogota, Colombia is responsible for India's relations with Colombia, Ecuador and Costa Rica.

Colombia has the second largest Spanish speaking population (45 million) in the world after Mexico and 30 percent of the territory of the size of India, which yields valuable minerals coal, gold, nickel, uranium, iron ore among others. Colombia also is geographically very diverse, with the highlands of the Andes mountain range; Amazon jungle in the

southeast; rich coastline beaches and marine resorts in the north and west; and extensive stretches of arable land where plantations of palm oil, coffee, sugar, cocoa, banana, and other crops grow abundantly.

On 19 January 2009, the Minister of External Relations of Colombia invited the Embassy of India in Bogota to inaugurate 50 years of the establishment of bilateral relations between the two countries. The current year holds great promise, not only for its commemorative



value, but also because several bilateral visits and finalization of important bilateral agreements are visualised.

Since the establishment of bilateral relations in 1959, there has been close political understanding between Colombia and India, resulting in the entry of Colombia in the Non-Aligned Movement in 1983, during the Summit of the Non-Aligned Movement in New Delhi, and the hosting in Cartagena, Colombia of the Non-Aligned Summit in 1995. Prime Ministers of India Indira Gandhi and P.V. Narasimha Rao visited Colombia in 1968 and 1995, while President Andres Pastrana of Colombia visited India in 2001. Over the past decade, there have been several bilateral visits at the levels of foreign and other ministers, as well as official visits and visits by business delegations of both countries.

In financial years 2006-07 and 2007-08, according to the statistics of the Directorate General of Foreign Trade, Ministry of Commerce of India, Colombia was the second highest destination for Indian exports to entire Latin America. In 2007-08 the bilateral trade between the two countries reached \$841million, with exports from India reaching a record \$757.33 million.

Indian businessmen are increasingly looking to Colombia as an investment



destination, given its rich natural resources, advanced educational and human resource standards, and stable economy. In August 2007, a high level CII delegation called on President Alvaro Uribe. In September 2008 Colombian and Indian companies formed, under the aegis of the Embassy of India, the Colombia-India Chamber of Commerce, which has been active in promoting bilateral exchanges and trade.

The main companies present in Colombia are ONGC Videsh Ltd (OVL) with an investment of over \$ 600 million, producing over 25,000 barrels per day of oil; Tata Consultancy Services, employing about 300 Colombians and Indians in Bogota; Bajaj Auto, Hero Honda and TVS whose two-wheelers are being assembled and sold in large quantities all over Colombia; pharmaceutical companies IPCA and Claris with offices in Bogota, apart from Cipla, Strides and others marketing their products in Colombia; Saurashtra Fuels, ISPAT, Zoom interested in mining concessions; and several other companies with joint ventures or setting up operations in Colombia.

There are several MOUs between various Indian and Colombian Universities, and an active interest in Indian culture, philosophy,



classical arts, yoga, etc. among an increasingly sophisticated Colombian public. The Embassy of India has organized Festivals of India in 2007 and 2008 and plans several cultural activities including film festivals, dance and music performances, Food Festivals, etc. in the course of the Golden Anniversary year 2009.

There is the expectation that President Alvaro Uribe of Colombia will visit India this year to finalize several important agreements, so that the relationship can take a quantum leap and develop into a strategic alliance.

Ecuador

Ecuador is probably one of the most bio-diverse countries in the world. Few Indians may be aware that the prestigious and renowned Galapagos Archipelago, 1000 km off-shore in the Pacific Ocean, is Ecuadorian territory. The capital of Ecuador, Quito was the first to be recognized as a heritage city by UNESCO in 1979. Ecuador and India enjoy extremely cordial and warm relations.

Trade between Ecuador and India has been growing and Ecuador has also become a source of crude oil for India. As per DGFT figures, the bilateral trade reached \$ 272.17 million in 2007-08, with India's exports at US\$ 55.4 million, the vast majority of Ecuador's exports consisting of crude oil.

In August 2008, Ecuador became the first country to buy India's Dhruv Helicopters. Seven helicopters have been ordered from Hindustan Aeronautics Limited and the Government of Ecuador has positioned a Commercial Attache and a Defence Attache in its Embassy in New Delhi to carry forward this important area of bilateral cooperation.

India has offered its expertise in oil exploration and exploitation; agriculture; infrastructure, particularly railway and hydel projects; and has also offered to help set up a Center of Excellence in Information



Technology in Ecuador.

After the visits of two Ecuadorian Foreign Ministers to India in 2006 and 2008, and a visit by India's Minister of State for External Affairs to Ecuador in 2007, more political exchanges are foreseen, as well as a high level



of coordination in multilateral fora such as the United Nations, where Ecuador strongly supports India for a permanent seat in the UN Security Council. As a member of the Board of Governors of the International Atomic Energy Agency (IAEA), Ecuador strongly supported the lifting of sanctions on supply of nuclear materials to India in August 2008.

Ecuador is probably the only country in the world to have eliminated requirement of visas for citizens of all nationalities in 2008. This should encourage Indian businessmen and tourists to visit this charming country and increase business and cultural links. ■



India Raises Toast to *Celebrate 50 Years of* Ties with Cuba

In 2009, Cuba is celebrating 50 years of its Revolution. And India, a long-standing friend of the Caribbean country, is raising a toast to celebrate the occasion. Relations between India and Cuba have been traditionally warm and friendly. India was amongst the first countries to extend recognition to Cuba after the 1959 Revolution. Though diplomatic relations had been established in 1956, India's first resident mission in Havana was opened in 1962 at the level of Cd'A. Cuba upgraded its Embassy in Delhi to the level of Ambassador in 1972 and India followed suit in 1974. Both countries have maintained close contacts with each other in various international fora, such as the UN, NAM, WTO, etc. Both have supported each other's candidature to various UN bodies. India has supported Cuba against US supported resolutions at the UN Human Rights Council, Geneva, on alleged human rights violations in Cuba. India has also consistently voted in favour of Cuban sponsored resolutions in the UN General Assembly calling for lifting of US sanctions against Cuba.

Some of the important landmarks in Indo-Cuban relations are:

- Bilateral trade agreement - July 1979
- Cultural agreement - July 1976
- Agreement for Cooperation in Science and Technology - November 1978
- Joint Commission for Economic, Scientific and Technical Cooperation established in 1989. The 6th Session held in Havana in February 2007
- Protocol on Cooperation in S & T, and Work Plan for cooperation in Agricultural Research.
- MOU in the field of Standardization renewed in December 2003.
- MOU on Consumer Protection 2005
- Agreement for Sports Cooperation Feb. 2007
- Joint Commission Meeting (JCM) Feb. 2007
- Protocol on Renewal Energy May 2007



Resilient Cuban Economy Grows on Domestic Demand

Cuba's economy has recorded an impressive growth in recent years. Its GDP grew by 42.5 percent in the four years from 2004 to 2007. Investment grew 16.8 percent, and key sectors such as agriculture 24.7 percent; industry 7.8 percent; transportation 7.9 percent and services 11.7 percent. Exports increased 24 percent in products and in services. There is a positive trade balance for Cuba in 2007.

Foreign Trade, which was very depressed in the 90s, has reached the impressive figure of \$15 billion in 2006, with concentration of exports and imports to and from Venezuela and China, countries that have been providing financial facilities for Cuba's trade operations.

Health, tourism, pharmaceuticals, nickel production led the list of economic sectors that contributed to the growth of the national economy in 2007. Tourism in particular reported more than two million vacationers over 2006.

A remarkable increase in the sale of professional services, particularly in the health sector, is noticeable, but also of services in other areas such as engineering, informatics and biotechnology, as well as a growing export of pharmaceuticals, vaccines and other laboratory products. The important support given to the development of the human capital, patiently carried out by the Revolution, has placed the export of services of highly-added value in an outstanding top position in Cuban foreign trade and this a new dramatic change in the structure of the Cuban economic growth.

Dramatic Growth of Domestic Industry

The collapse of the Soviet bloc in the early 1990s meant that Cuba immediately lost 85 percent of its foreign trade. The supplies of medical equipment and drugs stopped as did the supply of hard currency. Faced with a lack of access to so many key pharmaceuticals a domestic industry was started which over the last 10 years has grown dramatically, not only meeting much of Cuba's domestic need, but also allowing the generation of significant hard currency through overseas sales.

This is particularly true of the vaccine industry with Cuba developing the first vaccine for Meningococcus B, the first synthetical vaccine against Hemophilus Influenzae and an effective cheap vaccine for hepatitis B.

Medical Infrastructure

Similarly, Cuba had always been willing to take a certain number of scholarship students from developing nations into its medical schools. Following the devastation caused by hurricane "Mitch" in Central America, it became apparent how great the dearth of physicians was in the countries of that region. A decision was made to create the School of Medical Sciences of Latin America. It has so far taken in a large number of medical students from every Latin American country, Mali, Nigeria and Equatorial Guinea, and even from the poor areas of the United States and already nearly 3,000 doctors have graduated in the first two graduations. These students and their successors will, after completing their free education, return home to provide care mostly in the rural areas of their countries.

In addition, Cuba has established medical schools, staffed by Cuban professors, in Guyana, Benin, Uganda, Ghana, Yemen, Venezuela, Timor-Leste, Eritrea and Equatorial Guinea so that some students can become physicians without leaving their own countries.

Foreign Capital Inflow

Inflows of foreign capital into Cuba has been growing steadily due to the fact that it is a safe and investor-friendly country. This is clearly demonstrated by the fact that more than 700 foreign firms are now accredited by the Cuban Chamber of Commerce.

Oil & Gas

The local oil and gas production reached four million tones by the year's end, while the country counts on stable input of crude oil from Venezuela at preferential financial payment facilities. In this area Cuba is glad to count on the active participation of the Indian Company ONGC Videsh Ltd in the oil and gas sector.

Venezuela became Cuba's major commercial partner in 2006, with a trade balance of more than \$7 billion annually. China too expanded its presence in the Cuban economy. The Asian country has granted the island soft loans and is the major provider of locomotives, light vehicles and buses, with a trade balance of more than \$3 billion.

New explorations with positive outcomes are carried



out in the Gulf of Mexico.

As many as 59 blocks are promoted in the Exclusive Area (ZEE) in the Gulf of Mexico and 45 in land and shallow waters. The blocks of the ZEE include a total area of 112 000 sq km, each block has an average area of 2 000 sq km and the average depth of the water is 2000 meters.

Tourism

The development of the northern part of the Camagüey and Ciego de Ávila provinces is foreseen, mainly the areas of Santa Lucía, Paredón Grande and the Sabinal, Romano, Coco and Guillermo Keys. In both areas there are possibilities of building more than 30 000 rooms. Parcels are available for hotels of 300, 400 and 500 rooms.

Construction of new lodging capacities, development of hotel supporting infrastructure, golf courses, recreational centers, thematic parks, marinas, etc is also foreseen.

Credit Rating



Cuba has also shown a remarkable improvement of its international credit situation and a growing offer of products and services of highly added value, particularly in the field of medicine, which identifies the Island with a new and respectable image in the global trade scene. A clear example of this is the joint venture with Indian biotech company Biocon.

Cuban foreign trade has a strong and determinant impact upon the country's economy. For that reason, among its targets are the diversification of its partners, a reordering of the trade policy in search of favourable export markets and the diversification and competitiveness of its export items.

The change in the structure of the goods exports is a further feature of our foreign trade in current times. At the opening of the '90s, from 80 percent to 90 percent of the export value was concentrated in sugar, nickel, fish products, tobacco, rum, coffee and cement. This structure has changed as a result of the development of new export funds, among them pharmaceuticals, products of the steel industry and industrialized citrus fruits. In 2005 this group already made up for 16 percent of the total exports of goods, exceeding the 4.0 percent it showed in the early '90s. The year 2007 was an important for Cuban Foreign Trade since there was a rise in the price of nickel and the exports of gasoline increased.

There was an increase of 11 percent in commercial trade which is reflected in both imports and exports. America has been consolidated as the main trade partner, followed by Europe, Asia, and the Middle East, Africa and Oceania. On the other hand, trade with Latin American and Caribbean countries accounted for 66 percent of the trade with America and 30 percent of the total exchange.

Within the Cuban major trading partners are Venezuela, China, Canada, Spain,

Netherlands, United States, Brazil, Italy, Germany, and the Russian Federation. Exports increased a 27 percent, nickel outstanding with a 56 percent. This is due mainly to the rise of prices in international markets while the imports grew by 6.0 percent in some cases by the addition of international prices and in other cases by the rise in the amount of imported products.

The country has shown a remarkable improvement of its international credit situation and a growing offer of products and services of high added value, particularly in the field of medicine, which identifies the Island with a new and respectable image in the global trade scene.

Services, headed by tourism, entered the scene in the '90s, and Cuba ceased to depend almost exclusively upon the export of raw materials of scarce added value. Later, a new structural change occurred linked to the export of knowledge intensive services. Therefore, the change from exports based on natural advantages tourism to the export of services based on acquired advantages has taken place.

According to the CEPAL, the force and dynamism of the Cuban external sector explain the strength of its economy. In 2006, the Island succeeded in achieving for the third consecutive year a modest surplus in its balance of payments, after having presented a pernicious deficit in its foreign accounts more expenses than income all along the Special Period.

Indo-Cuban Bilateral Trade

In 2007 the trade exchange between India and Cuba reached \$50 million. Imports from India are expected to grow in 2008, according to new credits and financial facilities that will be opened during the year.

India may well be able to position itself among the

first trading partners. The sectors that could be of interest to India are: pharmaceuticals, biotech, transportation, textiles, consumer goods in general, spare parts, and others.

Indo-Cuban Biotech Venture

An Indian Joint Venture between CIMAB and BIOCON was founded in 2002. CIMAB contributed with Technology of two biotechnology products and Biocon with capital and financial loan. The biotechnology plant was inaugurated in 2006. The investment was around \$20 million. From 2004 to 2006 the clinical trials of Nimotuzumab in H&N tumours were carried out. The marketing license for Nimotuzumab was obtained in September 2006. The EPO clinical trial was conducted from 2005 till 2006. The marketing license of EPO was obtained in 2006. The company also has other products in joint



development like T1 humanized monoclonal antibodies for the treatment of Rheumatoid Arthritis and cancer therapeutics vaccines.

The plant has a great visibility, since it received during 2006, the President of India, the Indian Finance Minister, the Mexican President among other high dignitaries. ■



A New Era of Sustained Growth in Trade Ties



Relations between India and Cuba stretch far beyond mere bilateral trade. There is an emotional bond. India was among the first to extend recognition to the Cuban Revolutionary regime headed by legendary Fidel Castro in 1959. Cuba has reciprocated that warmth. And their relations have been further nurtured by the non-aligned movement. But today, trade dominates Indo-Cuban interaction. Ambassador Miguel Angel Ramirez Ramos, in an interview with Tripti Chakravorty talks about how Cuba-India relations have evolved over the years and what needs to be done to further strengthen them. The Ambassador believes that a new era of sustained growth in Cuba-India bilateral relations has begun. He lists a number of areas of mutual engagement, of which pharmaceuticals, biotechnology and oil exploration hold great promise. Excerpts.

In the spirit of celebrations commemorating 50 years of Cuban Revolution and Indo-Cuban relations, what major steps have been taken to promote and deepen these bilateral relations?

The bilateral relations started almost 50 years ago and we will celebrate that occasion in February 2010. It has always a relation of respect, mutual understanding and commonalities of goals and ideals on how to shape a better world. The close cooperation that Cuba and India have had in the international arena, particularly in the Non Aligned and other Third World fora is an example to follow. There have been some relevant milestones in this long friendly journey: The visit to India of Che Guevara in 1959, the meeting of President Fidel Castro and Prime Minister Nehru in the Theresa Hotel in New York in 1960, the visit of President Castro to India in 1983 on which occasion, while handing over the Chairmanship of the Non-Aligned Movement to India, he embraced Prime Minister Indira Gandhi, as a symbol of close friendly ties between both countries. I could also mention the visit to Cuba of Prime Minister Rajiv Gandhi in 1985 or the visit to Cuba of Prime Minister Manmohan Singh in 2006 for the Havana conference of Non-Aligned Countries, when he was one of the very few leaders that could meet President Fidel

Castro, who was already ill.

This relation has also had a strong cultural, commercial and economic content, particularly in the 80s, when trade reached \$300 millions, but after the economic difficulties that Cuba suffered in the 90s and the new international context originated by the disappearance of the Soviet Union, those ties have been reduced and that is the goal of both sides to try to recover the levels of the 80s and continue growing.

In that sense, Prime Minister Manmohan Singh waved the outstanding debt, which constituted a stumbling block to obtain fresh line of credits and export cover for the Indian companies willing to engage the Cuban market. There is a process going on of mutual rediscovery, and in that connection we have encouraged important business delegations from Cuba to visit India and vice versa.

We are also giving a strong relevance to biotechnology, pharmaceuticals and tourism as three important sectors of mutual benefit that should be encouraged, complemented by greater cultural interaction.

As you are aware, India was among the first to extend recognition to Cuba and its Revolutionary leader Fidel Castro in 1959, and

has since maintained warm and cordial relations. Which are the sectors that have seen joint collaboration since those days?

Since the beginnings of these ties the relationship has been a multifaceted one, with important cultural exchanges in plastic arts, film festivals, ballet and other performing troupes that have visited the other country and contributed to a better mutual understanding. We have also had intense and extensive exchanges in the area of medical research and biotechnology, as well as different sources of renewable energy, where we consider India as a relevant partner from whom we have to learn a lot.

Another area in which Cuba is benefiting a lot from India is the Pharma sector. At the moment Cuba is importing a great amount of pharmaceuticals from India, mainly through third countries, but due to the new possibilities that are being opened the goal is to enhance direct trade with these companies in the near future.

Likewise, we have been active in the cooperation in the area of Information Technology. Right now a new extension has been granted to the India-Cuba Knowledge Center Laboratory, established in Havana with the cooperation of the Indian government and the NIIT Company.

But if I would have to sum up one area, I would have to mention the great ITEC program that India has put in place for many years and hundreds of Cuban experts have benefited from it. Last year, 50 Cuban experts visited India to be trained in areas as far as IT, Renewable energy, Standardization, English courses and others.

The year 2009 is a significant landmark in Cuba's lasting and strengthening relations

with India. In order to commemorate this momentous occasion what are the new initiatives being taken?

This is indeed a very relevant year in the history of our country, as we celebrate 50 years of the Cuban Revolution on 1st of January and throughout the whole year. It is inevitably connected with the establishment of bilateral ties on February 2010, and therefore we would like to extend the celebration until then.

We are promoting different cultural functions that include film festivals, joint artists' performance, participation of an important Indian delegation as Chief Guest in the International Handicrafts Fair in Havana next November. These are among many other initiatives to highlight this relevant occasion.

India's trade with Cuba has risen sharply with the latter offering immense opportunities for joint investment in various fields, especially in oil, mining, pharmaceuticals and biotechnology to name a few. Could you throw light on how these sectors have developed through joint collaboration?

Indeed there is fertile ground for joint ventures and other forms of cooperation. Already ONGC Videsh Ltd has an Office in Havana, they are exploiting three oil blocks offshore together with Repsol and the Norwegian Norsk Hydro, plus two more blocks on their own. Next June, they will start exploring a well with great potential to find oil.

In pharmaceuticals and biotechnology there is long history of mutual understanding and cooperation. The best example is the present Joint Venture between CIMAB from Cuba, a leading Research Center



on the production of Monoclonal Antibody cancer vaccines, and the important Indian company Biocon, to create BPPL to produce and commercialize the cancer vaccines produced with the Cuban technology. Other possibilities of this nature are being studied at the moment, in order to introduce in India the amazing pipeline of Cuban discoveries in the area of biotechnology. Likewise, Cuba is eager to interact and import larger amount of Active Pharmaceutical Ingredients and generic medicines from India, and delegations are visiting India to know the market better and they are already thinking of opening offices here in order to facilitate the process.

There is scope for other sectors to join efforts, like transport, fertilizers, infrastructural equipments, just to name a few.

How has Cuba benefited from the Focus LAC program that was launched by the Commerce Ministry, Government of India way back in November 1997?

Cuba has benefited from this program in such a way that there was a trade delegation organized by CII headed by the Joint Secretary Anil Mukim last November 2008 that participated in the Havana International Fair with the purpose of strengthening the commercial ties between our two countries. Also with the same purpose, in May 2008, a trade delegation from Cuba visited India organized by the Cuban Chamber of Commerce and headed by Deputy Minister Eduardo Escandell. This delegation had interactive meetings with the Ministry of Commerce and Industry, FICCI, CII, PHD, ASSOCHAM, ITPO, and FIEO. As a result of these exchanges there have been several delegations from Cuba visiting India and vice versa.

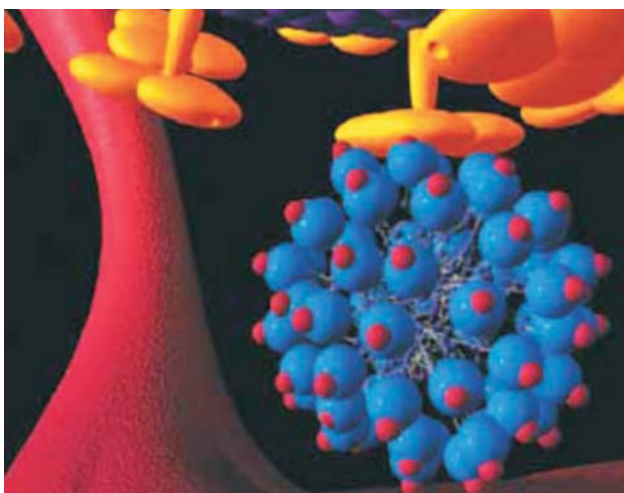
The following institutional arrangements already exist in relation to both countries The Indo-Cuban Joint Commission and the Indo-Cuban Trade Revival Committee. The Indo-Cuban Joint Commission will be celebrating its annual meeting this year in India with the purpose to increase several areas of cooperation such as biotechnology, renewable energy and IT sector, ITEC programs, among others.

What are some of the reasons that have in some ways deterred trade between both countries over the years? What needs to be done to remove them in order to and get bilateral trade back on the growth trajectory?

The difficult economic situation that Cuba had to go through during the 90s, has been a major obstacle to the growth of economic ties, as Cuba was not able to fulfill its commitments. This has already become a history of the past due to the friendly gesture of Prime Minister Manmohan Singh, and therefore there are new opportunities for ECGC and EXIM Bank to engage Cuba to boost trade and now it is the turn of Indian companies to study and explore the important business opportunities that Cuba offers. I am optimistic that we have started a new era of sustained growth in our bilateral relations.

Could you provide us with some key economic parameters and main sectors of each of the 14 provinces of Cuba?

Cuba's GDP grew 42.5% from 2004 to 2007, which expresses the consolidation of the Cuban economy. Investment grew 16.8%, and key sectors like agriculture 24.7%; industry 7.8%; transportation 7.9% and services another 11.7%. Export sales in products and in services increased 24%. There was a positive trade balance for Cuba in 2007.



A remarkable increase in the sale of professional services, particularly in the health sector, is noticeable, but also of services in other areas such as engineering, informatics and biotechnology, as well as a growing export of pharmaceuticals, vaccines and other laboratory products. Nickel is one of the first export products of Cuba with a high performance in the Cuban economy.

The important support given to the development of the human capital, patiently carried out by the Revolution, has placed the export of services of highly-added value in an outstanding top position in Cuban foreign trade and this a new dramatic change in the structure of the Cuban economic growth.

The local oil and gas production is expected to surpass four million tonnes by the year's end, while the country counts on stable input of crude oil from Venezuela at preferential financial conditions. New explorations with positive outcomes are carried out in the Gulf of Mexico and we are glad to count on this area with the active participation of the Indian Company ONGC Videsh Ltd.

The development of the Cuban economy is very wide spread in the 14 provinces of Cuba, the nickel production is based on Holguin which is located in the eastern part of the island. The human capital is developed all around Cuba including the special Municipality of Isle of Youth located in the south of Pinar del Rio and Havana Province. The main research centers of biotechnology and production plants are located in the eastern part of Havana City named the Scientific Polo, even though there are other Centers in provinces like Camaguey, Santiago de Cuba and Granma. The offshore oil exploration takes place in the Gulf, north to Havana Province. Another main sector of promise is development of tourism that takes place all around. Each of the 14 provinces of Cuba has an important role in the development of this sector.

What are the lines of credit that have been offered to Cuba by the EXIM Bank, India and how would that facilitate trade between both countries? Also, quite recently the Export Credit Guarantee Corp has extended credit cover, to what extent would this help in boosting trade?

The Government of India is very positively open to offer new credit lines through EXIM Bank but, these

have to be implemented. Both countries are working to achieve this purpose.

The Export Credit Guarantee Corporation has extended credit cover and insurance to the Indian exporting companies to export to Cuba and this will help a great deal to facilitate and increase the trade between the two countries. ECGC is working with the Cuban authorities to implement this credit to export of goods and Cuba expects this will enhance the bilateral trade among our two countries.

China is the largest trading partner of Cuba in Asia. What is the Cuban policy to expand trade relations in Asia beyond China?

Cuba and China have strong commercial relations, which is facilitated by the export cover and the financial facilities of Chinese banks to the Cuban importers and to Chinese exporters. If we could obtain equivalent facilities and opportunities from India, I am sure that a lot of imports would be requested from India, as it is a very important market with high quality products that can compete with anyone.

Pharmaceuticals and biotechnology have a priority in this effort to engage Cuba and India.

In your opinion what are the reasons for the boost in trade which have quite recently been detected?

Cuba has been growing steadily for the last five years, and in some of the years the growth has been as high as 12.5%. To give an indication, during the 90s Cuban international trade contracted to \$3.0 billion and now it has come back to \$15 billion.

Cuba has a very strong and recognized health system and although we produce around 65 to 70% of all our medical needs, we still import a lot of medicines and APIs, in which India plays a significant role. Furthermore, Cuban help to more than 80 countries around the world in the area of medical assistance and eye surgical operations, require additional resources that can be obtained in India as well.

Indian technology for infrastructure, industries, transportation is very well praised in Cuba and many companies are eyeing this market for their needs. Probably there could be an additional reason, as the Asian saying goes "... the only cow that gets clean water in the pond are the first ones, the rest only get mud..." Some Indian companies are acting fast to the new opportunities offered by the Cuban economy; the rest, they'd better hurry up. ■

As the Worst-Ever Recession Deepens... A Global, Coordinated Fiscal Stimulus Needed Urgently

- Justin Yifu Lin, World Bank Chief Economist and Senior Vice President



Justin Yifu Lin, Chief Economist and Senior Vice President, World Bank, has been an avid India watcher. He has observed India shedding its image as a country stuck with the 'Hindu growth rate of 3.0 percent' and pursuing a policy of economic liberalization in the 1990s to achieve and sustain a growth rate of 8.0 percent in the last five years of this decade. Delivering the 24th Commemoration Day Lecture on behalf of Export Import Bank of India, the former Professor and Founding Director of the China Centre for Economic Research (CCER) at Peking University talked about the challenges that developing countries such as India face in the current global economic crisis and the policies they must pursue in order to overcome it. He pointed out that while economic growth had been impressive, but by mid-2008, the favorable external environment that supported India's growth momentum has soured. "After five years of unprecedented GDP growth, India's economy is slowing, and the current economic difficulties are jeopardizing the development gains of the past decade," he said. Excerpts.

To find a way out of both India's crisis as well as the world's current downturn, it is useful to focus on four areas: First - the origin of the financial crisis, including the problem of excess capacity and why the current fiscal stimulus packages may not be sufficient to pull the world out of its slump;

Second - the impact of the global financial crisis on developing countries; Third - ways to solve the current crisis, and global efforts to help developing countries cope with these trying times and the case for scaling up; Fourth - the impact of the global crisis on India and some policy choices.

The Crisis Creation of Excess Liquidity in US

It is important to keep in mind the origins of the crisis and the problem of excess capacity that is now unfolding. Today's crisis was preceded by six years of global boom. Following the bursting of the US tech-stock bubble in 2000-01, which had a substantial wealth effect on American households, the Federal Reserve aggressively eased monetary policy to minimize the duration and depth of the ensuing recession. There was a lowering in either the Fed funds rate or the discount rate 27 times between January 2001 and June 2003, resulting in the funds rate falling from 6.5 percent to 1.0 percent over that period. This expansionary monetary policy





averted a deeper recession by stimulating a boom in the housing market, which soon turned into a housing bubble.

Higher housing prices fueled a consumption boom, and the Fed's continued expansionary monetary policy kept the US economy awash in excess liquidity.

Lack of Supervision of Financial Markets

At the same time, there were high levels of financial innovations on Wall Street, driven by a search for higher yields in a low-interest-rate environment. Much of this innovation was carried out by firms whose activities were not regulated, and through new instruments that were too complex to be effectively regulated. Financial markets were deregulated and supervision was lax.

Spread of Crisis to Other Major Economies

Other developed economies faced the same adverse impact when the internet bubble burst; their central banks also lowered interest rates, although less rapidly than the Fed, and their economies quickly recovered as well. In several other developed economies, housing bubbles developed, and in some cases became even larger than the US bubble. As a result of this combination of policy and market psychology, the brief global recession of 2001-02 was followed by a period of reasonably dynamic growth in the US and in much of the developed world, accompanied by low capital costs.

Developing Economies & Their Strength

Developing economies also thrived during 2002-07 for a combination of reasons. One important set of reasons related to domestic factors. As a group, the developing economies had entered the decade in a much better policy stance (macroeconomically and otherwise) than they had in the previous two decades,

for example with lower inflation and more sustainable fiscal situations. These conditions would likely have predisposed the developing world to more rapid growth, and they also better equip the developing countries to deal with exogenous shocks in the current crisis.

Huge Merchandise Exports

Merchandise export volumes from USA, Japan and Germany (the largest exporters of capital goods) rose on average by 6.6 percent in the period 2002-2007, compared to 5.8 percent in the 1990s. This refers however to total merchandise exports (to both developing and high income countries). In nominal terms, the exports of machinery and transport equipment from high income countries to low and middle income countries increased by an annual average of 16.7 percent over the period 2002-2007, up from 12 percent in 1990s.

Record Growth Rate by Developing Nations

Developing world as a whole achieved its highest growth rates in decades. From 2003 to 2007, the collective GDP of developing countries grew more than 5.0 percent each year; in 2006, the growth rate peaked at nearly 8.0 percent, with all developing regions close to or exceeding 5.0 percent growth. By contrast, average annual growth for 1980-2000 had been just 3.4 percent. In the recent period, investment is estimated to have added about four percentage points to annual GDP growth (World Bank 2006).

At the same time, US demand was stimulated by the substantial swing in the US fiscal position, from a small surplus in 2001 to a sizeable deficit in 2003, which resulted from sharply increasing spending on defense and homeland security while cutting central-government taxes. Combined with a low interest rate



and low saving rate, the fiscal deficit contributed to large US current account deficits and higher demand for developing-country exports. This created a feedback loop, by further stimulating developing countries' demand for investment goods and developed countries' capital goods industries.

Problems of Rapid Growth

With rapid growth in developing countries came the emergence of vulnerabilities much like those that were appearing in developed countries. The combination of abundant investment capital and rapid growth helped to inflate real estate prices to bubble-like heights in some emerging markets.

Bubble that Burst

Many equity markets surged as well, some to levels that suggested irrational exuberance. The boom was bound to end, especially given the explosion of sophisticated and unregulated financial derivatives which had sustained the process. In mid-2007, the US housing bubble was bursting beginning with the sub-prime mortgage market. The drop in value of the off-balance sheet assets pushed many financial institutions into insolvency. Even worse, the financial innovations of the past decade - many of which had been sold on the promise that they would diversify and minimize risk - turned out to be transmission mechanisms for instability.

Collapse of Investment Banks

Following the collapse of Lehman Brothers in September 2008, the value of capital eroded dramatically, undermining the creditworthiness of major global financial institutions and triggering massive de-leveraging. Efforts to restore capital adequacy and uncertainty about the underlying value of assets held in the form of sub-prime mortgage backed securities resulted in capital hoarding, causing liquidity to dry up. The ability of borrowers to finance

transactions in both the real and financial sectors was then diminished. This in turn reduced demand and employment, undermining consumer and business confidence, and triggering a further contraction in demand. Meanwhile, the total capitalization of world stock markets almost halved by the end of 2008; that is, US\$ 30 trillion of wealth has disappeared. In the United States alone, the wealth losses for households related to the fall in home prices are roughly US\$ 4 trillion so far, and are clearly bound to increase further as home prices continue to fall - eventually reaching the US\$ 6-8 trillion range. Losses of this magnitude also have significant wealth effects on consumption and savings.

It is now widely acknowledged that the world economy is going through a global recession, the like of which we have not seen in eight decades. United States is at the heart of the international financial system, and it involves the world's main global reserve currency. The inability to rely on port stimulus anywhere also makes it evident that one country or group of countries can emerge from the crisis on its own. Cooperation among industrialized and emerging economies and co-ordination of policies across the board are essential.

Action Taken So Far

While commendable, actions taken so far by the US, Euro area, Japan and other wealthy countries might not be sufficient to counter the huge downturn the world finds in. Experience has shown that in general monetary policy is likely to be ineffective to stimulate investment and consumption in excess capacity situations. There is an urgent need for a global, coordinated fiscal stimulus. As a result of this synchronization in the current crisis, dealing with it alone is beyond the capability of any single country. Instead, decisive, and concerted and co-operative efforts are needed.

Impact on Developing Nations

While developed countries are experiencing some of the sharpest contractions in GDP growth, households in developing countries are much vulnerable, and likely to experience acute negative consequences in the short- and long-term. Declining growth rates combined with high levels of initial poverty leave many households in developing countries highly exposed to the crisis. Vulnerability is heightened if, at the same time, governments are constrained in cushioning the impacts due to limited institutional capacity and fiscal resources. Developing countries are expected to have a financing gap in a range of US\$ 270 - US\$ 700 billion, depending on the severity of the economic and financial crisis and the strength of the

policy response. Existing resources of international financial Institutions cannot currently cover the Shortfall, even at the low end. The supply of capital from private sources is much tighter than in the past.

As a result, in the wake of the crisis, developing countries are likely to face higher interest rates and spreads, and lower capital flows than over the past five years. The supply of capital from private sources will be much less dynamic in the future. Many of the institutions that provided international financial intermediation services over the past 25 years no longer exist. As a result, the post-crisis world developing countries are likely to face higher interest rates and spreads, and lower capital flows than over the past five years.

At the micro level, the global economic crisis is exposing households in almost all developing countries to increased risk of poverty and hardship. Almost one third (29 percent) of all developing countries are highly exposed to the poverty effects of the crisis (that is both declining growth rates and high poverty levels) and an additional 62 percent of countries are moderately exposed (they face either decelerating growth or high poverty levels). Our initial estimates for 2009 suggest that lower economic growth rates will trap 46 million more people on less than US\$1.25 a day than was expected prior to the crisis. An extra 53 million will stay trapped on less than US\$ 2 a day.

Social Impact of Crisis

The social impact of the crisis on developing countries will be very serious. Already we have seen massive layoffs in both India and China over the past five months, in many cases with urban migrants losing city jobs that had allowed them to send remittances back to poorer relatives in the countryside. According to the ILO, in India, over 500,000 jobs have been lost over the last three months of 2008 in export-oriented sectors - i.e., gems and jewelry, autos, and textiles.

The effects of falling real wages and joblessness impede households' ability to provide adequate food and necessities to their members. Compounding this is the very real risk that, in many countries, fiscal pressures will result in reduced services to the poor. Absent assistance, households may be forced into the additional sales of assets on which their livelihoods depend, withdrawal of their children from school, reduced reliance on healthcare, inadequate diets and resulting malnutrition.

Long Term Impact

The long-run consequences of the crisis may be more severe than those observed in the short run. When

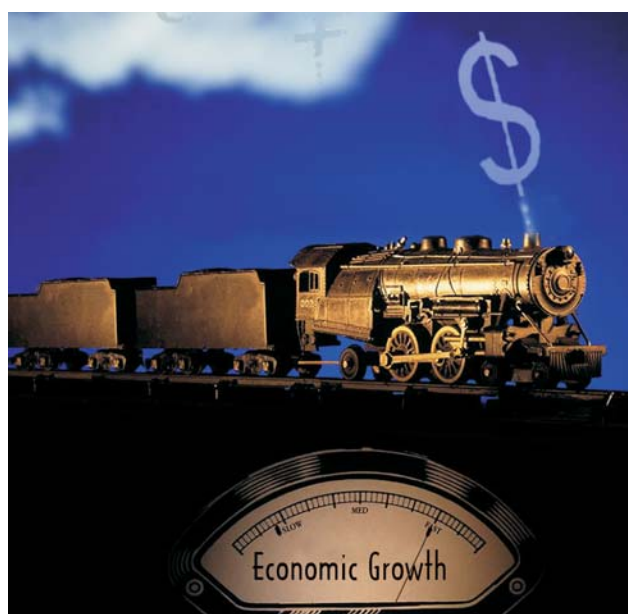
poor households withdraw their children from school, there is a significant risk that they will not return once the crisis is over, or that they will not be able to recover the learning gaps resulting from lack of attendance. And the decline in nutritional and health status among children who suffer from reduced (or lower-quality) food consumption can be irreversible. The middle class will also be hit hard by soaring joblessness, losses in equity markets, currency depreciation, and anxiety over the safety of local banks.

Ways to Solve the Crisis

Finding a way out requires putting the interests of our interlinked global economy as high as national interests. Such a policy stance is what will get the world out of the current downward spiral. What should be considered are expanded mechanisms for channeling support in the form of funding from developed countries to projects and programs that release bottlenecks to growth in developing countries. Some of this is already planned via the Vulnerability Fund being advanced by World Bank Group President Robert Zoellick.

For countries with large foreign exchange reserves, investing in projects in developing countries with high returns could help restore stability in global trade and manage their surpluses in the most efficient way possible. For poor countries, such funding would provide the much needed resources for domestic or regional projects that meet the market test - i.e. those projects that release bottlenecks to growth.

Given the tough times faced around the world, I think making fiscal stimulus plans work by releasing bottlenecks to growth in developing countries offers



a potential win-win solution. To overcome global recession characterized by excess capacity, fiscal stimulus efforts must be bold, global, and generate an immediate and sustained increase in global demand and productivity.

Major fiscal stimulus packages are being implemented around the world to complement monetary policy. But in environments where firms face large adverse shifts in demand, some fiscal policy features such as tax cuts and subsidies may have little effect.

Projects to Generate Returns

If policymakers can design a system that allows public projects and programs to generate enough returns to repay themselves, the chance of success is high. Developing country economies provide good opportunities for such type of projects. In developing countries, there are many bottlenecks that constrain the growth of their economy. If the government uses fiscal stimulus to invest in projects that release these bottlenecks, economic growth will be enhanced after the crisis and the marginal returns to private sector's investment will also increase. If the gains in the government's revenues from the above sources - both direct and indirect - are large enough, these investments may indeed be self liquidating. This would ensure that precautionary concerns and expected future tax rises will no longer inhibit spending.

Global Efforts to Support Developing Nations

The magnitude of the current global crisis requires a bold response that focuses on preventing the economic crisis from becoming a human crisis as well as the needs to address the global crisis with a global view in designing the coordinated fiscal stimulus. The Vulnerability Fund and the "1 percent solution" proposed by World Bank President Robert B. Zoellick, are a good start. What is envisioned under the "Vulnerability Fund" is for each developed country to assign 0.7 percent of its stimulus package to the fund. Priority areas for support would include: safety net programs, infrastructure investments, and, support for small and medium-sized enterprises and microfinance institutions. The separate "1 percent solution" proposal entails having reserve rich nations allot 1 percent of their sovereign wealth funds to support African infrastructure and other investments in lower income countries.

Urgent collective efforts are needed to support such investments in developing countries. As mentioned earlier, efforts along these lines are already under way, through the World Bank Group and other international finance institutions. The World Bank

Group has been quick to offer expanded, innovative products and services to assist developing countries. First, IBRD has the capacity to make new commitments of up to US\$ 100 billion over the next three years. This year, lending will almost triple to US\$ 35 billion to meet additional demand from our developing country partners. Second, an IDA fast-track initiative is now in place with US\$ 2 billion available to help the poorest countries deal with the crisis - money to be used for safety nets, infrastructure, education and health which is part of the US\$ 42 billion IDA 15 fund for the poorest people. This follows a US\$ 1.2 billion Global Food Response Program (GFRP) set up in May 2008 to speed assistance to the neediest countries to cope with the food crisis. Third, the IFC, an affiliate within the World Bank Group that focuses on the private sector, has launched new facilities to provide around US\$ 30 billion over the next 3 years and ramping up support to the private sector through the launch or expansion of five initiatives.

Impact on India

The global economic crisis has hit India hard in terms of exports, remittances and portfolio investment funds. Exports declined for the fourth consecutive month in January, falling by 16 percent in January, the biggest decline since May 1998. While imports are contracting more sharply than exports, India's current account deficit is widening as remittances from Indians working abroad are slowing down due to the crisis. Large withdrawals of portfolio investment funds and purchases of US dollars by Indian banks to fund their overseas operations also created pressures on the exchange rate.

Amidst decelerating investment and consumption, India's economic growth dropped to a worse-than-expected 5.3 percent in the last quarter, down from 8.9 percent in the same period, a year earlier. The latest industrial production figures show a deceleration in investment demand and in consumer spending. Surprisingly, agriculture declined by 2.2 percent in the last quarter, which will negatively affect consumption of 800 million rural Indians that was anticipated to hold up and provide a floor to growth in this downturn. Private consumption will drop to around 4.0 percent this year, as employment falls and real wage growth slows as a result of the downturn. Major job losses due to the financial crisis will occur in sectors such as construction, textile, real estate, financial services, and the car industry.

The recent food and oil price increase followed by the global economic crisis has left most South Asian countries including India with widening twin budget

and trade deficits. Coping with a protracted crisis therefore requires a skillful mix of fiscal, monetary, and exchange rate policies. To tackle the economic slowdown, the Reserve Bank of India (RBI) boosted liquidity and loosened monetary policy, and the Government introduced two fiscal stimulus packages. The exchange rate has also depreciated by 22 percent over the past 12 months. With inflation rates dropping, monetary easing provided stimulus to the economy and mitigated the liquidity crisis in the banking sector. Since October, RBI has lowered the repurchase rate five times by a total of 400 basis points, from 9 percent to 5 percent. While the decline in inflation gives the RBI some room to carry out these rate cuts, constraints arise from the ongoing foreign capital outflows, a high trade deficit, and the depreciation of the rupee. As discussed earlier, there are limits to effective monetary policy in the face of a protracted crisis.

On the fiscal side, the deterioration in public finances due to low revenue collections, tax cuts and additional expenditures is expected to bring the Government's fiscal deficit beyond 10 percent of GDP. This limits the traditional counter-cyclical fiscal policy. But India holds sizable foreign exchange reserves and could use them to invest in infrastructure. Of course, the twin deficits, together with inflationary pressures and a high public debt (80 percent of GDP) will reduce room for maneuver, but with skillful economic management, the Government can reduce the impact of a protracted crisis on the Indian economy.

In December the Government announced a fiscal stimulus package of Rs. 300 billion or around 0.6 percent of GDP. A second fiscal stimulus package in January is expected to generate additional infrastructure investment of Rs. 750 billion over the next 18 months. The thrust of the stimulus packages in India is on infrastructure projects. Not only should the implementation of these projects help support aggregate demand under the current circumstances, they should help address infrastructure bottlenecks that are a huge constraint to long term growth in India.

The impact on productivity and growth of these projects is also important from a development strategy perspective. A striking difference between India and China is the relative importance of manufacturing in output and total exports, about 16 percent and 40 percent in India compared to 33 percent and 84 percent respectively in China. India's share of commercial services in total goods and services exports has been much higher than China's, not just since the rapid expansion of export of computing services around 2000 but even earlier,



since 1992. This difference could partly be attributed to the state of infrastructure. Thus, the investment projects in infrastructure may help also to revitalize the manufacturing sector and change the structure of the Indian economy in favor of this sector.

Safety Net Programmes

India might also be able to make better use of existing Safety Net programs. India has several safety net programs, including the public distribution system, which involves the sale of foodgrains at highly subsidized prices to the poor in the country; food-for-work programs; mid-day meal schemes in schools and feeding programs for children and pregnant women; and various state-level food-based welfare schemes. As the global crisis reverberates and more and more people are out of work, the trade-off between employment generation schemes versus other traditional safety nets becomes important and merits a careful evaluation.

Global experience shows that countries with effective safety nets that target the poor are the most successful in responding to crisis. It is naturally easier to scale up an existing safety net program than to design a new one, particularly to respond to a current crisis. However, some countries have been able to use a crisis as an opportunity to eliminate ineffective programs and replace them with better designed programs.

Lessons to be learnt

There are many lessons to be learned from our recent experience; not least among these lessons is the extent to which we are interconnected. This is a global crisis and we must look for a global solution. We must target stimuli, irrespective of national borders, to where their marginal impact will be the greatest. Right now this means investing in projects that release the bottlenecks that are impeding not just the growth of developing countries, but the growth of the world.

Agri-Biz, IT&ITES, Energy, Pharma, Biotech Listed

India-LAC Conclave

Highlights Wide-Ranging JV Scope

The Third India-Latin America and Caribbean Conclave: Project Partnerships 2009, Partners in Progress, held on 24 and 25 February 2009 in Bangalore, highlighted the areas of IT & ITES, Agri Business, Tourism & Hospitality, Connectivity and Transportation, Energy, including renewable and biofuels, Pharma, Healthcare and Biotech as having immense scope for joint ventures.

The Conclave brought together more than 50 business participants from 10 participating Latin American and Caribbean countries to meet with their Indian counterparts and discuss business opportunities.

The Participating countries were Argentina, Brazil, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico and Uruguay.

The Conclave, a part of the long term project for enhancing India's trade with Latin America and Caribbean region under the FocusLAC programme is supported by the Ministry of Commerce and Industry and the Ministry of External Affairs.

Ms Ana Vilma Albanez De Escobar, the Vice President of El Salvador was the Chief Guest of the Conclave. Visiting India for the second time on the invitation of CII.

The inaugural session was truly global in every sense. The coming together of top industry honchos and government heads from India, Brazil and El Salvador provided a preview into the future of business relations between the two regions.

Speaking about India as the land of opportunities, Ms. Ana Vilma Albanez De Escobar, Vice-President of El Salvador said, "We would be happy to collaborate with India in niche fields such as healthcare, IT, transport, pharmaceuticals, etc." She said it was El Salvador's geographical proximity to the US that acted as an advantage for overseas trade opportunities and investments in IT and Healthcare. Answering a question, Ms. Escobar said, "We are developing a multi-regional power grid. We would be more than happy to collaborate with India on such projects." Her closing remarks however, drew the most applause with her congratulating "Incredible India and Slumdog Millionaire."

Commenting on the long relationship shared with



India, Ms. Patricia Figueroa Rodriguez, Ambassador of El-Salvador to India said, "We have opened our embassy in India a year ago and have simplified the visa process. We look forward to having more of India in El-Salvador."

Roberto Paranhos Do Rio Branco, President, Brazil-India Chamber of Commerce said Brazil looked forward to more joint-ventures with India; "We want to participate in the Asian market and India is our door to it."

"We are seeing a brilliant growth in IT, pharmaceuticals and the automotive industry-areas that India and Brazil can partner on since both are stabilized, emerging economies", he added.

Moderating the session was Madhur Bajaj, chairman, CII-LAC committee and Vice-Chairman, Bajaj Auto Ltd. Though he stated that emerging countries like India had suffered a less severe ripple effect of the global economic meltdown, it was clear that the industry has been psychologically impacted. Stating that India needed to diversify geographically and product-wise he said, "Brazil accounts for 44% of India's exports and this can grow." Bajaj also said that the countries of the world must come together to fight terrorism and poverty.

While Ms Escobar and her delegation members participated in the Conclave and met with members of the Indian industry, her agenda included one to one business meetings and visits to business leaders in IT, pharmaceuticals and knowledge based industries and discussions on possibilities of joint ventures, investments in El Salvador.

Business Discussed

The India-LAC trade volumes have grown steadily over the last five years in a highly collaborative framework even though in aggregate terms, there is still some way to go. India's trade with the LAC region is a mere fraction of the country's overall trade. That is equally case with the LAC region. Figures suggest that only 2.88 percent of Indian exports go to the LAC region, and LAC exports account for a mere 1.0 percent of Indian imports. So, to augment the trade volumes, India will need to seriously consider both product and geographical diversification in its trade with the LAC region, without diluting the trade ties with its most dominant LAC trade partner Brazil.

The LAC region has emerged as a highly attractive investment destination for Indian companies, especially because of its geographical proximity to the US. In fact, many countries of this region, more so in Central America offer excellent near-shoring opportunities for Indian IT and ITES firms and other service providers. Indian IT and healthcare companies could locate near-shoring facilities in Central American countries to address a part of the US market. This could work to the advantage of all and perhaps more such arrangements could come up soon.

India as Gateway to Asian Markets

The LAC countries are also looking at India as a gateway to the Asian markets. India commands a strong presence in the Asian markets including China, Indonesia, Malaysia and so on. Therefore, LAC companies could enter into strategic tie-ups with their Indian counterparts to make a dent in the Asian markets.

This collaborative approach is however not entirely reflected in the visa regime. Many LAC countries are seen to be going slow with granting long-term multiple-entry visas to Indian professionals. This is an area of concern which needs to be addressed soon.

It is seen that Indian industry has a relatively limited presence in the Central American region, mainly due to lack of awareness of the key business opportunities there. The Conclave provided insightful insights into those opportunities. For instance, Indian engineering companies could pursue some of the business opportunities in the regional electricity infrastructure project that connects Mexico and the Central

American states.

For India-LAC trade and investments to move to the next level, the governments need to address the long-standing issues concerning logistics and connectivity. The governments, for their part, should look to pro-actively improve the 'factory to factory' movement of cargo between the two regions. This will mean building the country's ports infrastructure, streamlining the various procedures, reducing the regional imbalances with regard to port handling, and improvement in the land side operations.

Agriculture Offshoring

Major LAC economies like Brazil could become agriculture offshoring centres for the world, on the lines of India functioning as a global knowledge hub. Brazil is blessed with ideal weather patterns, large tracts of arable land and advanced agro-processing technologies which could make the country a global food producer. India could partner Brazil in taking this forward. Food security is a matter of concern for the entire world community today.

Brazil has also set a high watermark in the development and use of bio-fuels. This is another area where India can establish strong energy partnerships with the LAC region. Indian bio-fuels technologies are already employed in the LAC region.

Eco-tourism

Tourism promotion is yet another area where India and the LAC countries could establish strong partnerships. As a case in point, it was suggested that India and Brazil could jointly promote the concept of eco-tourism. Tourism infrastructure also merits close attention. Now, with India looking to increase its tourism infrastructure including hotels, many investment opportunities will arise for major LAC hospitality companies in this country. Besides, the LAC countries could look to garner a larger share of Indian outbound tourism business.

Business engagements aside, India and the LAC countries could benefit from joint initiatives in areas like education and training, SME promotion, healthcare services, and so on.

India & Regional Markets

An important part of the over all discussions was the 'India and the Regional Markets'. The views that emerged during the discussions included:

- Mercosur has the necessary resources to provide food and energy security to India. The common market is geographically three times the size of India but has a population that is only a third of India.
- As India consumes more food and energy resources

in the coming years, Mercosur could become the principal source of these commodities.

- Argentina alone is nearly the size of India but has a population that just equals number of people living in Delhi, Mumbai and Kolkata.
- The free port and airport in the capital city Montevideo could act as a logistics hub for Indian companies looking to increase their marketing and distribution activities in Mercosur and rest of LAC region.
- The Andean community is also keen to do business with India. So is the Central American Countries- the SICA, and the Caribbean Islands.

Export Import Bank of India - Lines of Credit

Nadeem Panjetan, Head, Lines of Credit (LAC), EXIM Bank of India discussed with the participants, the various LoCs extended to the LAC countries to promote exports between India and the region.

Exim Bank of India has extended an aggregate \$164 million operative lines of credit (LoC) to 14 LAC governments.

The Bank has also extended LoCs of \$10 million each to financial institutions in the region, such as:

- Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Colombia
- Corporacion Andina de Fomento (Andean Development Corporation) (covering Bolivia, Colombia, Ecuador, Peru and Venezuela)
- Banco Nacional De Comercio Exterior S.N.C. (Bancomext), Mexico
- Central American Bank for Economic Integration (covering Honduras, Nicaragua, Guatemala, El Salvador and Costa Rica)
- Banco Bradesco S.A., Brazil.

To illustrate the nature of LoCs given, in June 2007, India announced an LOC of \$50 million for a railway project in Ecuador to be done by IRCON. The same year, the government also announced an LOC of \$10 million to Guatemala.

In March 2007, India announced a Line of credit of \$15 million to the government of El Salvador. India has given \$19 million LoC to Guyana in 2005 for construction of a cricket stadium. Suriname has also received \$28 million for projects including irrigation, transmission lines, steel rerolling mill and supply of equipments and machinery from India. A fresh LoC for \$5 million is under consideration.

Use of English in LAC Region

An interesting observation was the increasing use of

English language by the business participants from the Latin American and Caribbean countries, clearly showing the fact that they are overcoming the language barrier and furthering growth in business.

Cheering Slumdogs

The Conclave started on a high note for India after the movie Slumdog Millionaire won 8 Oscars! Madhur Bajaj, Chairman CII-LAC Committee, invited the Hon. Vice President of El Salvador and her delegation to a private viewing of the Oscar winning movie, after a hard day of work at the Conclave.

As part of the Dominican Republic delegation, Sandy Gabriel's merengue and Latin jazz band entertained those present at the III Conclave until late on 24th evening.

Session

Session one of the final day of the Conclave witnessed top industry gurus from the two regions discussing 'India and the Regional Markets'.

Dave Ramaswamy, Partner, Indus Latin Group, Argentina said "Indian technology and Latin American social and natural capital can make a great fit." Referring to India's growing population and the future food crisis India may face Ramaswamy added, "Mercosur can be India's partner for food and energy security."

"The cultural compatibility between the two regions will facilitate easy mergers and acquisitions and joint ventures", he said referring to Indian and Latin American partnerships.

Cesar Ferrer, Ambassador, Embassy of Uruguay said there were ample opportunities and immense potential for trade between India and Uruguay; "Uruguay acts as a logistical hub between India and the LAC region. India and Uruguay have signed a bilateral investment agreement last year," he said adding that negotiations are ongoing for executing a double taxation avoidance agreement.

Several Indian companies like Tata Group, Reliance, Mahindra & Mahindra, Bajaj, etc have collateral operations in Uruguay. "We will ensure that your visas are processed fast," Ferrer said on a closing note.

Walter Campo, Vice-President, Grupo RAS, Uruguay said "Grupo RAS can partner India's association with Latin America. We provide value added logistics and services".

Session on Avenues in Pharma, Healthcare & Biotech Sectors

During the session on business opportunities in Pharmaceuticals, healthcare & biotechnology,

Karanvir Mundrey, Director of Consultants Combined said that the best opportunities of partnership between India and the Latin American region were in bio-informatics, stem cell research, vaccine development and new drug research. "Indian bio-tech industry is estimated to have a revenue of US\$ 5 billion by 2010 and a value proposition by India is its strong knowledge pool with over five million graduates, a robust IT industry and a multi-national presence offering exposure to cutting edge technologies."

Speaking on Cuban biotechnology Dr. Patricia Sierra, Director, Biocon Biopharma said, "There is a vast potential in the field of research & development collaboration and manufacturing collaboration. Cuba was one of the first countries to get into the biotechnology industry and could be an excellent partner for India in this field." Arunkumar Khanna, Executive Director, Emcure Pharmaceuticals stated that India is very economical and advanced in various medical procedures compared to the rest of the world and offers a huge potential for investment in the next 10 years.

Following are important Voices heard at the Conclave:

"Indian IT/ITES and healthcare companies could provide near-shore outsourced solutions to a large segment of Spanish-speaking population in the US". "My government is taking every possible step to attract Indian business groups and professionals to El Salvador". Ana Vilma Albaniz De Escobar, Vice President of El Salvador.

"For India-LAC Trade to further grow, the participating governments need to eliminate all trade barrier impeding the economic exchanges; improve transport connectivity between the two regions resulting in lower cost of doing business." Madhur Bajaj, Chairman, CII-LAC Committee & Vice Chairman, Bajaj Auto Ltd.

"The tone and tenor of the discussions were refreshingly positive, in contrast to the negative news flow originating from the North countries. This augurs well for our partnership, which has been making steady if not spectacular progress in the recent years." K N Shenoy, Past President CII and Chairman, Sobis Software India.

"For the LAC countries India is a gateway to the Asian markets". Roberto Paranhos Do Rio Branco, President, Brazil-India Chambers of Commerce.

"The Taj group could foray into LAC region by adopting a strategic expansion programme". "India and Brazil could consider jointly promoting the concept of eco-tourism". P. K. Mohankumar, Area

Director, Bangalore and General Manager, The Taj West End.

"Export volumes for Indian Wine industry will likely double in three years with greater levels of quality and economies of production". Kanwaljeet Singh Duggal, Head Sales & Marketing, Chateau De Banyan Ltd.

Logistics and transport connectivity had placed certain limits on India-LAC merchandise trade over the years. It is necessary to start Pro-active dialogue between the Indian and LAC governments to improve the logistics support; Step up trade-facilitating physical infrastructure;

Reduce regional imbalances in the volumes handled by different ports; Offer preferential duty concessions for LAC merchandise; Improve land side operations for seamless 'factory to factory' movement of goods. Deepak Ramaswamy, Partner, International Clearing & Shipping Agency (India) Pvt Ltd

"Uruguay could act as a logistics hub for Indian companies seeking to establish their footprints in the region". Cr. Walter P Campo, Vice President - Grupo RAS, Uruguay

"The growth drivers for the IT & ITES industry are- Enough headroom for international cost arbitrage despite domestic wage inflation; Large base of well trained technical manpower (The Indian government plans to open 20 new IIITs and 5-6 new IITs soon); Best practices followed by the Indian companies". Jayant V Pendharkar, Head Global Marketing, Tata Consultancy Services (TCS)

"The Colombian government is looking to draw Indian investments in sectors like IT/BPO, chemicals, motor mechanics, hotels infrastructure, pharma & cosmetics, and biofuels". Alejandro Pelaez, Foreign Investment Advisor in India, Proexport Colombia, Embassy of Colombia

"LAC pharma, healthcare and biotech firms could look at the following opportunities in India: Exports; Licensing deals; Technology transfer; Contract manufacturing; Active pharmaceutical ingredients (APIs); Medical tourism". Arun Kumar Khanna, Executive Director, Emcure Pharmaceuticals

"India-LAC project partnerships in the pharma and biotech sectors could be focused on: New vaccine formulation; Diagnostic kits; Alternative medicines; New drug discovery; Stem cell research; Bio-informatics". Karanvir Mundrey, Director, Consultants Combined. ■

Only 2 pc of Indian Farm & Food Output Processed

Indian food processing sector is one of the largest sectors in the country in terms of production, consumption, export and GDP growth. The sector accounts for around 14 percent of total industrial output and around 6.0 percent of the GDP. The size of the Indian food processing sector is estimated at US \$ 70 billion. Presently, the sector employs about 13 million people directly and about 35 million people indirectly.



The industry is mainly unorganized, with 75 percent of the processing units belonging to the unorganized sector. The organized sector is relatively small, with around 5,300 fruit and vegetable processing units, over 500 fish processing units, over 500 flour mills, nearly 200 meat processing units, and

numerous dairy processing units at state and district levels.

Of the country's total agriculture and food production, only 2.0 percent is processed, which is much lower when compared to countries such as USA (65 percent), China (23 percent) and Brazil (70 percent).

Capacity and Production

Highlights of capacity and production in select sub-sectors of food processing industry are given below:

- The installed capacity of fruits and vegetables processing industry has

Processing Levels for Key Segments in Indian Food Processing Industry

Segment	Dairy Sector	F&V	Meat & Poultry Processing	Fisheries	Packaged Foods	Beverages	Staple Foods
Growth rate of the market	15%	20%	10%	20%	8%	27%	85%
Key Segments	Value added milk products such as Butter, Cheese and Ghee	Raw F&V, Fruit Pulp, Canned Fruits and Pickles	Cattle, Buffalo and Poultry	Marine Fisheries, Frozen Products and Minced Fish Products	Noodles / Vermicelli	Fruit-based Drinks and Carbonated Drinks	Sugar, Wheat Flour and Salt
Extent of processing	37%	2%	1%	26%	-	-	-
Share of organized sector	15%	48%	5%	-	80%	77%	50%

Source: www.investmentcommission.in/food_agro_products.htm and KPMG Analyses

increased from 1.1 million tonnes in 1993 to 2.47 million tonnes in 2007.

- With over 650 dairy plants in the cooperatives, private, and government sectors, the organized sector (large scale dairy plants) processes about 13 million tonnes of milk annually, while the unorganized sector (halwaiis and vendors) processes about 22 million tonnes of milk per annum.

- Processing of meat is largely for exports. The total meat processing capacity in India is over 1 million tonnes per annum.

- Presently, about 500 units are engaged in production of frozen fish with a total storage capacity of about 135,000 tonnes. There are over 360 freezing units with a daily processing capacity of over 10,000 tonnes out of which, 150 units are approved for export to EU. Besides, there are 12 surimi units, five canning units and 471 units for pre-processing and dry fish storage.

- Primary processing constitutes 96 percent of total grain processing and the remaining is accounted for by secondary and tertiary processing sectors. India currently has total rice milling capacity of 186 million tonnes; over 500 large flour-mills, and about 10,000 pulse mills.

- India approximately has 1,50,000 edible oil mills, 779 solvent extraction units, 810 refinery units, and 127 vanaspati units

providing direct and indirect employment to one million people.

Indian Processed Food Industry Export Performance

Despite being one of the leading producers for several agricultural commodities, India's share in global agricultural exports stands at 1.5 percent; and the share of value added processed food exports accounts for only 0.03 percent.

Exports of processed food items from India increased from 4.3 million tonnes in 2006-07 to six million tonnes in 2007-08, registering a 27.6 percent growth in terms of value in 2007-08 (Rs. 14,765 crores) over 2006-07 (Rs. 11,571 crores). Products that have registered significant growth in exports by value during 2007-08 were dairy products, meat and poultry products, natural honey, jaggery and confectionery, and alcoholic beverages. Major markets for Indian processed food products have been USA, UK, Germany, Japan, Belgium, the Gulf countries, Egypt, China, Indonesia, and Sri Lanka.

FDI in Indian Processed Food Industry

Cumulative inflow of Foreign Direct Investment (FDI) into the food-processing sector, since the year 2000 and up to September 2008 has been around US\$ 750 million. Among industries, dairy and consumer food industries have received the highest FDI.

Outlook

Following the crisis in global financial market, investment funds that have taken exposure in international commodity markets started liquidating their position in agricultural commodities along with equities. There has been a bearish trend in international prices of coffee, edible oil/seeds, and other commodities, which is expected to continue in the medium term. While the reduction in some commodity prices may partially combat the rise in cost of production, this may also result in low price realization and slowdown in top-line and bottom-line of the processing units. The food processing industry is facing the pressure of rising operating costs, despite a slowdown in commodity prices. The liquidity crunch is affecting this working-capital-intensive industry, and it is expected that many units may also defer the capex plans in view of the tight liquidity conditions; the industry may face difficulties in investing in critical infrastructure (for creation of value chain), upgrading the technology, and investing in R&D, and that may result in difficulties in complying with international food regulations and other non-tariff barriers imposed by the developed country markets. Though the processed food product exports from India hold significant potential, the medium term outlook is grim due to several factors, including the pressure on cost competitiveness. ■



India Emerging as Big Global Printing & Publishing Hub

- Capexil Chairman S.K. Ghai

This year India has been honored as the 'Theme Country' at the London Book Fair 2009, by the organizers. Capexil, a leading export promotion council of the Union Ministry of Commerce and Industry, along with British Council is promoting participation of Indian organizations in the London Book Fair which is to be held from 20 to 22 April 2009. The participants are expected to find a wide range of opportunities to market their services and products at the global event. Meanwhile, Capexil, as a co-organizer of the Kolkata Book Fair 2009, has invited a high level delegation from Scotland and the UK comprising publishers, printers and authors to interact with their counterparts in the city. Capexil Chairman S.K Ghai, speaks to Amrita Chatterjee at the 33rd Kolkata Book Fair on how India is fast emerging as a global printing and publishing hub. Excerpts.

India is the Theme Country at the forthcoming London Book Fair. Please tell us more about it.

Well, the London Book Fair is an ideal opportunity to showcase books and periodicals to a large urban market from this region. This year India has been declared as the focus Market and a separate India pavilion has been set up to showcase the Indian printing and publishing Industry distinctly in all spheres. Professional programmes, seminars, workshops, and cultural programmes will be held during the event. Arab World was the theme last year and 18 countries had participated. This year the central theme is India.

More Indian stakeholders of the printing and publishing industry are encouraged to



participate and expand their outlets in the international market. How is the response?

Well, we are getting very good response. Capexil promotes a separate panel exclusively for publication and printing. We have about 400 highly reputed printers, publishers, distributors etc as a members under this panel. It's a great platform for them to facilitate business at the international level. Response is overwhelming.

What's your take on Indian printers & publishers? Are they equipped to compete in the International market?

India provides genuine quality of International production standards, and that too at low cost. Our printers, publishers get the world's attention at the fair as they can provide the excellent quality in terms of printing, designing, content etc,.. And cost is comparatively much lower than the other counterparts of the world. Naturally, the world market looks to India for services related to this industry.

Earlier, we were using second hand machines, but now printers here are importing high-tech machines, and our people are highly skilled. You will be surprised to know that 80 percent use is of our own manufactured paper. Thus we are very much equipped to compete in the International market.

The London Fair really seems to be a good opportunity for the Indian publishers, printers but only the big companies can participate. What measures the Government of India has taken to facilitate participation of the smaller companies in this fair?

Well, yes the Market Development Assistance is providing subsidy on stalls at the fair to be held in London. Sahitya Academy and the British Council are taking 40 Indian authors to the fair with full sponsorship. Many among them have won literary awards. The Government is indeed taking great initiative by offering discounts to facilitate the participation of smaller printer and publishing houses.

How you visualize the future of the Indian printing & publishing industry?

Well, in no time from now we will be printing 10 times more than what we are printing now. The world will come to India to fulfill their business needs in this industry. Indian printing entrepreneurship is very sharp and skilled. The investors would do a favour to themselves by coming to India.

In India, what are the areas you feel one should improve to make this industry perform even better?

Well, our publishers should bring greater discipline to their work. Of course, they are doing excellent work but then there is always room for improvement. They should commit only that much as they can, as no point in missing out on the deadlines, which eventually will bring bad name to the industry. Delhi, Hyderabad, Mumbai are doing extremely well. Other parts like West Bengal, Orissa are also coming up in a big way. It's just that- to meet the needs of the International market, one has to be extremely particular about the commitments they make.

Despite such a flourishing industry, why is the younger generation in India not getting attracted to this printing and publishing industry?

Good question! You see, there is a tremendous lack of awareness. Also India is still behind in developing the training institutes to create skilled professionals for the industry. Even if a student is interested to make a career in this sector, but then seldom, there are proper training facilities. Our curricula in school and colleges stress more on MBA, MBBS, Engineering etc. But never



one thinks of becoming a printer or a publisher.

I strongly feel that more practical opportunities in the existing printing and publishing courses should be introduced. The existing ones hardly have any practical exposure.

In what way the government can be more proactive in attracting the new generation to this sector and also in making India emerge as one of the biggest printing and publishing hubs in the world?

We need highly skilled manpower in the forthcoming days to support the growing printing and publishing industry in India. Thus the new generation also needs to be involved in this field. Believe me, the new generation will also greatly benefit from this sector. There is no saturation in this industry; demand is huge and it has incredible job opportunities; area of work is big; one can specialize in printing, designing, publishing, distributing etc. Yes, the Government of India in partnership with other states and universities should set up more training institutes. The Government is already facilitating this industry through the Export and Promotion Council. Much more needs to be done in the coming days. ■



Bengal Tourism Bonanza Boosts MSEs' Income

West Bengal is a phenomenon of artistic expression in varied forms. The work of its artisans represents the visible beauty of Indian culture. But these creative men and women have little access to working capital. In order to help them reach out to the larger markets, the State's Ministry of Micro, Small Scale Enterprises & Tourism, is acting as their business facilitator to help them join the 'Great West Bengal Tourism Bonanza'. **Manabendra Mukherjee**, Minister-in-charge, Micro and Small Scale Enterprises, Textiles & Tourism speaks to **Amrita Chatterjee**, on the government's focus in making West Bengal as one of the most popular Indian tourist destinations. Excerpts.

The West Bengal tourism has already started making its presence felt in India and abroad, what is the current focus of the government in developing the tourism sector in a holistic way?

Our current focus is to bring the probable places of West Bengal to play a major role in the progress of the State tourism. Due to increasing number of tourists visiting all around the year, the West Bengal government is taking great initiatives in developing the tourism industry in a holistic way.

Focus is currently on Sunderbans, the unique mangrove forest, which is home to the famed Royal Bengal Tiger. It attracts many tourists from all corners of the world. Apart from Sunderbans, we have identified some other spots such as Mandarmani, Sankarpur, which have great natural beauty of the sea and places like Bankura Vishnupur, Murshidabad are of great historical importance. There are also plans to develop the tea tourism in Darjeeling as a promotional venture for the tourism in Bengal. About Rs 250 million will be spent on tourism, and we are getting good amount of support from the Government of India.

The districts you have mentioned are indeed very rich but a large number of people come to Kolkata city first, what more can be done to

make it attract more tourists in future.

Kolkata city has remarkable features of its own; like it has a very old place known as China town, mainly dwelled by the Chinese inhabitants, which is one of its kind in the country. It offers a range of Chinese restaurants with the best Chinese cuisine. It is extremely popular with the people of Kolkata, but there is big scope for the development of the area in the sense of making it more tourist-friendly. We have plans to develop it into an eco-tourism destination. Apart from this, the government is extending its infrastructural developments plans, like construction of roads, bridges etc. We are greatly emphasizing on the Public-Private-Partnership (PPP) model and lots of private investors are showing great interest in this model.

You have greatly emphasized the Public Private Partnership, how far has it been successful in bringing a significant change in the tourism sector?

We are processing the cruise river project under PPP model; we are getting good support at all levels including the government of India. You see, Kolkata is situated on the bank of the river Hooghly. The river itself is such a beautiful property, a major tourist attraction. From Kolkata to Lalbagan Murshidabad, along the river we are developing 10 destinations for

national and international tourists. It is an endeavor floated under the PPP model.

We have ambitious plans to develop tea gardens for tourism in Darjeeling and also to restore the old palaces of Murshidabad and convert one into a heritage hotel. Murshidabad is a historic place. Also, as I said earlier there are places like Vishunupur, Bankura, Bolpur Shantiniketan. So every district is extremely rich in culture and heritage. All the ventures are worked out on the basis of the PPP model.

How the State's significant growth in tourism is giving boost to the micro and small scale enterprises, the initiative taken by the government?

Tourism in West Bengal is a wonderful revenue earner for the local people. West Bengal Tourism has enhanced the economic activity of the State. Due to the increasing number of visitors that the state is receiving every year the West Bengal Government is taking great interest in developing the tourism Industry. Towards this end, the micro-small scale industry is given boost on a priority basis. Under various schemes of the government, the artisans in villages are given hand-on training. The growth of tourism helps support the micro-small industry to a large extent and the government is trying to create bigger opportunities for micro-small entrepreneurs with the development of the tourism industry.

Are there any specific plans for promoting health tourism in the state?

Well, it's a fact that the State has potential for health tourism. But now it's too early to comment on it. I know a large number of people from Bangladesh and other adjacent countries like Nepal, Bhutan, etc. come to Kolkata for treatment, but then there is nothing right now to be specifically promoted or said as health tourism.

What are the steps taken by the State Government in attracting more private investors to the state?

Yes, a lot depends on how much of private investment we can attract. A lot many investors here have started their ventures successfully and many more are coming forward. The Government initiative is focused on the infrastructure development in order to create an advantageous atmosphere for the development of tourism in the State. The Government is extending its support to the private investors, as I said earlier; it's all

based on the PPP model.

In many cases it has been observed that the private investors have violated environmental norms by constructing hotels, resorts, etc., unscrupulously. What's your take on that?

Environmental protection norms have to be strictly maintained by the investor. The stress is more on eco-tourism. An activity that causes harm to our environment will not be tolerated at any level.

A food festival is coming up in January in Kolkata organized by your department. How will such endeavors help in alluring tourists at large?

Bengal is known for its exotic cuisine. The food festival is organized in winter in alliance with NGO's, the local media etc. It's part of our promotional program, which will highlight one of the rich insights of Bengal. Apart from organizing such festivals, we are greatly concentrating on good publicity through websites, publications etc. We are actively participating in tourism fairs both in India and abroad. The Union Ministry of Tourism is greatly supporting our endeavors.

What are the challenges ahead...Security?

Yes, security indeed is a factor, the recent terrorist attacks in Mumbai have stirred not just the nation but also the whole world. The country at large and every state have to ensure adequate security to its people and foreign nationals coming to our country.

But then another biggest challenge is the present economic downturn. There is a major drop in the number of tourist arrivals and the tourism industry is hit hard by the recession. You see, tourism is not a basic need. It is a leisure activity and with the present economic slump, people can't really afford such leisure anymore. Thus, to overcome the recession is a big challenge now.

Finally, your vision of making West Bengal one of the great tourism hubs of India...

West Bengal has tremendous potential for tourism. Every district of Bengal is rich and has its own distinct features. We are committed to make Bengal as one of the great tourism hubs of India. The vision is to create more job opportunities, give boost to the micro-small industries, and carry forward the historically and culturally rich inheritance of Bengal. ■

\$30 mn Social Development Fund for Antioquia

CAF president & CEO Enrique Garcia, and the manager of the Antioquia Development Institute (IDEA), Álvaro Vásquez Osorio, signed a US\$30 million loan agreement for execution of the "Financing Program for Social Development Projects" to be implemented in this region.

The first loan contract under the US\$50 million global approval available for execution by IDEA was signed in the presence of the Governor of Antioquia department, Luis Alfredo Ramos.

The CAF president said, "this financing for IDEA will be used to make investments which improve the quality of life of urban and rural populations of Antioquia department, through projects in various social sectors." "This loan operation without sovereign guarantee to a regional development financial institute shows that CAF is flexible in responding to the needs of its shareholder countries."

The general objective of the loan is in line with the Antioquia Government Development Plan, since the funds will migrate to the regions where high poverty rates and lack of satisfaction of basic needs have to be attacked.

The funds approved will be used to finance projects in the sectors of basic sanitation, rural and urban development, habitat improvement, expansion of health services, education, secondary and tertiary roads, and electricity micro-plants, among others.

IDEA is responsible for the technical and financial evaluation, and verifying compliance with the environmental requirements applicable to the projects financed in the Program, which will be executed by territorial entities and public service companies in Antioquia.

CAF offered IDEA excellent financing rates and terms, which began a process of closer relations, collection and transfer of information, until the loan was negotiated and the agreement signed. For its part, the Corporation received sufficient guarantees of liquidity and payment capacity from the Institute.

The "Financing Program for Social Development Projects" is an innovative initiative of IDEA, whose investments will be executed over three years. This is the first time the Institute has used external borrowing, which will improve its balance sheet structure, diversify sources of funding, and increase its development operations in Antioquia department. ■

Exhibition of Ancient Ritual Healing Medical Artifacts

The Andean Development Corporation will exhibit in the CAF Artspace Gallery, from March 30 to April 17, 2009, the most representative pieces of a set of archaeological artifacts of Tiwanaku filiation which were found in 1998 close to the locality of Amaguaya in the Larecaja province.

The exhibit, open to the general public, presents the Amaguaya Bundle which is believed to have belonged to a Tiwanaku religious or medical man. This set of ancestral pieces was recovered from a rocky shelter at 4,000 meters on a mountain close to the Amaguaya community, in Larecaja province. The religious healing objects were carefully hidden by their owner over 1,000 years ago and accidentally discovered by Fausto Pilco, local community leader.

It is considered that the find is a fundamental contribution to the scientific knowledge of the

therapeutic practices of the Tiwanaku culture. The most outstanding objects of the ceremonial set to be exhibited in the CAF Artspace include an inhalation tablet, carved in wood and designed iconographically with an anthropomorphic being: the figure of a kneeling personage with ornamentation allusive to a trophy head and a beheader.

The tablet, with a hide pouch, is one of the largest of its type. Tablets are thought to have been used in ancestral cultures for inhalation of hallucinogens, evidencing the importance of the use of psychotropic substances in the spiritual and religious life of the Tiwanaku probably since the start of the culture (1500 BC) and mainly at its highest point and expansion (from 300 to 1250 AD). ■



Credit Guarantee Fund for Ecuadorian MSMEs

In a ceremony in Quito, representatives of CAF and the National Financial Corporation (CFN) have recently announced the setting up of the Ecuadorian Trust-Guarantee Fund for Micro and Small Enterprises, aimed at partially guaranteeing the credit operations of micro, small and medium-sized enterprises in the country.

During the event at which were present Camilo Samán, president of the CNN Board; Michel Doumet, general manager of CFN; Luis Paláu-Rivas, CAF director representative in Ecuador; and Daniel Jordan, CAF private sector executive.

Luis Paláu-Rivas emphasized the importance of the structuring of the Guarantee Fund for MSMEs because, as the first fund of this nature in Ecuador, it will promote the development of this sector in the country.

The Chilean Guarantee Fund for Small



Enterprises FOGAPE was selected by international competition to provide consulting services. FOGAPE is an autonomous body attached to the State Bank of Chile which, together with technical staff from CAF and CFN, was responsible for defining the project Development and Implementation of a Credit Guarantee and Reguarantee Mechanism for Ecuador.

The Fund will be managed through a non-profit trust by Fiduciaria del Pacífico S.A.-FIDUPACIFICO, institution selected after the appropriate process.

With this operation, CAF and CFN are making a decisive contribution to the economic and productive development of Ecuador. ■

Good Corporate Governance Pact with Peru's Sedapal

CAF director representative in Peru, Eleonora Silva Pardo, and President & CEO of Sedapal, Guillermo León Suematsu, have recently signed an agreement to implement good corporate governance practices in support of this state company's commitment to achieve high standards of management.

Silva Pardo said as part of its continuing work to promote the sustainable development of the shareholder countries - CAF has been executing this program at regional level with the support of the Spanish Technical Cooperation Fund with a view to implementing Good Corporate Governance Practices in 10 selected representative state companies, including Sedapal.

"By means of this agreement signed with Sedapal, the CAF Competitiveness Office offers a series of



tools to improve business practices and stimulate interest in creating a real culture of efficiency, equity and transparency in the management of state companies," the CAF executive said.

After recalling that the multilateral entity had been actively promoting good corporate governance practices in the region since 2000, the CAF

\$210 mn Loan for Panama to Strengthen Banking Liquidity

At the Annual Meeting of the Inter-American Development Bank (IDB) held in Medellin, Colombia, CAF President & CEO Enrique Garcia, the manager of the National Bank of Panama, Juan De Dianus Jehan, and the Panamanian minister of Economy, Hector Alexander, recently signed a \$210-million line of credit for medium-term loans.

This loan is part of the Corporation's action program to respond to the current international financial situation, with the objective of strengthening the liquidity of the Panamanian banking system, in the framework of the Financial Stimulus Program (PEF) which that country is implementing.

"The signing and CAF's increasing presence in Panama confirms the Latin American dimension of the Corporation which I head," Garcia said. "This operation is in line with our objective of facilitating the process of access to capital, which contributes to dealing with the challenges of the current crisis."

The CEO added that it was important for development organizations to actively accompany their partner countries, as part of their strategy for tackling the world financial crisis. "We believe this is an important opportunity for all organizations committed to development like us to assume an important anti-cyclical role."

"The idea is to stimulate progress with measures that help us not

only to survive the storm with the lowest social and economic cost for our population, but to project the reforms needed so that Latin America has in the future a more sustainable and above all better quality growth, which is not only economically efficient but also creates productive employment, which is inclusive and respects cultural diversity and the environment," Garcia said.

Since its entry as shareholder in 1997, Panama has maintained close relations with the Corporation which have generated approvals for US\$820 million, mainly for the infrastructure sector, along with a series of non-reimbursable funds granted to various environmental and competitiveness programs.

The National Bank of Panama is the official financial entity of the country, created in 1904 as commercial, government and development bank. Its mission is to serve the financial needs of the State and provide the financing needed for national economic development in the commercial, industrial, agricultural, livestock, fisheries, construction and personal consumption sectors. ■

representative explained that the first stage had been to implement good corporate governance practices in private sector companies. Now the second phase of the program is under way with the challenge of implementing these practices in public sector companies.

"We are convinced and committed to this initiative and the progress made in Peru is well known. We hope this program will become a reference and be replicated in other national and regional entities," she added.

Sedapal President Guillermo León said CAF support was fundamental for strengthening execution of efficient and transparent practices in Sedapal which will permit the company to achieve its objectives. "Good corporate governance is a culture of ethics, which guarantees good business administration and management through productivity and competitiveness, and above all by guaranteeing transparency in management."

"This agreement is especially relevant at a time when we have been executing important mega projects to benefit the cities of Lima and Callao with 100 percent coverage in potable water, storage and sewage and treatment services, and will showcase Sedapal as the benchmark company of the public sector," he said.

For a public company like Sedapal, whose main function is to provide vital basic services of potable water and sewerage to the population of the Peruvian capital, it is essential to define clear and transparent practices in all its operating processes, as well as to create a business culture where values and ethics predominate in and across all levels of organization," León said.

Sedapal is a state corporation governed by private law, wholly owned by the state, responsible to the Ministry of Housing, Construction and Sanitation, with technical, administrative, economic and financial autonomy. Its services are of public need and use and of preferential social interest. ■

Infrastructure Fund Set Up for Colombia to Boost Economy



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

The Fund is a vehicle for raising money 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 IDB, the Andean Development Corporation (CAF) and the Colombian government, which will contribute up to 50 percent of 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 García; 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. ■

Financing Peru's Infrastructure Projects with Private Sector Aid

CAF President & CEO Enrique García, Inter-American Development Bank 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. ■



Breakfast Meet on LatAm's Economic & Political Challenges

As is now traditional, the Andean Development Corporation (CAF), together with Latin Finance magazine and BBVA, once again hosted a breakfast debate for politicians, business leaders and bankers from the region with the theme: "Latin America: Economic and political challenges." The event took place during the 50th Annual Governors Meeting of the Inter-American Development Bank (IDB) this morning in the Colombian city of Medellín.

Commenting on the event, which was attended by about 200 bankers, investors and economists from across the continent, CAF President & CEO Enrique García said, "it is the meeting point where leaders of the region can exchange opinions and views on the current situation."

The debate which was held in the form of a conversation produced a valuable exchange of ideas

on the overall situation of the regional economic and political process. The panelists included Óscar Iván Zuluaga, Minister of Finance and Public Credit of Colombia; Martín Redrado, President of the Central Bank of Argentina; Rodrigo Bolaños, President & CEO of FLAR; Alicia Bárcena, Executive Secretary of CEPAL; Alicia García-Herrero, Chief Economist for Emerging Countries BBVA; and James Crombie, Editor of Latin Finance magazine. The debate was moderated by Enrique García.

The discussion was also open to the guests attending the event with a view to hearing the opinions of people who actively take economic and political decisions in the region. The encounter has gained prestige over the years as it has become a discussion platform on the regional situation and its future prospects. ■

Development Fund for Colombia-Peru Border Zone

With the objective of supporting the formulation of a development plan for the Colombian-Peruvian border integration zone, CAF officially launched an international call for proposals, in the framework of the Border Cooperation and Integration Fund (COPIF).

The aim is to prepare a long-term Development Plan, with actions to be executed in the short and medium term, for the Colombian-Peruvian border integration zone in the territory comprising Maynas and Ramón Castilla provinces in Loreto department, Peru; and Amazonas department and Puerto Leguizamo municipality in Putumayo department, in Colombia.

CAF President & CEO Enrique García said, "the objective of COPIF is to support and finance the timely identification, preparation and execution of high impact projects which promote sustainable human development in border regions and strengthen cooperation, dialogue, mutual confidence and border integration at bilateral and multilateral levels."

The plan aims to strengthen processes of sustainable

economic, productive, social, environmental and institutional development in the Border Integration Zone (ZIF) in four priority areas. It will also raise the quality of life and improve the personal security of border populations, generating employment, reducing poverty, improving coordination and connectivity with their respective internal spaces and access to basic services and education, while respecting and developing the cultural heritage of the peoples.

Although the two countries are interested in development with a long-term focus, on the occasion of the bicentenary of their independence, they have also agreed on the need for short and medium-term actions to implement the ZIF Development Plan, with CAF support for execution

The international call for proposals was launched on March 23, with a deadline of April 27 for submission of proposals. Interested companies may consult details of the conditions and terms of reference on the CAF portal (www.caf.com). ■

M.P Carves out a Global Cultural Niche in Tribal Art & Culture

India's central State of Madhya Pradesh is creating a niche for itself as a global centre for promoting tribal art and culture. Vanya, a State Government department looking after tribal welfare has succeeded in hosting an International Film Festival of Tribal Art and Culture (IFFTAC) 2008 last February and is now all set to hold the second edition of the event in the bustling capital city of Bhopal from 19 to 21 June, 2009.

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

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

Against this background the IFFTAC 2008 was



conceptualized to highlight the essence of tribal culture and way of life and help remove the misconceptions about these vibrant people. In this era of Global Village, the necessity of putting forward these thoughts became a necessity. Madhya Pradesh Chief Minister Shivraj Singh Chouhan, young and dynamic in outlook, personally took up the matter with his Cabinet colleague and Forest and Tribal Welfare Minister Kunwar Vijay Shah for directing Vanya to conceptualize the IFFTAC 2008. Vanya in association with Mumbai's Indian Infotainment Media Corporation, a professional organization committed to social causes, organized the festival, the first of its kind in the world in Indore from 1 to 3 February, 2008. The IFFTAC 2008 took off to a glittering start with popular Bollywood star and politician Shatrughan Sinha, along with actor Randhir Kapoor and several other film and television personalities attending the inaugural function. Among the distinguished foreign guests were Peru's acting Ambassador Carlos A. Yrigoyen, and Shewangizaw Endale, a representative from Ethiopia.

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

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

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

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

The award for the best International Film went to to Haken Berthas of Sweden for her film "Thin Ice" an



inspiring interpretation of women's empowerment in a remote area of Ladakh.

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

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

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

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

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

Agro-comercio, Informática, Energía, Farmacéuticos, Biotecnología

El Cónclave India-América Latina y el Caribe destaca el enorme potencial de empresas conjuntas.

El Tercer Cónclave India- América Latina y el Caribe: Asociación en Proyectos 2009, Socios en el Progreso, celebrado los días 24 y 25 de febrero de 2009 en Bangalore, destacó las áreas de Informática y Servicios Posibilitados por la Informática, Agro-comercio, Turismo y Hospitalidad, Conectividad y Transporte, Energía, incluyendo fuentes reanudables y combustibles biológicos, Farmacéutica, Cuidado médico y Biotecnología como las que tienen alcance inmenso para empresas conjuntas.

El cónclave reunió a más de 50 participantes de negocios desde 10 países participantes latinoamericanos y caribeños con sus contrapartes indias para hablar sobre oportunidades de negocio. Los países participantes eran Argentina, Brasil, Colombia, Cuba, República Dominicana, Ecuador, El Salvador, Guatemala, México y Uruguay.

El cónclave, una parte del proyecto de largo plazo para aumentar el comercio de la India con la región de América Latina y del Caribe (LAC) bajo el programa Focus-LAC es apoyado por el Ministerio de Comercio y Industria y el Ministerio de Asuntos Exteriores.

Doña Ana Vilma Albañez de Escobar, la Vice Presidente de El Salvador, quien visitaba la India por la segunda vez invitada por la CII, era la huésped de honor del cónclave.

La sesión inaugural fue verdaderamente global en todo sentido. El encuentro de los líderes de la industria y de las cabezas superiores del gobierno de la India, de Brasil y de El Salvador proporcionó una inspección previa en el futuro de las relaciones comerciales entre las dos regiones.

Hablando sobre la India como tierra de oportunidades, la Sra. Ana Vilma Albañez de Escobar, la Vice Presidente de El Salvador dijo, "Nos agradecería mucho colaborar con la India en áreas como cuidado médico, informática, transporte, productos farmacéuticos, etc." Ella dijo que la proximidad geográfica de El Salvador a los E.E.U.U. era una ventaja para las inversiones y las oportunidades comerciales en informática y cuidado médico. Contestando a una pregunta, la Sra. Escobar dijo, " Estamos desarrollando una red de energía multirregional. Seríamos más que felices al poder colaborar con la India en tales proyectos." Fueron, sin embargo, objeto de un largo aplauso sus comentarios finales con las que felicitaba a "La India increíble y Slumdog Millionaire."

Comentando sobre la larga relación compartida con la India, Doña Patricia Figueroa Rodríguez, la Embajadora de El Salvador a la India dijo, " Hemos abierto nuestra embajada en la India hace un año y hemos simplificado el proceso de la visa. Esperamos tener más de la India en El-Salvador."

Roberto Paranhos do Río Branco, Presidente, Cámara Brasil-India de Comercio dijo que Brasil esperaba más empresas conjuntas con la



India; " Queremos participar en el mercado asiático y la India es nuestra puerta a ello."

" Estamos viendo un crecimiento brillante en la Informática, los productos farmacéuticos y las industria automovilística, áreas en las que la India y Brasil pueden ser socios puesto que se trata de dos economías emergentes estables," él agregó.

El moderador de la sesión fue Madhur Bajaj, Presidente, Comité CII-LAC y Vice presidente de Bajaj Auto Ltd. Aunque él indicó que los países emergentes como la India habían sufrido un efecto de ondulación menos severo del derrame económico global, estaba claro que la industria se veía afectada psicológicamente. Indicando que la India necesitaba diversificar geográficamente y en lo que concierne a productos también, él dijo, " Brasil representa el 44% de las exportaciones de la India y esto puede crecer." Bajaj también dijo que los países del mundo deben venir juntos para luchar contra el terrorismo y la pobreza.

Mientras que la Sra. Escobar y los miembros de su delegación participaron en el cónclave y se encontraron con los miembros de la industria india, su agenda

incluyó reuniones de negocios y las visitas a los líderes de negocio en la informática, los productos farmacéuticos y las industrias basadas en el conocimiento y las charlas versaban sobre posibilidades de empresas conjuntas, inversiones en El Salvador.

Charlas sobre negocios

Los volúmenes comerciales de la India y LAC han crecido constantemente durante los cinco años pasados dentro de un marco de colaboración aunque en términos agregados, queda mucho por hacer todavía. El comercio de la India con la región de LAC es una mera fracción del comercio total del país. Igual es el caso de la región de LAC. Las cifras sugieren que solamente un 2.88 por ciento de exportaciones indias van a la región de LAC, y las exportaciones de LAC explican un mero 1.0 por ciento de importaciones indias. Así, para aumentar los volúmenes comerciales, la India necesitará considerar seriamente la diversificación geográfica y de productos en su comercio con la región de LAC, sin la dilución de los lazos comerciales con su socio comercial de LAC más dominante: Brasil.

La región de LAC ha emergido como una destinación de la inversión altamente atractiva para las compañías indias, especialmente debido a su proximidad geográfica a los E.E.U.U. De hecho, muchos países de esta región, más en la América Central ofrecen oportunidades excelentes de near-shoring para las firmas indias de informática y servicios posibilitados por la informática y otros proveedores de servicios. Las compañías indias de informática y el cuidado médico podrían localizar instalaciones de near-shoring en países centroamericanos para tratar una parte del mercado norteamericano. Esto podría trabajar a la ventaja de todos y quizás más de este tipo de arreglos podrían surgir pronto.

La India como puerta a los mercados asiáticos

Los países de LAC también están mirando la India como puerta de entrada a los mercados asiáticos. La India tiene una presencia fuerte en los mercados asiáticos como China, Indonesia, Malasia y así sucesivamente. Por lo tanto, las compañías de LAC podrían entrar en asociaciones estratégicas con sus contrapartes indias para efectuar una entrada en los mercados asiáticos.

Este enfoque de colaboración sin embargo se refleja no enteramente en el régimen de la visa. Muchos países de LAC se ven lentos con la concesión de visas de largo plazo de entrada múltiple a los profesionales indios. Éste es un motivo de preocupación que hace falta que se solucione pronto.

Se ve que la industria india tiene una presencia relativamente limitada en la región centroamericana, principalmente debido a la carencia del conocimiento de las oportunidades de negocio dominantes allí. El cónclave proporcionó conocimientos profundos de esas oportunidades. Por ejemplo, las compañías indias de ingeniería podrían perseguir algunas de las

oportunidades de negocio en proyecto regional de infraestructura de electricidad que conecta México y los estados de América Central.

Para que el comercio y las inversiones de la India y LAC se trasladen al nivel siguiente, los gobiernos necesitan abordar asuntos pendientes de hace mucho tiempo referentes a la logística y a la conectividad. Los gobiernos, por su parte, deben activamente mejorar el movimiento del cargo de fábrica a fábrica entre las dos regiones. Esto significará la construcción de la infraestructura de los puertos del país, organizar los varios procedimientos, reducir los desequilibrios regionales con respecto a la dirección portuaria, y una mejora en las operaciones del lado de la tierra.

Offshoring de la agricultura

Las economías importantes de LAC como Brasil podían convertirse en centros de offshoring de la agricultura para el mundo, en la misma manera en que la India funciona como un eje global del conocimiento. Brasil cuenta con un clima ideal, zonas grandes de tierra de labrantío y tecnologías avanzadas de agro-procesado que podrían hacer del país un productor global de alimentos. La India podía ser socio de Brasil en esta iniciativa. La seguridad alimentaria es un asunto de preocupación por la comunidad del mundo entero hoy.

Brasil también ha fijado una alta marca en el desarrollo y el uso de combustibles biológicos. Ésta es otra área donde la India puede establecer asociaciones fuertes en el campo de la energía con la región de LAC. Las tecnologías indias de combustibles biológicos se emplean ya en la región de LAC.

Turismo ecológico

La promoción del turismo es otra área más donde la India y los países de LAC podrían establecer asociaciones fuertes. Como ejemplo, fue sugerido que la India y Brasil podrían promover en común el concepto de turismo ecológico. La infraestructura del turismo también merece atención. Ahora, con la India deseando aumentar su infraestructura del turismo inclusive los hoteles, muchas oportunidades de inversión se presentarán para las compañías importantes de la hospitalidad de LAC en este país. Además, los países de LAC podían buscar maneras de tener una parte más grande del negocio indio del turismo al extranjero.

Los contratos del negocio a un lado, la India y los países de LAC podían beneficiarse de iniciativas comunes en áreas como la educación y formación, promoción de PyMEs, servicios del cuidado médico, y así sucesivamente.

La India y los mercados regionales

Una parte importante de las discusiones fue sobre 'la India y los mercados regionales.' Las opiniones que emergieron durante las discusiones incluyeron los siguientes puntos:

- MERCOSUR tiene los recursos necesarios para

proporcionar alimento y la seguridad energética a la India. El mercado común está geográficamente tres veces el tamaño de la India pero tiene una población que es solamente un tercero de la India.

- A medida que la India consuma más alimento y recursos energéticos en los años que vienen, MERCOSUR podría hacerse la fuente principal de estas materias.
- Argentina es casi el tamaño de la India pero tiene una población que apenas iguala el número de gente que vive en Delhi, Mumbai y Kolkata.
- El puerto franco y el aeropuerto en la capital Montevideo podían actuar como eje de la logística para las compañías indias que desean aumentar sus actividades de comercialización y distribución en MERCOSUR y el resto de la región de LAC.
- La comunidad andina es también deseosa de hacer negocio con la India. Así también los países centroamericanos SICA-, y las islas caribeñas.

Banco de Importación y Exportación de la India (EXIM Bank) - Líneas de crédito (LoC)

Nadeem Panjetan, Jefe, líneas de crédito (LAC), EXIM Bank de la India habló con los participantes, las varias LoCs ofrecidas a los países de LAC para promover exportaciones entre la India y la región. El Exim Bank de la India ha extendido un total de \$164 millones las líneas operativas de crédito (LoCs) a 14 gobiernos de LAC.

El banco también ha ampliado LoCs de \$10 millones cada una a las instituciones financieras en la región, por ejemplo:

- Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Colombia
- Corporación Andina de Fomento (abarca Bolivia, Colombia, Ecuador, Perú y Venezuela)
- Banco Nacional de Comercio Exterior S.N.C. (Bancomext), México
- Banco centroamericano para la integración económica (abarca Honduras, Nicaragua, Guatemala, El Salvador y Costa Rica)
- Banco Bradesco S.A., Brasil

Para ilustrar la naturaleza de las LoCs dadas, en junio de 2007, la India anunció una LoC de \$50 millones para un proyecto ferroviario en Ecuador que realizará IRCON. El mismo año, el gobierno también anunció una LoC de \$10 millones a Guatemala.

En marzo de 2007, la India anunció una línea de crédito de \$15 millones al gobierno de El Salvador. La India dio una LoC de \$19 millones a Guyana en 2005 para la construcción de un estadio de cricket. Suriname también ha recibido \$28 millones para proyectos que incluyen irrigación, líneas de transmisión, fábrica de acero y provisión de equipos y maquinaria desde la India. Una LoC fresca para \$5 millones es bajo consideración.

Uso del inglés en la región de LAC

Una observación interesante fue sobre el uso cada vez

mayor de la lengua inglesa por participantes de los países latinoamericanos y caribeños, claramente demostrando el hecho de que están superando la barrera lingüística y están fomentando el crecimiento en negocios.

Celebrando a Slumdog

El cóncave comenzó en una alta nota para la India después de que la película Slumdog Millionaire ganara 8 Oscars! Madhur Bajaj, Presidente del Comité CII-LAC, después de un día duro de trabajo en el cóncave, invitó a la ilustrísima señora Vice presidente de El Salvador y a su delegación a un visionado privado de la película que ha ganado los premios Óscar.

Como parte de la delegación de la República Dominicana, el conjunto de jazz y merengue latino de Sandy Gabriel entretuvieron a los presentes en el III Cóncave hasta muy tarde en la noche de 24.

Sesión

La primera sesión del día final del cóncave vio a los líderes de la industria de las dos regiones hablar sobre

La India y los mercados regionales.'

Dave Ramaswamy, socio, Indus Latin Group, Argentina dijo: " La tecnología india y el capital social y natural latinoamericano pueden hacer un gran conjunto." Refiriéndose a la población en crecimiento y la crisis alimentaria a la que puede hacer frente la India en el futuro Ramaswamy agregó, " MERCOSUR puede ser el socio de la India para la seguridad del alimento y energía."

" La compatibilidad cultural entre las dos regiones facilitará fusiones y adquisiciones y las empresas conjuntas." dijo con referencia a asociaciones indias y latinoamericanas.

Cesar Ferrer, Embajador de Uruguay dijo que había amplias oportunidades y un potencial inmenso para el comercio entre la India y Uruguay; " Uruguay actúa como eje logístico entre la India y la región de LAC. La India y Uruguay han firmado un acuerdo bilateral de inversión el año pasado, " él dijo añadiendo que las negociaciones están en curso para ejecutar un acuerdo de la evitación de impuestos dobles.

Varias compañías indias como el Grupo Tata, Reliance, Mahindra & Mahindra, Bajaj, etc tienen operaciones colaterales en Uruguay. "Nos aseguraremos de que sus visas estén procesadas rápidamente, " Ferrer dijo en conclusión.

Walter Campo, Vice presidente, Grupo RAS, Uruguay dijo: "El Grupo RAS puede facilitar la asociación de la India con América Latina. Proporcionamos logística y servicios de valor añadido."

Sesión sobre oportunidades en el sector farmacéutico y los sectores de cuidado médico y biotecnología

Durante la sesión sobre oportunidades de negocio en

productos farmacéuticos, y del cuidado médico y la biotecnología, Karanvir Mundrey, director de Consultants Combined dijo que las mejores oportunidades de asociación entre la India y la región latinoamericana estaban en la bioinformática, la investigación de la célula madre, el desarrollo vacúnico y la investigación de medicamentos nuevos. " Se proyecta que la industria india de biotecnología tendrá un rédito de \$ 5 mil millones antes de 2010 y un asunto del valor por la India es su reserva fuerte de conocimiento con más de cinco millones de graduados, una industria informática robusta y una presencia multinacional que ofrece exposición a tecnología de punta."

Hablando sobre la biotecnología cubana la Dra. Patricia Sierra, Directora, Biocon Biopharma dijo: " Hay un potencial extenso de colaboración en el campo de la investigación y desarrollo y de la fabricación. Cuba fue uno de los primeros países para entrar en la industria de la biotecnología y podía ser un socio excelente para la India en este campo." Arunkumar Khanna, director ejecutivo, Emcure Pharmaceuticals indicó que la India es muy económica y avanzada en los varios procedimientos médicos comparado al resto del mundo y ofrece un potencial enorme para la inversión en los 10 años próximos.

A continuación se dan algunas voces importantes que se oyeron en el Cónclave:

"Las compañías indias de informática/servicios posibilitados por la informática y las del cuidado médico podrían proporcionar soluciones near shore externalizadas a un segmento grande de la población de habla hispana en los E.E.U.U.". "Mi gobierno está tomando cada medida posible para atraer las unidades de negocio y a los profesionales indios a El Salvador". Ana Vilma Albañez de Escobar, Vice presidente de El Salvador

"Para que el comercio de la India y LAC crezca más, los gobiernos participantes necesitan eliminar toda la barrera comercial que impide los intercambios económicos; mejorar la conectividad del transporte entre las dos regiones para que resulte más económico hacer negocio." Madhur Bajaj, Presidente, Comité de CIL-LAC; Vice presidente, Bajaj Auto Ltd.

"El tono y el tenor de las discusiones fueron positivos, en contraste con las noticias negativas que originan de los países del norte. Esto augura bien para nuestra asociación, que ha estado haciendo progreso constante si no espectacular en los últimos años." K N Shenoy, Ex-presidente CIL y Presidente, Sobis Software India

"Para los países de LAC la India es una entrada a los mercados asiáticos". **Roberto Paranhos do Rio Branco**, Presidente, Cámaras de Comercio Brasil-India

"El grupo Taj podría entrar en la región de LAC adoptando un programa estratégico de la expansión". La "India y Brasil podían considerar promover en común el concepto de turismo ecológico". P.K. Mohankumar,

Director del área, Bangalore y Director General, The Taj West End.

"Los volúmenes de exportación para la industria india de vino doblarán probablemente en tres años con mayores niveles de calidad y economías de la producción". Kanwaljeet Singh Duggal, Jefe de Ventas y Comercialización, Chateau De Banyan Ltd.

La logística y la conectividad de transporte había puesto ciertos límites en el comercio de mercancía de la India-LAC durante algunos años. Es necesario comenzar un diálogo dinámico entre los gobiernos de la India y de la LAC para mejorar el apoyo logístico; fortalecer la infraestructura física que facilite el comercio; reducir los desequilibrios regionales en los volúmenes manejados por diversos puertos; ofrecer concesiones preferenciales para la mercancía de LAC; Mejorar las operaciones laterales de tierra para el movimiento de mercancías fábrica a fábrica sin dificultad. Deepak Ramaswamy, Socio, International Clearing & Shipping Agency (India) Pvt Ltd.

"Uruguay podía actuar como eje de logística para las compañías indias que intenten establecerse en la región". Walter P Campo, Vice Presidente Grupo RAS, Uruguay

"Los conductores del crecimiento para de informática/servicios posibilitados por la informática son bastante espacio libre para el arbitraje internacional del coste a pesar de la inflación de salario doméstico; Una base grande de la mano de obra técnica bien entrenada (el gobierno indio tiene planes para abrir 20 nuevos IITs y 5-6 nuevos IITs pronto); Las mejores prácticas seguidas por las compañías indias". Jayant V Pendharkar, Jefe Marketing global, Tata Consultancy Services (TCS)

"El gobierno colombiano espera inversiones indias en los sectores como informática/BPO, productos químicos, mecánica del motor, infraestructura de hoteles, y el sector farmacéutico y cosméticos, así como combustibles biológicos". Alejandro Pelaez, Consejero de la inversión extranjera en la India, Proexport Colombia, Embajada de Colombia.

Las firmas de LAC del sector farmacéutico, el cuidado médico y de biotecnología pueden examinar las siguientes oportunidades en la India: Exportaciones; Repartos de licencias; Transferencia de tecnologías; Fabricación por contrato; Ingredientes farmacéuticos activos (APIs); Turismo médico". Arun Kumar Khanna, Director ejecutivo, Emcure Pharmaceuticals.

"Se podía enfocar en la asociación en proyectos de la India y LAC en el sector farmacéutico y en el sector de la biotecnología: nueva formulación vacúnica; kits de diagnóstico; medicinas alternativas; descubrimiento de medicamentos nuevos; investigación de la célula madre; bioinformática". Karanvir Mundrey, Director, Consultants Combined. ■

Sólo es procesado un dos por ciento de la producción India de agroproductos y alimentos

El sector indio del procesamiento de alimentos es uno de los sectores más grandes del país en términos de producción, consumición, exportación y crecimiento del PIB. El sector representa alrededor de 14 por ciento de la producción industrial total y alrededor de 6.0 por ciento del PIB. El tamaño del sector indio del procesamiento de alimentos se estima en \$70 mil millones. Actualmente, el sector emplea cerca de 13 millones de personas directamente y cerca de 35 millones de personas indirectamente.

La industria es principalmente no-organizada, con un 75 por ciento de las unidades centrales en el sector no-organizado. El sector



organizado es relativamente pequeño, con alrededor de 5.300 unidades centrales de fruta y verdura, unas 500 unidades centrales de pescado, más de 500 molinos harineros, casi 200 unidades de procesamiento de carne, y numerosas unidades de procesamiento de leche a nivel de la provincia y del distrito.

Niveles de procesamiento en segmentos claves de la industria india de procesamiento de alimentos

Segmento	Sector lechero	Frutas y Verduras	Procesado de carne y de aves de corral	Industrias pesqueras	Alimentos embalados	Bebidas	Alimentos Básicos
Índice de crecimiento del mercado	15%	20%	10%	20%	8%	27%	85%
segmentos claves	Productos lácteos de valor añadido como mantequilla, queso y margarina	Frutas y verdura crudas, pulpas de fruta, frutas conservadas y salmueras	Ganado, búfalo y aves de corral	Industrias pesqueras marinas, productos congelados y productos de pescado picado	Tallarines/fideos	Bebidas a base de frutas y bebidas carbónicas	Azúcar, harina de trigo y sal
Grado de procesado	37%	2%	1%	26%	-	-	-
Parte del sector organizado	15%	48%	5%	-	80%	77%	50%

Fuente: www.investmentcommission.in/food_agro_products.htm y análisis KPMG

De la producción alimentaria y agrícola total del país, se procesa solamente un 2%, lo cual es mucho menos en comparación con países como EE.UU (65%), China (23%) y Brasil (70%).

Capacidad y producción

Los puntos destacados de la capacidad y de la producción en subsectores selectos de la industria de procesamiento de alimentos se dan abajo:

- La capacidad instalada de la industria de procesamiento de frutas y verdura ha aumentado a partir de 1.1 millones de toneladas en 1993 a 2.47 millones de toneladas en 2007.
- Con más de 650 instalaciones lecheras en los sectores privados y de gobierno así como en las cooperativas, el sector organizado (instalaciones lecheras de gran escala) procesa cerca de 13 millones de toneladas de leche anualmente mientras que el sector no-organizado (pasteleros y vendedores) procesa cerca de 22 millones de toneladas de leche por año.
- El procesamiento de carne está en gran parte para las exportaciones. La capacidad total de procesamiento de carne en la India está sobre 1 millón de toneladas por año.
- Actualmente, cerca de 500 unidades se dedican a la producción de pescados congelados con una capacidad de almacenaje total de cerca de 135.000 toneladas. Hay más de 360 unidades de congelación con una capacidad de proceso diaria sobre 10.000 toneladas de las cuales, 150 unidades son aprobadas para la exportación a la UE. Además, hay 12 unidades del surimi, cinco unidades de enlatado y 471 unidades para el proceso previo y el almacenaje de pescado seco.
- El procesamiento primario constituye el 96 por ciento del procesamiento total de grano que y el resto es explicado por los sectores de procesos secundarios y terciarios. La India tiene actualmente capacidad de molido del arroz total de 186 millones de toneladas; más de 500 molinos harineros grandes, y cerca de 10.000 molinos de lentejas.
- La India tiene aproximadamente 1.50.000 molinos de aceite de mesa, 779 unidades de la extracción de solvente, 810 unidades de la refinería, y 127 unidades de margarina que proporcionan empleo directo e indirecto a un millón de personas.

Industria india de alimentos procesados - Resultados de exportación

A pesar de ser uno de los productores principales de varios productos agrícolas, la parte de la India en exportaciones agrícolas globales se coloca en un 1.5 por ciento; y la parte de las exportaciones de alimentos procesados de valor añadido representa solamente un 0.03 por ciento.

Las exportaciones indias de alimentos procesados crecieron de 4.3 millones de toneladas en 2006-07 a seis millones de toneladas en 2007-08, registrando un crecimiento de 27.6 por ciento en términos de valor en 2007-08 (147.65 millones de rupias) durante 2006-07 (115.71 millones de rupias). Los productos que han visto un crecimiento significativo en exportaciones durante 2007-08 son productos lácteos, de carne y de aves de corral, miel natural, azúcar de savia de palmera y confitería, y bebidas alcohólicas. Los mercados importantes para los productos alimenticios procesados indios han sido los E.E.U.U., Reino Unido, Alemania, Japón, Bélgica, los países del golfo, Egipto, China, Indonesia, y Sri Lanka.

La inversión directa extranjera en la industria india de alimentos procesados

La afluencia acumulativa de la inversión directa extranjera en el sector de procesamiento alimenticio, desde el año-2000 y hasta el septiembre de 2008 ha sido alrededor de \$ 750 millones. Entre las industrias, la lechería y las industrias alimentarias del consumidor han recibido la inversión directa extranjera más alta.

Perspectiva para el futuro

Después de la crisis en el mercado financiero global, los fondos de inversión que han sido expuestos en mercados comerciales internacionales comenzaron a liquidar su posición en productos agrícolas junto con equidades. Ha habido una tendencia bajista en precios internacionales del café, del aceite de mesa/de las semillas, y de otros productos, que se espera que continúe a medio plazo. Mientras que la reducción en algunos precios de materias primas puede combatir parcialmente la subida del coste de producción, ésta puede también dar lugar a realización de bajo precio y una retardación en las centrales de procesamiento. La industria de procesamiento de alimentos está haciendo frente a la presión de los gastos cada vez crecientes de operación a pesar de una retardación en precios de las materias primas. La escasez de liquidez está afectando a esta industria basada en el capital intensivo, y es probable que muchas unidades puedan también diferir los planes debido a las condiciones apretadas de la liquidez; la industria puede hacer frente a dificultades para invertir en la infraestructura crítica (para la creación de la cadena de valores), aumento de tecnología, e inversión en I+D, y esto puede dar lugar a dificultades en conformar con regulaciones internacionales para alimentos y otras barreras no arancelarias impuestas por los mercados de los países desarrollados. Aunque las exportaciones indias de productos alimenticios procesados conllevan un potencial significativo, la perspectiva a medio plazo es severa debido a varios factores, incluyendo la presión sobre la competitividad de costes. ■