

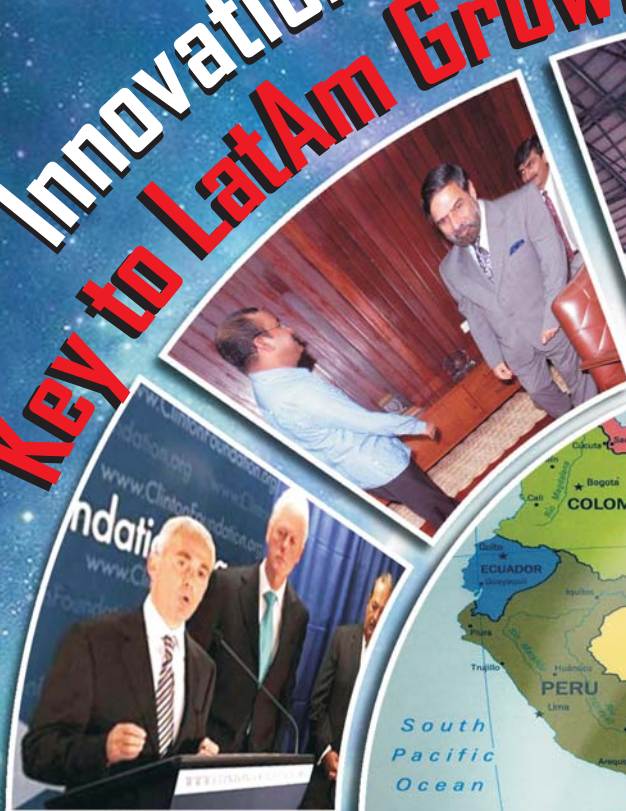
INDO-LAC BUSINESS

www.indolacbusiness.com

July-September 2008

News Magazine for Latin America & Caribbean Region ■ Rs.100

**Innovation...
Key to LatAm Growth**



Founder Chairman
Late Shri R.K. Prasad

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

Managing Editor: Satya Swaroop
Director: B.K. Sinha & Cdr. P.S. Amar
Group Editor: Dev Varam
Consulting Editors: Prabhu Sinha,
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Deputy Editor: Tripti Chakravorty
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Strategic Advisor: Vinaya Shetty
Manager: Sunil Kumar
Accounts Asst.: Vrunda Gurav
Circulation: Madhavi, Jawaharlal,
Santosh Gangurde &
Vijay Wangade

Art Director: Santosh Nawar
Visualizers: Maya Vichare & Sagar Banawalikar
Photographer: Bilal Khan

BRANCHES:

Kolkata: Anurag Sinha, Branch Manager,
A-7/1, Satyam Park, 2nd Lane,
Near 3A Bus Stand,
Thakurpukur Kolkata- 700 104
Tel: 098300 15667,
033-24537708
Email: anurag@newmediacomm.biz

Pune: Jagdish Khaladkar, Regional Director,
Tel: 098230 38315
Geeta K., Regional Head,
Sahyog Apartments 508,
Narayan Peth, Patrya Maruti Chowk
Pune 411030.
Telefax: 020 2445 1574
Email: pune@newmediacomm.biz
jagdishk@vsnl.com

Australia Office: Bandhana Kumari Prasad,
129 Camboon Road, Noranda,
Perth, W.A. 6062
Tel: 0061 892757447
Email: bandhana@newmediacomm.biz

New Media Communication Pvt. Ltd.,
New Media House, 1 Akbar Villa,
Near Old State Bank, Marol-Maroshi Road,
Andheri (E), Mumbai - 400 059
Tel: +91-22-2925 0690 Telefax: +91-22-2925 5279
E-mail: enquiry@newmediacomm.biz
www.newmediacomm.com

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

Editor: Veerendra Bhargava

The news items and information published herein have been collected from various sources, which are considered to be reliable. Readers are however requested to verify the facts before making business decisions using the same.

In This Issue



COVER STORY

06

Pension Fund Reforms, Telecom, FDI to Play Vital Role
Innovation, Key to LatAm Growth



FOCUS

11

Chile's Mining Council Looks
to Play Broader Global Role



FEATURE

14

Small is Beautiful
in Big Crude Business



PROFILE

18

Frank Giustra
The Brain Behind Mega
LatAm Mining Deals



NEWS

28

Indo-Brazilian Unity Crucial for
Successful WTO Talks Outcome



DIPLOMACY

34

Sharma on 3-Country LatAm
Visit to Broaden Trade Ties

Seccion Español

41 - 46

Dear Reader,

Greetings. Today, Latin America is among the world's most promising regions. Major countries of the region are striving to consolidate their economic gains, achieved through reforms. The resource-rich countries have also become smart enough to reduce their over dependence on commodity exports and are concentrating on diversified industrial growth. The Organization of Economic Cooperation for Development (OECD) in its economic outlook for Latin America has said that innovation is the key to diversified industrial growth across the region. The cover story of the current issue of Indo-Lac Business looks at the various aspects of Latin American economic growth and the importance of infrastructure as its expediting force. The covers story also highlights the recent meeting of the Heads of State of leading Latin American countries, held in the Paraguayan Capital city of Asunción, where they discussed trade promotion through regional integration and the South American Infrastructure Integration Initiative (IIRSA). Mining is the backbone of Chilean economy. The Mining Council, which is a lobby of Chile's private as well as large state-owned mining companies, looks to play a global role. We reproduce a press interview of the Council's CEO Fransico Costabal in the magazine's Focus section. Brazil's Petrobras, a fast-growing oil company, has drawn up a strategy to grow at an annual rate of 7.0 percent through 2015. We carry a report. Oil exploration and production has been the preserve of large companies the world over. However, in Latin America, a new generation of small companies has been playing a big role in boosting hydrocarbon production. We carry a feature. Telefonica Europe has found a lucrative market in Latin America. It has just launched a mobile banking initiative targeting the 175 million people in the region who have mobile phones but no access to banking. We report. The issue carries the multi-faceted profile of a dynamic Canadian billionaire-businessman Frank Guistra, the brain behind mega mining deals in Latin America. Panama has recently signed a pact to become a full-fledged member of the Andean Development Corporation (CAF). We carry the report in our news section. On the diplomatic front, we carry a report on Indian Minister of State for External Affairs, Anand Sharma's visit to three Latin American countries Guyana, Suriname and Venezuela - to broaden trade ties. The Inter-American Development Bank has given a 15-year \$260million loan to a Brazilian company to build three ethanol plants as part of a green fuel initiative. We carry a report. Bollywood's Bachchans the legendary Amitabh, son Abhishek and daughter-in-law Aishwarya stormed the globe, including some Caribbean countries, performing entertainment shows, making the experience "unforgettable" for the thronging spectators and fans. We carry the report in our culture pages. The magazine, as usual carries a Spanish section.

Wish you happy reading



Satya Swaroop

Managing Editor

satya@newmediacomm.biz

Pension Fund Reforms, Telecom, FDI to Play Vital Role Innovation, Key to LatAm Growth

Latin America, having found its moorings in democracy after reeling under decades of dictatorship, is striving to consolidate its economic gains achieved through reforms.

A boom in commodity prices in international markets has boosted the economies of the resource-rich region as a whole. But competitiveness and over dependence on commodity exports may hurt their economies in the long run. What is required is commodity independence and more reliance on industry development. This needs fiscal discipline and diversification of resources to industry, technology transfer. Chile has already taken a lead in this regard. Its mineral exports have halved and the government's focus is on the development of industry. Brazil is concentrating on science and technology, development of biofuels. While most Latin American countries have been striving to promote industry, inadequate infrastructure has become a stumbling block in achieving any meaningful economic progress. Heads of State of leading Latin American countries, who met recently in the Paraguayan Capital city of Asunción, discussed the issue of trade promotion through regional integration. In this context, they discussed initiatives related to the South American Infrastructure Integration Initiative (IIRSA). They agreed that reduction of poverty can be achieved through the improvement of connectivity, regional trade and expansion of basic services. The Organization for Economic Cooperation and Development (OECD) expressing a similar view in a study said that innovation is the key to diversified growth in Latin America.



OECD's Latin American Economic Outlook for 2008 says that Chile has proven to have an effective strategy in this area. In the last three decades the share of minerals in total exports has halved, although copper is still a significant export. Together with the fiscal discipline required to acquire a certain commodity independence, governments in Santiago have consistently focused on innovation, allowing other industries to develop, including wine, fresh fruit and salmon.

Moreover, the example of Fundación Chile, one of the frontrunners in innovation partnerships, illustrates the achievements in technological transfer that can occur in certain industries. Elsewhere, countries like Brazil, have started to focus on potential synergies between science and technology promotion, R&D support and trade competitiveness.

Strong commodity demand is clearly driving the profitable relationship between the Asian giants and most of Latin America, but strategies to deal with the aftermath of the boom are urgently needed. Where commodities are not the driving force, or not the only one, competitiveness could be at risk from complacency and lack of attention to infrastructures and innovation. In the end, both groups of countries are in the same boat: without better infrastructures and enhanced innovation initiatives, the continent risks running off course.

Importance of Pension Reforms

Latin America leads the developing world in pension reform. Chile launched the process in 1981 with its radical pension reform. Since the early 1990s, that reform has been a model for nine other countries in the region, as well as for a number

of countries outside the region, including OECD countries. Amongst Latin America's large countries, only Brazil has not undertaken a similar reform.

These pension reforms involve a transition from unfunded, publicly managed “pay-as-you-go” pension systems to privately managed, fully funded defined-contribution systems of individual accounts for beneficiaries. While some countries have replaced their previous system with the new one, others have introduced it on a voluntary basis.

The reforms pursue several objectives. The most important have been to provide a reliable source of retirement income for workers and to reduce the fiscal drain on governments caused by existing systems. Further objectives, to which this chapter gives particular attention, have been to boost local savings, provide a stable domestic source of development finance and promote the development of local capital markets. The importance of these objectives reflects the fact that many economies in Latin America have long suffered from low domestic savings and financial fragility. These have slowed growth and increased dependence in the region on volatile international capital flows.

The reforms have also sought to rely on competition amongst private interests notably the pension and insurance companies, which are the institutional investors that manage retirement savings in the new pension systems to enhance real economic efficiency by channelling savings into more productive uses. The subsequent accumulation of significant amounts of savings in pension funds has drawn attention to the considerable potential for pension funds to induce companies outside the pension sector, in whose equities they may invest, to make significant improvements in the quality of their corporate governance, which would be of major benefit to all stakeholders including active and retired workers and to long-term productivity growth in the economy as a whole.



Policy makers throughout the region have moved to ensure better regulation of their pension-fund industries, but significant room for improvement remains both in the regulation and in the governance of these industries. Clearly written mission statements, codes of conduct and mechanisms for enhancing the accountability of pension-fund administrators, for example, could help improve the alignment of incentives amongst members (that is, active and retired workers), sponsors (employers) and administrators (the private companies that manage pension funds), and provide better protection of members' interests.

As governments move to liberalize their restrictions on pension-fund administrators' investment options, the quality of administrators' self-regulation, together with effective governance of pension-fund administrators, will become even more important. This applies especially to the many countries where pension-fund administrators have become entrenched in dominant local-market positions as the largest institutional investors. Greater attention to their governance and self-regulation should also induce a healthy reorientation in their investment strategies towards seeking higher returns from less liquid but potentially profitable and socially necessary investments, for example in housing, infrastructure and innovative technologies.

The probably inevitable high degree of market concentration in strictly regulated, mandatory, funded pension systems further highlights the need for much greater attention to the quality of the governance of pension-fund administrators. Equally important is the potential those administrators have to induce widespread improvement in the quality of governance in the enterprises whose equities they acquire as assets.

Combined, the result of such enhanced governance of both pension-fund administrators and the corporations in which they invest members' pension monies should be a far more productive economy-wide use of real capital and human resources.

Countries throughout the region would thus enhance national saving and reduce their financial fragility and dependence on volatile international capital markets.

Five Critical Policy Areas

To achieve such results, policy makers in different countries would benefit through learning more actively from one another's experiences. Policy makers should exchange their experiences and lessons learned within the frameworks of the OECD Principles of Corporate Governance and the OECD Guidelines for Pension

Fund Governance, with the active support of the OECD.

Five policy areas deserve particular attention: First, given that pension-fund assets are likely to continue to grow in Latin America, priority must be given to strengthening local financial-market infrastructure and financial regulatory frameworks. Second, regulations that hamper a healthy diversification of pension assets should be re-examined with a view to facilitating asset diversification while maintaining high prudential standards. Increasing the share of equities and/or foreign assets allowed in the investment portfolios of pension funds, in countries where current limits on such assets are close to zero, would contribute not only to better pension-fund risk management through enhanced asset diversification but also to reducing the undesirable side-effects of current pension-fund investment patterns on domestic asset prices. And, regarding equities, for pension funds to become active shareholders capable of exercising effective voice in the quality of the governance of the companies in which they invest money, regulators in countries that limit pension funds' equity investment to indexed funds should consider allowing pension funds to buy and sell the shares of individual companies. Any such relaxation of investment limits must be accompanied by effective incentives and tools for asset managers to diligently monitor and be held accountable for the investments of their funds.

Third, policy makers should consider the benefits of allowing pension-fund asset managers the possibility to offer members a diversity of funds in terms of risk-yield profile, which today only Chile, Mexico and Peru allow. In addition to giving individual members a broader range of investment options, such multiple funds enhance the incentive for members to seek information on performance differences amongst fund investments, which may in turn help improve resource allocation.

Fourth, governments must give attention to the high administrative fees and costs that pension funds charge

members in some countries. The two principal policy options for addressing this problem are: i) to strengthen competitive pressures on funds by liberalizing the market to allow banks, insurance companies and perhaps other financial organizations to compete directly with pension funds for members' contributions; and ii) to reduce administrative costs through economies of scale by centralizing, for the country as a whole, the collection of members' contributions, record keeping and reporting to members, and reduce administrative fees by limiting incentives for members' costly and inefficient switching between administrators. While the former option relies more on the competitive market mechanism, it requires careful evaluation to avoid exposing workers' pension assets to the excessive risk-taking that may plague the investment and management behaviour of non-specialised financial organisations.

Fifth, the laws and regulations that govern private pension funds need to be revised to strengthen the role and responsibilities of institutional investors as fiduciaries of other people's retirement assets. Transparency and effective rules of communication between fund managers and members are required for the governing bodies of pension funds to act consistently in the best interest of their members. Improved governance of pension funds can in turn greatly enhance the positive impact and simultaneously lower the risk of investment by pension funds in the equity of enterprises active in all sectors of the local economy, as well as internationally. By serving as powerful agents for improved corporate governance throughout their economies, well-governed pension funds can thus also contribute forcefully to long-term real economy-wide productivity growth. Workers, active and retired, and employers alike should benefit significantly.

Multinationals & FDI

Foreign direct investment (FDI) flows have stepped up dramatically around the world since the mid-1980s. In Latin America, the 1990s were a period of accelerated



FDI inflows, led by the entry of developed-country multinationals into newly privatized or liberalized sectors.

The real change, however, is not in the game but in the players. Of worldwide FDI stocks, the share emanating from developing countries has increased by half, growing from 8 per cent in 1990 to 12 per cent in 2005. Latin American enterprises now also play away from home. Since 2006, the value of annual outward FDI flows from the major countries in the region has flirted with the \$40 billion mark. This explosion of outward investment is largely the result of the rapid internationalization of a small number of large enterprises, mainly from Brazil and Mexico. Indeed, in 2006, Brazil was a net source of FDI, with outward flows amounting to \$26 billion, as compared to inflows of \$18 billion.

LatAm Multinationals

The largest Latin American multinationals are in primary commodities and related activities; Mexico's cement producer, CEMEX, and Brazil's Petrobras, in oil, and Companhia Vale do Rio Doce (CVRD), in mining, are important examples. Services and final goods have also become key areas of multinational activity by Latin American firms, first regionally, and now, for a small number of very successful enterprises, globally. While these firms' multinational growth reflects diverse corporate strategies, scopes and ambitions, it places Latin America firmly on the new global map of home countries for multinational corporate activity.

Telecommunications

The telecommunications sector is at the crossroads of these new trends in multinational investment. While several multinationals from Europe and North America entered the sector aggressively in Latin America during the region's privatization and liberalization period in the 1990s, consolidation and competition have given the upper hand amongst these firms to Spain's Telefónica. Since 2000, successful expansion within the region by Mexico's América Móvil and its sister company Telmex has in turn created a formidable new regional competitor for Telefónica. The role of these two multinationals from opposite sides of the Atlantic, who now dominate telecommunications in Latin America, sheds valuable light on the contribution of multinational enterprise to sector-specific and broader economic development in the region.

Telecommunications contribute to the economic performance of countries as a whole because of the



importance of the services they provide. By increasing the availability and speed of information flows to a broad range of potential users, the sector can transform both economic and political life. For the sector to play this transformational role, however, much depends on the extent of its coverage of the population and the degree of access it provides to different segments of the population. It is precisely in its impact on coverage and access that FDI in telecommunications has played a transformational role in Latin America.

Since privatization started in the region at the turn of the 1990s, cumulative FDI flows in the sector including the entry of foreign enterprises through privatizations, capital expenditures and the establishment of new mobile operations have exceeded \$110 billion. FDI in this sector has thus been a major source of Latin America's total FDI inflows. Equally important is the fact that in such non-tradable services as telecommunications, where responsiveness to local conditions is crucial for success, multinational investors have pursued strategies adapted to individual host countries ("multi-domestic strategies") that have in turn generated significant employment and fiscal revenues in host countries. ■

LatAm Heads of State Discuss Regional Integration, Trade

Presidents of leading Latin American countries met in Paraguay on August 15 to discuss bilateral and regional integration, an official from the Chilean presidential office said.

The Heads of State were attending the swearing in ceremony of Paraguayan President Fernando Lugo, who took office on August 14.

Bolivian President Evo Morales, Chile's Michelle Bachelet, Ecuador's Rafael Correa, Brazil's Luiz Inácio Lula da Silva and Argentina's Cristina Fernández held a number of meetings in Paraguayan capital Asunción, where they discussed initiatives related to the South American infrastructure integration initiative (IIRSA), the official said.

Authorities also shared their views on development priorities such as the reduction of poverty through the improvement of connectivity, which also favors regional trade, and through the expansion of basic services, the official added.

At the same time, Lugo said his government would no longer be so focused on Argentina and Brazil, and will be more involved in regional integration and trade. This was demonstrated by a number of bilateral cooperation agreements signed by Lugo and his Venezuelan counterpart Hugo Chávez recently.

The agreements involve Venezuelan support in developing oil refining facilities in Paraguay and a guarantee of fuel products to the latter, local press reported.

Lugo also met with Uruguayan President Tabaré Vázquez to improve collaboration between the two countries and promote the balance of power within Mercosur, an official from the Uruguayan government said.

Among the issues discussed by the Presidents was fluvial integration, including the need to dredge the Paraguay-Paraná waterway, for which they must also reach an agreement with Argentina.

Each head of state travelled with a committee whose members met with Lugo's new ministers to discuss issues in further detail.

According to the official, authorities also spoke about projects to be supported financially by Mercosur and the need to improve regional logistics to optimize resources and reduce trade costs.

Officials also discussed private investment promotion, while a number of specialists focused on different concessions models, which are expected to be implemented in Paraguay during Lugo's first year in office. ■



Chile's Mining Council Looks to Play Broader Global Role



Chile's Mining Council, which represents private sector and state large-scale miners in the country, celebrated its 10th anniversary recently. After a decade of existence, the Council is no longer the entity it was at its inception.

The Council was born as a special interest group during the 1990s so the government would hear big mining's stance on the debate surrounding the passing of a special mining tax.

But with the tax approved and even adjusted for several years, today the Council focuses on a much broader representation of large-scale mining in Chile, explains the Council's President Francisco Costabal.

In a press interview, Costabal, who also serves as CEO of BHP Billiton's Spence mine, talked about the Council's evolution, its current goals and his opinion about Chile's biggest challenges as a mining country. Following are the excerpts.

The Mining Council just turned 10 years old on July 14, 2008. How was the Council born?

The council was created as a forum for sharing information, ideas and common projects for the benefit of the entire industry. It began as a group of mining

executives that met for lunch every now and then and was later formalized.

The first three or four years, the Council was almost entirely focused on discussing taxes. Once that stage was over - and that took a long time - the Government announced the first and second royalty laws (a tax specific to the mining sector which the council helped draw up in collaboration with the government). After that, we were able to focus on other issues.

What does the council do today?

Today we have three strategic pillars. First, to guarantee that large-scale mining is sustainable. Second, to help increase appreciation for mining which means promoting greater knowledge of mining among the general public. And last, we want to position the council as one of the most important associations in the country.

Chile's private miners association Sonami has similar goals. What are the main differences between Sonami and the Mining Council?

We work together and have a lot of members in common. But Sonami represents large-scale miners along with small and mid-sized ones, while we only

represent large-scale mining companies.

The Council also represents Codelco, which is a state company, while Sonami is only for private companies. We feel there is room for both associations and each one has its role. There are issues we work on together.

The Council has stated that it hopes to become the national and international touchstone for Chilean mining, implying that it isn't yet. What needs to be done in order to reach that goal?

We need the second strategic pillar, where we have a well-known mining industry that is appreciated by the Chilean people.

Do Chileans still feel very isolated from mining despite the fact that it's the country's principal source of income?

They aren't familiar with it. We have performed surveys and studies that show us that, except in mining regions, most Chileans know very little about the industry. An industry that is responsible for nearly a fifth of all economic activity in the country should be more familiar to the Chilean population.

And in spite of the fact that it's one of the biggest mining countries in the world, Chile is also missing a capital market in the sector. What can be done to stimulate stock exchange activity for mining in Chile?

I think that if we want to benefit from mining assets in the country, it's best to buy shares on foreign exchanges of parent companies operating in Chile. It's perfectly feasible to do that today in Chile.

In spite of that, not a lot of people do it.

I can't explain why. Why isn't there a mutual fund focused on the parent companies of Chilean copper operations?

Some people feel that the large-scale miners in Chile need to free up a lot of the properties that are too small for their own interests but that could definitely be transformed into very profitable mid or small-scale operations.

Some experts say a move like that would trigger more financial activity in terms of national mining. In Peru, which has a very dynamic mining exchange, regulation was recently passed to prevent idle mining concessions.

In your opinion, would it be a good idea to implement similar legislation in Chile?

I think it's more important to maintain regulations on mining property intact.

What is your opinion about the idea of privatizing a minority share of Codelco?

I am interested in seeing Codelco do well, in seeing it grow and develop. It is fundamental to growth in Chile. But it's not my place to talk about the company's properties.

As CEO of BHP Billiton's Spence copper mine, can you discuss that operation?

Unfortunately, I can't because the only spokesperson for BHP Billiton in Chile is Diego Hernández, the company's president of base metals.

In general terms then, what does the mine mean to you?

It's been my baby

■

Mexico's Infrastructure Investment to Pick Up in 2nd Half of 2008

To date, Mexico's national infrastructure plan (PNI) has invested only US\$6.7bn of its US\$29.7bn annual budget, a financial analyst said.

Carlos González, an analyst with the IXE group said this figure, however, is likely to increase in the second half of the year, as several tender calls will be launched shortly.

One of these is for the US\$5bn Punta Colonet port project, due for late August or early September. "I think the government is on the right track, even though the PNI has lost momentum due to external factors," González said, citing the US economic slowdown as

one of the main reasons behind the program's slow pace.

"Nevertheless, the government could be much more agile in legal and administrative procedures, especially those concerning tender calls, permits, rights of way and licenses," he said, adding that improving these aspects would greatly help the PNI.

Created by President Felipe Calderón, the PNI aims to invest US\$50bn to develop the nation's highway, port, railroad and airport networks, and at the same time, offer a competitive alternative to the Panama Canal. ■

Brazil's Petrobras Projects 7.0 pc Annual Growth

Brazil's federal energy company Petrobras plans to grow reserves organically by more than 7.0 percent a year through 2015, Petrobras CEO José Sérgio Gabrielli told journalists in Rio de Janeiro.

This essentially is based on proved reserves, not taking into account the pre-salt discoveries," he said in reference to the Santos basin finds. Roughly 85 percent of Petrobras' revenues and reserves come from the domestic market.

"That doesn't happen anywhere else in the world," Gabrielli said. Petrobras has 11.7Bboe in reserves, according to the company website. Petrobras is revising its US\$113bn investment plan for 2008-12 in light of the pre-salt.

"Those investments will increase substantially. We have more than 2,500 projects being evaluated right now and expect to consolidate those figures by early October," he said. "We have a program that may very well be one of the world's biggest corporate investment programs," Gabrielli added.

OPEC Membership Issue

Brazil's government - not Petrobras - will decide whether the country joins OPEC, he said. Government officials have talked about joining the cartel once Santos discoveries ramp up.

"That's a government decision. OPEC is an organization of countries and not companies. Petrobras' strategic plan is to increase our refining capacity to the maximum," Gabrielli said.

Petrobras has announced the construction of five refineries and the expansion of its petrochemical complex Comperj.

The plants, scheduled to be concluded by 2017, will have a total refining capacity of more than 1.3Mb/d, according to Gabrielli.

"OPEC is an organization of oil-exporting countries. And we would rather be a big exporter of oil derivatives than an exporter of crude oil," he said.

Meanwhile, Petrobras continued talks with Indian diversified manufacturer Reliance Industries to help develop a petrochemical unit in Suape port in Pernambuco state and Rio de Janeiro's petrochemical complex Comperj.

We're maintaining negotiations with Reliance on both projects. We believe we're closer to a deal regarding Suape," Petrobras downstream director Paulo Roberto Costa told journalists recently.

The work on Suape will lay the foundation for the



200,000b/d Abreu e Lima refinery in Pernambuco state.

Petrobras and the Pernambuco state government signed an investment contract worth 475mn reais (US\$292mn) to expand Suape port and industrial complex, financial newspaper Valor Econômico reported.

Initially, Petrobras will hand over some 310mn reais to the state to carry out improvements such as dredging.

These resources will be discounted over 25 years from rates that Petrobras has to pay the state government once the refinery starts operations. The remaining 165mn reais will be invested by the company in its own works to prepare for the refinery.

Petrobras and its Venezuelan counterpart PDVSA have a partnership agreement to build Abreu e Lima. Petrobras will hold a 60% stake in the project and PDVSA the balance.

"The project is progressing as expected," Costa said, without providing further details. The Comperj complex is due to start operations in May 2012.

Petrobras will also invest US\$11.1bn to build the Premium refinery in Ceará state. "The unit will have a refining capacity of 300,000b/d. The two-phase program means 150,000b/d by 2014 and another 150,000b/d by 2016," Costa said.

The new refinery will produce diesel, jet fuel, naphtha, LPG and coke. Petrobras plans to create around 90,000 direct and indirect jobs during construction, according to Costa.

Petrobras selected Ceará state in large part because of Pecém port, which the federal oil company will expand as part of the refinery project.

Petrobras is due to complete the legal and technical details for the refinery and port expansion projects in 120 days. "There's nothing that can prevent construction. In four months, we will settle everything," Costa said.

Small is Beautiful in Big Crude Business



A new generation of small companies is helping to increase hydrocarbon production in Latin America.

A cluster of mobile homes huddles together in the midst of the Patagonian plains, only a few kilometers from the Magellan Straits. Center stage, a Chinese-made drill moves towards its goal: reaching down 2,990 meters. In one of the mobile homes, adapted as a laboratory, Jim Park looks anxiously and enthusiastically at the data that the drilling probe sends to his computer screen. Park hopes to find natural gas in the well and trades thoughts with the geologist on duty, a huge Cordoban who could be a prop for the Pumas, the Argentine rugby team who at that very moment were beating France in Paris for third place in the World Cup. Drilling had started six days before, Saturday October 13, and the operators were hoping to reach their goal in one more week. Between machine rental and payments to service companies, each day of drilling means US\$50,000 in direct costs for Geopark.

The scene is played out in Nika, part of the Fell block that Geopark won in the south of Chile in 2006 and which has become the company's center of operations. Geopark, a small-scale oil company that trades on the London stock exchange, believes it will find commercial reserves at Nika. "We hope to end 2007 with nine wells drilled in the Fell block," says Park, the company's CEO. "Plans for 2008 are far more ambitious: 24 wells, with an estimated investment of US\$50mn."

Geopark is a good example of the so-called junior oil companies, small outfits focused on oil and gas reserves that don't interest large hydrocarbons companies. In Latin America, the countries with the most potential for juniors as much because of their geological conditions as their regulatory environment are Colombia, Argentina and Peru. Chile's geological potential is modest, but its legal framework and juridical stability - not to mention its gas-thirsty market - provide adequate compensation.

Geopark was established in 2002 and as this article goes to press had four concessions - three in Argentina and one in Chile. At the end of 2006, Geopark became the first and to date only private producer of hydrocarbons in Chile. Its Chilean adventure has been fashioned by the restrictions that Argentina has placed on gas exports and which have jeopardized the operating continuity of one of the largest methanol plants in the world, which lies 100km from Geopark's fields, close to the city of Punta Arenas and which belongs to Canada's Methanex. The plant produces some 10% of world demand for methanol, and Argentine gas represents 60 percent of its raw materials supply.

For Methanex, ventures such as Geopark's are its best hope of resolving its long-term problems. The Canadian company has indicated that it would like Chilean gas to supply 100 percent of its Punta Arenas plant within two

or three years, and in 2007 it signed a memorandum of understanding with Geopark that includes a 10-year supply contract. The contract allows Geopark to secure financing against its future supplies to Methanex for expenses including its investment program. Together with the Wintershall oil subsidiary of giant German chemicals company Basf, Geopark and Methanex also associated to bid for new hydrocarbons concessions that state oil company Enap offered in the south of Chile in October 2007.

It's not easy to find figures, but in the industry the consensus is that junior oil companies are gaining importance in South America. A report from the Argentine Oil and Gas Institute, for example, includes 39 new operators in the country, 25 of which produce less than 1,000m³/day, some 6,300 barrels. Meanwhile, an April 2007 report by consultant Tristone Capital, details 41 independent oil companies in the region, 16 of which operate in Argentina, 14 in Colombia and seven in Peru.

Although easily out punched by the sector's heavyweights, there are many expectations that the juniors' importance will rise. Diego Garzón Duarte, CEO of small Argentine oil company Compañía General de Combustibles (CGC), looks at the United States and Canada, where 3,500 companies with market capitalization of between US\$10mn and US\$1bn, control more than half of reserves and production. "We're talking about three million barrels of oil a day," he says, "which is more than the total production of Venezuela." In contrast to the US oil industry, which started in the 19th century as a private activity, Latin America only really opened its oil market during the wave of privatizations in the 1990s. Free of restrictions, Garzón Duarte expects the independents to play a front-line role in the development of the region's oil business in the next 30 years.



What juniors are looking for are small oil producing properties with development potential. They want to acquire projects already in production that they can use as a stepping stone to other growth opportunities. This is the route followed by Petrolífera Ltd., a company created in 2004 by Canada's Connacher Oil and Gas Ltd as a vehicle for its activities in Argentina. After buying its partner, assuming the role of operator and changing its exploration strategy, the company drilled 16 wells on its first property without any turning out dry. It is now on the point of becoming one of the 10 largest producers in Argentina, with production of some 11,000 barrels/day and with plans of reaching 15,000b/d in 2007. The company has bought new properties in Argentina, Colombia and Peru and plans to invest US\$135mn in 2007. Despite the pace of its investments, the company has generated sufficient cash flow so as not to need to dip into the funds it raised in an initial public stock offering on the Toronto stock exchange in 2005.

Village Charm

Villa O'Higgins is a small town that lies in Geopark's center of operations in Chile, and is where the cattle cooperative that grazes the Fell block's concession is also based. At midday, Park and his two colleagues have a simple lunch in the town. The table is set with a plastic breadbasket, soda, water and powdered juices, and lunch is simple: silver smelt, known locally as pejerreyes, freshly caught that morning in the nearby waters of the Magellan Straits by the cook's husband.

This adaptation to conditions, unimaginable for a major, is one of the advantages that juniors hold. Park personally knows everyone in his technical team, as well as the main professionals in the service companies - such as Halliburton and Schlumberger - that operate in his concessions.

The human scale of the junior is today an advantage in



the market in which the greatest scarcity is for qualified labor and professionals. At the start of the decade, Geopark put together a good team of professionals from Petrolera San Jorge, an Argentine company that Chevron bought in 1999. According to Park, on buying smaller companies, large companies often leave valuable intangibles including people to one side, and so lose them. "We can motivate people better than large companies. Each of our workers is a shareholder," says Park.

After bringing in the people from San Jorge, Geopark capitalized on the accumulated experience of the professionals and their experience in the oil company. The same happened in Chile, where the company has been able to bring in local professionals with extensive international experience, and who at the same time know the geological structures of where they are operating down to the finest details.

A 2007 report by consultant Accenture highlights other competitive characteristics of junior and independent oil companies:

- Operational experience: smaller oil companies are more agile in making decisions and getting work started.
- Culture geared to high performance: this is easier to achieve in smaller groups.
- Political intelligence: Junior and independent companies tend to attract local executives and technical staff that know the reality of the country in which they are working and have good contacts in the oil community and in related government bodies.

The smaller size of juniors moreover helps them to keep a lower profile in the political debates that typically surround the oil business.

This does not mean that junior and independent oil companies always win. Their smaller purchasing power puts them at a disadvantage compared to the bigger companies in a market in which availability and times of equipment and materials has become a major problem. Some of their costs moreover, can

be higher than those of the majors. According to CGC's Garzón Duarte, the majors are the most profitable companies in the industry, followed by the independents and then the medium scale oil companies.

Nonetheless, juniors and independents have caught the attention of venture capitalists and some multilateral lending agencies. The IFC, the World Bank's private sector arm, for example has bought minority stakes in companies such as Petrotesting Colombia, Geopark, and Venezuelan operator Petrofalcón. IFC investment officer Deema Fakhouri says that the corporation has an appetite for different types of risk and gets involved in countries that banks avoid and in industries such as oil that have high levels of uncertainty.

The case of Geopark is a good example. According to Fakhouri, the US\$10mn investment in this company in February 2006 could have been seen as a risky bet. At the time, the company was not producing anything, and had only its assets, which it was analyzing. But through the analysis of its own technicians and evaluating the company's technical and administrative team, the IFC felt sure of reducing the apparent risk. "It could be that the company does not have a story behind it, but its people can have a record of developing reserves and managing a company. The IFC's analysis process is strict, but at the same time it is like a stamp of approval of good management," Park says.

A bet or not, the performance of Geopark since the IFC's entrance, which was followed by an initial stock offering on London's Alternative Investment Market (AIM) in May 2006, is encouraging. By November the company was well on the way to reaching its goal of closing 2007 with a production of 4,000 barrels/day of oil equivalent, and has promising fields in which to implement its aggressive drilling campaign in 2008. In September last year it started operations at a processing center and dew point brought from Bolivia, which allows it to feed its production directly into the gas pipeline network in the south of Chile. The company's share price has increased from around US\$300 when it launched onto the market to a little over US\$400 in mid-November 2007. It's a sign of good times. Welcome to the new world of the oil juniors. ■

Telefonica to Launch Mobile Banking Across Latin America

Telefónica has announced that it is all set to launch a new mobile banking (m-banking) initiative, targeting the 175 million people in the Latin America region who have mobile phones but do not currently have banking access, will be delivered in partnership with the Inter-American Development Bank (IADB). The project was scheduled for launch beginning July 2008.

This announcement was made by Matthew Key, CEO of



Telefónica Europe, as he joined other global industry leaders, senior figures from the United Nations and international politicians at the UN Millennium Development Goals Business 'Call to Action' event held recently in London. Key also signed the Business Call to Action Declaration on behalf of Telefónica, which endorses the company as a supporter of the Development Goals and commits it to tangible



development action alongside governments and other organizations.

"Building on a number of other major Telefónica initiatives aimed at reducing social and economic exclusion, the project's principal aim is to improve financial access in Latin American markets by providing an m-banking solution to some of the most vulnerable in society - those groups that do not currently have access to banks or financial services," said Key.

Telefónica Executive Chairman César Alierta, stated: "At Telefónica, we believe it is essential that our activities have a positive social and economic impact on communities where we are present. We are passionately committed to ensuring that everyone can enjoy the benefits of information and communication technology. Our goal is to break down barriers that may block access to ICT - be they economic, geographic or because of disability."

Telefónica currently offers mobile communications to more than 86 percent of the population in 13 Latin American countries and has driven mobile penetration in the region over the last few years. Part of its commercial strategy has been to encourage take-up amongst lower socio-economic groups. Proactively decreasing access impediments and entry barriers amongst excluded groups, particularly in rural communities, has been a key element of Telefónica's approach - with the result that mobile penetration is now around 70 percent in the Latin American countries where Telefónica operates, as compared to rates of only 45 percent two years ago. ■

Frank Giustra

The Brain Behind Mega LatAm Mining Deals



Movie financier and master mind behind some of the most outstanding mining transactions in Latin America, Canadian-born banker Frank Giustra had joined Carlos Slim and Bill Clinton to fight poverty in the region.

In mid 2007 an unusual threesome met in a Harlem office block to present a somewhat ambitious plan to fight poverty in Latin America. The novelty lay in using resources coming from the mining sector. Two of the three hosts needed no introduction: Former US President Bill Clinton and Mexican billionaire Carlos Slim. The third however made the attendees curious. "Who is it?" asked some, craning their necks, trying to make out the slightly built, well dressed man with close-cropped white hair, who was easily distinguishable from the strapping American and the chubby Mexican. The gentleman in question was Frank Giustra, a Canadian mining magnate who despite (or because of) his low profile has been instrumental in multi-million dollar mining projects in Latin America.

The Clinton Foundation offices are in Harlem, where the meeting had a specific objective: to formally present the Clinton-Giustra Sustainable Growth Initiative (CGSGI), to which Giustra and Slim each committed US\$100 million. The idea is simple. As Clinton said at the meeting, the initiative "will focus on improving living conditions in Latin American countries and other nations, in partnership with the mining industry and other sectors." Months before the June 21 launch some 20 natural resources companies had already committed resources to the project.

The first to climb aboard was the Canadian oil company Petro Rubiales Energy Corp., which in July announced a US\$4.2 million contribution to CGSGI after raising US\$440 million for its crude operations in Colombia's Llanos basin, one of the Andean region's most promising hydrocarbons reserves. When asked to comment on Petro Rubiales' contribution to the project, Giustra made his intentions clear. "As someone who has made a living by helping to raise millions for mining projects around the world, I'm particularly

proud of this trend-setting contribution and the very clear message it delivers to all of us in this sector," he said in a statement.

From that June day to date the news surrounding the former mining magnate now has more to do with the fight against poverty, environmentally green mining projects and sustainable development in developing countries than with rigs, drills and good mineral yields. After three decades of amassing a fortune, Giustra has apparently decided to make his wealth work for more noble ends in Latin America.

But who is Frank Giustra and what is the reason behind his seemingly sudden desire to make mining a vehicle of the virtuous?

A reclusive Frank Giustra is not open to the press and prefers to keep his private life as private as possible. But a look at his business life together with interviews with former colleagues and his wife offer a good perspective of this 50 year-old businessman listed as one of Canada's richest businessmen and, more recently, one of its more illustrious philanthropists. Although nobody has calculated to the dollar and cent the scale of his personal fortune, in a recent interview with Vancouver newspaper The Globe and Mail, he said simply that it is "considerable."

A certainty in the life of Frank Giustra, son of Italian immigrants, is that he was born in 1957 in Sudbury, Ontario; a city of some 200,000 inhabitants. His father worked there in a nickel mine. As a young man he lived briefly in Argentina, but not even his wife is sure of how much time he stayed there. He once wanted to be a trumpet player. But his father's mining background and Giustra's first job in an investment bank made him decide to put all his

efforts into the business of raising capital to finance mining projects around the world.

Giustra is an energetic entrepreneur who seems to know exactly when to enter and exit a business sector. In 1978 when still very young and after having studied finance and business at university, he started his investment bank career at Merrill Lynch. He was a rising assistant stockbroker, but in 1980 left Merrill to join Yorkton Securities, a start-up investment bank. Ten years later the young Giustra would be named president of Yorkton, an outfit that specialized in offering capital to mining projects in the developing world. These included a number of significant projects in Latin America, such as Refugio, a gold deposit in the north of Chile. According to industry press, Yorkton managed to raise US\$3 billion in the 10 years that Giustra was in charge.

Metro Goldwyn Giustra

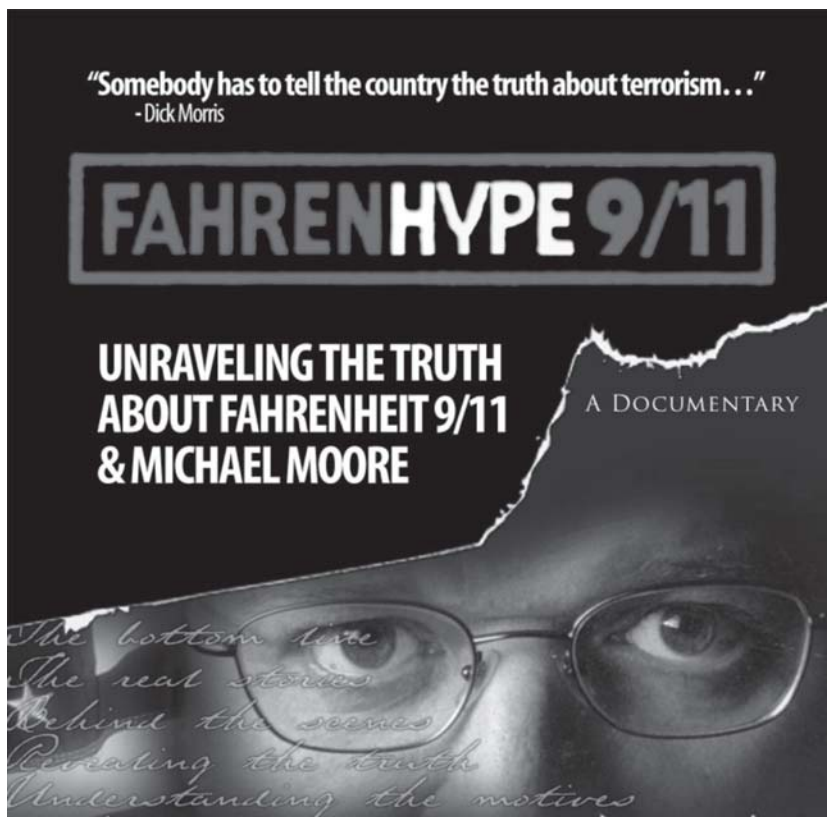
Frank Giustra is similar to Brazil's Rivaldo and Argentina's Juan Román Riquelme, complex characters who both played in the key number 10 shirt for their respective countries' soccer team. Giustra understands timing like few others. At end-1996 on leaving Yorkton he showed his mastery of timing, as the sector was on the point of collapsing because of the fall in metals prices on the international market. In what is considered by some as a very well thought-out move, the executive not only left investment banking and mining but took an unexpected step to the world of entertainment.

Far from an error, it was another success. In those years, everyone from investment banks and US pension funds to Saudi oil sheiks started to lend large sums to

Hollywood producers to finance the increasing production and launch costs of their films. Merrill Lynch owner of United Artists together with investment fund Hicks, Muse, Tate and Furst JP Morgan Chase and Citigroup were among the first movers. In 2006, just under 80 investment banks still sent executives to the Cannes Film Festival to seek out projects in which they would invest US\$2-2.5 billion.

Giustra put the name Lions Gate Entertainment to his venture, a production company whose name bears tribute to two bridges, one that crosses Burrard Inlet in Vancouver and the other built by Alexander the Great in 324 BC at Hamadan in what was then Persia, in memory of Hephastion, the Macedonian aristocrat who was his lover, general and bodyguard.

The director Robert Altman initially created Lions Gate, which Giustra refounded in 1997 with capital raised from debt and equity. In his few years in charge he took the company to the stock exchange in 1998 the Canadian miner grew the studio to such an extent that it competed shoulder to shoulder with the giants of Hollywood. The controversial

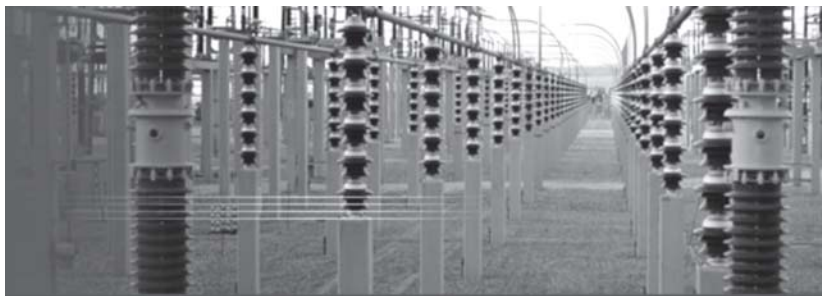


American Psycho was the first hit for Lions Gate Films, the Hollywood branch of the company. Later came Dogma, with the already-acclaimed duo of Ben Affleck and Matt Damon, and later still came Michael Moore's explosive Fahrenheit 9/11.

According to information submitted to the SEC, Giustra sold 2.5 million shares in Lions Gate Entertainment, the corporation based in British Columbia, at US\$2.20 a share on May 15, 2003. The day before, he had

resigned from his post as director of the company. The timing was again precise. Giustra wanted to return to the mining business, which was emerging strongly again and whose ups and downs he knew better than the film industry, where flops such as *Windtalkers*, *The Adventures of Pluto Nash*, *Final Fantasy* and *Battlefield Earth* were burning the industry's fingers.

This time, the Canadian filmmaking miner set himself up as head of Endeavour Financial...right at the time that the sector starting rocketing upwards. In 2001 Giustra had predicted that the price of gold had bottomed out and that therefore the dollar would begin to fall. Three



years later, he rubbed the crystal ball and said that uranium prices would start to appreciate as never before. The price of gold has more than doubled since then while silver has tripled and copper has practically quadrupled. And uranium? Giustra decided to create a world-class uranium producer by backing UrAsia Energy, for which he raised US\$450 million from private investors. UrAsia is presently the third largest public uranium company in the world.

In Endeavour meanwhile, Giustra was in charge of the acquisitions of a number of mining companies. One of them was the capitalization and



resurrection of Northern Orion at the start of this decade. Giustra also helped the company take the Agua Rica copper and gold project one of Argentina's most important projects off the hands of Australia's BHP Billiton. Estimated investment in Agua Rica totals US\$2 billion.

Giustra's most brilliant move in Endeavour was Wheaton River Minerals. Wheaton's spectacular growth has been attributed to Giustra's notable astuteness in predicting movements in the world price of gold. The Canadian bought the company for US\$20 million and took it to a US\$7 billion market capitalization and endowed it with cash reserves of US\$480 million.

Wheaton has played a part in a flurry of large-scale operations. In 2002 it bought Minas Luismin, one of Mexico's largest gold and silver producers, and the following year it paid US\$180 million for BHP Billiton's stake in Argentine copper mine La Alumbrera. Recently merged with Goldcorp, Wheaton has moved strongly in Latin America, with exploration or production activities in Argentina, Chile (La Coipa), Mexico (El Sauzal, Los Filos, El Limón, Peñasquito, San Dimas and Nukay), Guatemala (Marlin and Cerro Blanco) and Honduras (San Martín).

The Clinton Connection

Far from the press, Giustra has been free to shape a world of contacts and money. Apart from his mining businesses, he is a board member of the International Crisis Group, a non-profit organization that works to resolve international conflicts, where he rubs shoulders with Ernesto Zedillo, Ricardo Lagos, George Soros and an extensive group of ex presidents and prime ministers.

According to Arturo Elías, Carlos

Slim's spokesman and son-in-law, the Mexican magnate only met Giustra when they went to the offices of the Clinton Foundation with the former US president. But Giustra and Clinton have close ties, even though they met only a few years ago.

Giustra has become one of the people closest to Clinton. So much so that in September 2006 when the ex-president turned 60, Giustra was the co-producer of a fund-raising gala in Toronto for the Clinton Foundation. Jon Bon Jovi, James Taylor and Billy Crystal headlined a show that raised US\$21 million. The gala was produced by acclaimed music businessman Sam Feldman, representative of the legendary Joni Mitchell and neo-jazz singers Norah Jones and Diana Krall.

"It was Sam (Feldman) who introduced Clinton to my husband," says Alison Lawton, Giustra's wife and mother of his two children, and hardened activist in the fight against AIDS in Africa. The first contact between Giustra and Clinton, Lawton remembers, happened soon after the December 2004 tsunami that devastated southeastern Asia. Lawton and her husband decided to organize a private concert at their 12,000 square foot home in Vancouver to raise funds for the victims of the catastrophe, and although Clinton did not go, he sent a video speech. "The tsunami is what set all this off," says Lawton, who gave up her financial career to concentrate on producing documentaries. Among other showbiz personalities, Robin Williams, Rod Stewart and Sarah McLachlan were at the event, from which US\$2 million was coaxed from guests' checkbooks and considerably

more followed in the subsequent weeks.

But why did Giustra join the growing community of businessmen and multi-billionaires with a concern for philanthropy? Lawton remembers a conversation with her husband five years ago. At that time, Lawton was deepening her understanding of the needs of people and families living with AIDS in Africa. So she urged Giustra to use his resources and contacts to generate a change in the way the mining and natural resources businesses operated around the world. "Frank and I realized that not only were we financially privileged people, but that we were very well connected," she says.

And of these connections, Clinton has perhaps been the most important. It's well known in the circles in which Giustra moves that he has made his private jet available to the ex-president and that he has accompanied Clinton all around the world, meeting with political and business leaders in South America, Asia and Africa in the last two years. "All of my chips, almost, are on Bill Clinton," Giustra said recently in an interview with the New Yorker. "He's a brand, a worldwide brand, and he can do things and ask for things that no one else can."

For now, CGSGI is moving full steam ahead, collecting funds from private mining companies that seek to explore for and exploit resources in developing countries. And as for the private plans of the filmmaking Canadian miner, nobody knows. The only certainty is that, this year, Frank Giustra has committed to give half of his future earnings to CGSGI's philanthropic projects. (Courtsey Ten Magazine) ■

Paraguay's Banks Post 26 pc Rise in Profit at \$132 mn in '08 Jan-July

Paraguay's 14 banks posted combined profits of 526bn guaraníes (US\$132mn) from January-July, 2008, up 26.7% compared to the same period in 2007, according to figures released by the country's central bank.

Operating profits grew 36.3 percent to 1.23tn guaraníes as net interest income expanded 28.6 percent to 894bn guaraníes, fueled by the valuation of government-backed securities.

Provisions were up almost threefold in the seven-month period to 96.5bn guaraníes, according to the central bank.

Net loans jumped 42.7 percent to 13.2tn guaraníes as of end-July compared to the same time in 2007, with the past-due loan ratio improving to 1.14 percent from 2.49 percent a year ago.

Deposits rose 30.1 percent during the 12 months to 21.1tn guaraníes at end-July, with 62 percent denominated in local currency. Paraguayan banks had 26.7tn guaraníes in assets and 2.83tn guaraníes in equity as of July 31, 2008. ■

MoU to Initiate Action Against Extreme Poverty

The Andean Development Corporation and the Presidential Agency for Social Action and International Cooperation (ACCIÓN SOCIAL) signed a memorandum of understanding to join efforts to execute the Network for Overcoming Extreme Poverty - JUNTOS.

The agreement covers execution of cooperation projects in the areas of Community Financial Management access to banking services and savings strengthening opportunities for employment, access to public services of health, education and nutrition.

A first project to initiate execution of the agreement has been identified by the two parties. This initiative, which CAF is analyzing, involves entry into working life for young people through the training of 300 beneficiaries to work as agents in call centers. The proposal has an approximate value of US\$ 100,000 and will also have the participation of SENA and EMTLSA.

With this initiative CAF becomes one of the first multilateral



organizations to join the Colombian government's efforts and make an effective contribution to implementing the Network whose main objective is to improve the living conditions of 1.5 million families by facilitating access to the social programs offered by the State.

ACCIÓN SOCIAL director Luis Alfonso Hoyos Aristizabal said, "with this agreement there is great hope that we can identify other types of actors and achieve greater things for JUNTOS."

CAF representative in Colombia Freddy Rojas said, "it is very important to create synergy with the priorities set by the national government and strengthen capacities in the most disadvantaged communities. We recognize in JUNTOS an important strategy for combining efforts in favor of a common objective."

The International Cooperation Office of ACCIÓN SOCIAL has been negotiating with CAF since late 2007 on this initiative, whose purpose is to contribute to the effective implementation of the JUNTOS network and strengthening the strategy.

As part of these negotiations, CAF participated in the activity "Co-manager for a day" last April 30 in Manizales to become familiar with the functioning of the strategy in the field.

The agreement was signed in Bogota in the presence of Freddy Rojas, CAF representative in Colombia and Luis Alfonso Hoyos Aristizabal, Director of ACCIÓN SOCIAL. ■



Panama Signs Pact, Becomes Full-Fledged CAF Member



Panama, which has been a shareholder in the Andean Development Corporation (CAF) since 1997, has become a full member of the Latin American financial organization.

An agreement formalizing the entry of Panama into CAF, was signed recently at a solemn ceremony in the Casa Amarilla in Panama City in the presence of President Martín Torrijos, the vice presidents of the Republic, high government authorities, the diplomatic corps, and representatives of the private sector, CAF President & CEO Enrique García, and the Minister of Economy and Finance Héctor Alexander. Panama agreed to subscribe US\$120 million to CAF ordinary capital which, added to its previous equity investment of US\$25 million, raises its capital commitments in the Corporation to US\$195 million. Panama will also contribute another US\$36 million to the guarantee capital of CAF.

García said that the entry of Panama as full member strengthened the Corporation's Latin American and Caribbean identity, as well as its commitment to the integration and sustainable development of the region, through the exercise of an integrated work agenda which harmonizes objectives of stability, efficiency, equity and environmental equilibrium. This latest full membership - which currently comprises eight of the Corporation's 17 shareholders, including the recent addition of Argentina, Brazil and Uruguay - is a clear incentive for other countries of the region to move in the same direction and stimulate the virtual circle of development."

Panama's entry as full member and the forthcoming opening of a regional office in its capital will create viable conditions for a substantial increase in CAF financial and technical support for the country.

For his part, President Torrijos emphasized the transcendental alliance that Panama and CAF have forged in benefit of key projects in the public and private sectors, with a view to the internal development of the nation and regional integration. He also welcomed the announcement by CAF that it is evaluating an important loan to the Panama Canal Authority to partially finance expansion of the waterway.

Martín Torrijos and Enrique García agreed that the subscription was an excellent opportunity to strengthen Panama's role in CAF, and in cooperation with the Meso-American, Caribbean and South American integration schemes currently in progress.

Since its entry as shareholder in 1997 Panama has maintained a close relationship with CAF, which has generated loans totaling US\$200 million for national development, mainly destined to the infrastructure sector, along with a series of non-reimbursable funds granted to various environmental and competitiveness programs. ■

\$75 mln for Venezuelan Water System

CAF President & CEO Enrique García, and Landys Navarro, president of the company Sistema Hidráulico Yacambú-Quíbor, CA, signed an agreement for a US\$75-million loan to the Bolivarian Republic of Venezuela. The funds will go to the Yacambú-Quíbor Water System in the west of the country.

"In recent years - Enrique García said - CAF has strengthened its participation in financing the social sector, for the purpose of creating opportunities and improving the quality of life of the population." "This project will favor the sustainable development of the Yacambú river basin and Valle de Quíbor."

The president of Yacambú Quíbor said that "the critical route of this project is reaching its conclusion. We are making history. The loan, which was

\$5 mln Capital Fund for Microfinance Agencies



The Andean Development Corporation approved a US\$5-million capital investment in the Spanish Fondo de Inversión Libre BBVA Codespa Microfinanzas in an effort to increase opportunities for Latin American microfinance institutions by giving them the opportunity to access finance in local currency.

CAF President & CEO Enrique García said that "the social problems of access to services such as health, education and financial services can and must be addressed by the private sector; this is why the Corporation supports private business initiatives which contribute to solving social problems as an economically efficient way of achieving economic growth with equity."

He added that "the objective of this capital investment is to stimulate development of the Latin American microfinance sector and strengthen the commercial link between our region and Europe."

Currently CAF supports almost 40 institutions which serve microenterprises in 11 Latin American countries with total funds of over US\$120 million.

Fondo de Inversión Libre BBVA Codespa Microfinanzas was set up with the objective of contributing to the development of the microfinance industry, through investment in debt instruments issued by Latin American microfinance institutions which demonstrate solidity and viability moving toward sustainability.

The Fund offers financing in local currency, which reduces risk by diversifying investments by term, country and currency; however, finance is also available in securities denominated in euros or US dollars.

The support is not only for larger stronger entities but also for smaller ones which need support to continue growing and expanding. The leading promoters of the fund are Banco Bilbao Vizcaya Argentaria, SA (BBVA) and Codespa Foundation. ■

signed recently, will speed up meeting targets and bring us closer to the start of filling the reservoir."

The Yacambú-Quíbor Water System exploits the waters of the Yacambú river in favor of the agricultural development of Lara state, in addition to improving the potable water supply of the city of Barquisimeto, capital of this western state.

A total of about US\$600 million has been invested in the project, of which CAF has contributed over US\$280 million, including the loan recently signed, in regulation and diversion works. CAF funds have also been used for activities related to river basin conservation and

development of the Quíbor Valley, especially preparation of the action plan for the IWRM (Integrated Water Resources Management) program, where - with an integrated and coordinated approach - the actors involved (institutions and communities) make proposals for the sustainable development of the Yacambú-Quíbor territory.

The loan signed will be used to finance investments in infrastructure (regulation, diversion, supply line and treatment plant) and develop the project's environmental and social activities. ■

\$74 mln for Colombian Highway

The Andean Development Corporation and the Colombian Ministry of Finance and Public Credit signed a loan agreement for US\$74 million. The funds will be used for construction of the first stage of the Buga-Buenaventura divided highway.

"This credit contributes to developing the physical infrastructure of Colombia and strengthens the country's competitiveness," CAF President & CEO Enrique Garcia said.

This section of road is located in Valle del Cauca department and crosses the western cordillera from west to east. The route has geographical characteristics which prevent efficient, comfortable and safe movement of traffic, which results in high operating costs, delays and high accident rates. Because of its geological vulnerability, the route is also prone to landslides and avalanches.

The project will improve road conditions and generate benefits of savings in travel time and operating costs, as well as reducing the number of accidents and mitigating the effect of natural events.

The works covered by this first stage involve



construction of new roadways, improvement and rectification of the existing road, reduction of slopes, and land stabilization to reduce risks from natural disasters.

The route is part of the Bogotá-Buenaventura corridor whose area of influence covers 35 percent of the country's population. Because it connects the country's main production centers with Buenaventura port, the corridor is one of the country's main export routes carrying 30 percent of Colombian foreign trade, and one of the integration route projects identified by the South American Regional Infrastructure Integration Initiative (IIRSA).

In addition to the works on the Buga-Buenaventura divided highway, CAF has participated in financing other projects in the Bogotá-Buenaventura corridor aimed at improving transport conditions, through loans to the public and private sectors, and technical cooperation funds, especially for the Buga-La Paila concession, the alternative access route to the city of Buenaventura, La Línea Tunnel, and the Puertos de Primera program.

Through its Corporate Social Responsibility Program, CAF has also contributed to financing a training program in productive activities for 2,000 young people from Buenaventura. ■



Indo-Brazilian Unity Crucial for Successful WTO Talks Outcome

Unity between India and Brazil is crucial to break the deadlock and resist attempts to divide developing countries at world trade talks, a former Indian trade negotiator said recently in Geneva.

"The effort of the United States and the European Union has been to create division. India and Brazil, who have very different interests, must resist such attempts for the sake of all developing countries," Atul Kaushik, a senior former Commerce Ministry official.

Kaushik said known differences among members of the influential Group of 20 developing countries (G-20) should be kept out of the negotiating room at the World Trade Organisation in Geneva.

Kaushik, who has negotiated for India on intellectual property rights and environment, named India and Brazil in particular as the countries with divergent interests in agriculture.

Brazil has "offensive agricultural interests" - where it would like all countries, including India, to lower tariffs and other barriers to its farm exports.

India, on the other hand, has "defensive interests" in agriculture, which means it would like to retain as many of these tariffs and barriers as possible in order to protect the lives of its estimated 600 million small farmers.

"India and Brazil are the two developing countries at

the centre table, and they will be taken seriously only if they remain united," said Kaushik, who now heads the CUTS Geneva Resource Centre, an international non-government body working on international issues of trade.

CUTS (Consumer Unity & Trust Society) is part of the Indian government's Trade Advisory Committee.

Kaushik has also submitted a memorandum to G-20 negotiators in Geneva saying they must ensure that the current round of negotiations end up benefitting developing countries.

But he said Brazil's powerful agri-business sector had intervened at least twice during recent negotiations to try and persuade their government to "step away from an alliance with China and India" and he praised the Brazilian government for resisting such pressure.

Brazilian farmers, representing the most productive sector of their country's economy, feel Indian positions on manufacturing and services - where India has offensive interests - have complicated negotiations.

However, he said: "It became apparent to Brazil early on in the life of the G-20 that it had to work in tandem with other developing countries in order to achieve its own offensive interests in agriculture."

"This maturity has to prevail till the end game," he added. ■



IBSA Health Ministers' Meet to Focus on Pharma, Healthcare

The health ministers of India, Brazil and South Africa will meet on July 28 and July 29 to push forward their cooperation in the health sector.

Minister for Health and Family Welfare Anbumani Ramadoss will also hold bilateral meetings with his Brazilian and South African counterparts.

During the bilateral meeting with Brazilian Health Minister Jose Gomes Temporao on July 28, Ramadoss would highlight the developments in the Indian pharma sector and traditional medicines while the Brazilian side will present an overview of the health system and food and drug



Ecuador Eases Visa Rules to Boost Trade & Tourism

South American emerging economy Ecuador, in a bid to attract investors and boost tourism, has revoked the need for a short term visa for all visitors staying in the country for 90 days or less in a year, the country's Indian envoy Carlos Abad said recently.

Giving details at the Indian Merchants Chamber in Mumbai, Abad said the decision to "suppress" the short term visa was cleared this June adding that the "the primary aim behind this move is to allow investors to explore investment possibilities in Ecuador."

Talking about the trade and investment opportunities in Ecuador, Abad said the country was extremely keen to forge new partnerships in Asia and specifically with India, China and South East Asian countries.

"We want to create a direct access to India. Several Indian companies have already started exploring the possibilities in the fields of mining, automobile industry, software and bio-fuel," he said.

The two primary sectors in which Indian companies have shown keen interest, till date, focuses on oil exploration and automotive sector, Abad said, adding that talks with Indian auto major Mahindra and Mahindra, were on to set up an assembly plant for the manufacturing tractors and heavy duty vehicles.

Replying to a specific query on oil exploration by ONGC (Oil and Natural Gas Corporation) in Ecuador, Abad said that the Ecuadorian ministry had recently signed a confidentiality agreement with the company.



"ONGC has carried out exploration in six blocks and the confidentiality agreement will allow it to study its findings before drafting out a proposal. The Ecuador government does not discriminate between the indigenous company and a foreign origin firm," Abad said.

Elaborating on the incentives being provided to foreign firms, Abad said that no authorization is required for FDI (foreign direct investment) and firms which want to set up plants, import duty on all machineries is exempted for them.

"Moreover, the foreign firms also have a right to repatriate their profits to their original country and they are also provided access to the stock markets," Abad said.

On the issue of tourism, he said, "we are planning to set up a full-fledged tourism information centre in Mumbai and we are also looking at the problem of connectivity. At present it takes between 25 to 35 hours to travel between the two countries. This time lag needs to be reduced and we are working on it." ■

regulatory environment in that country.

"On the same day, discussions will be held on working group constitution, counterfeit medicines, HIV vaccine, trauma care, indoor air pollution and tobacco related issues from the Indian side, and generics drugs public sector in pharmaceuticals, health insurance, health industrial complex, environment occupational health, innovation on health will be highlighted by the Brazilian side," a health ministry official said a day before the talks began.

The Confederation of Indian Industry (CII) will also hold a business delegates meeting.

The bilateral meeting between India and South Africa will take place on July 30.

The trilateral meeting of the three countries would take place on July 29 to review the agreed plan of actions on strengthening public health laboratories, health surveillance, traditional medicines and registration of drugs and medicines.

During the meeting there will be sessions on pharmaceuticals and generics manufacture and export, counterfeit medical products, cooperation in areas such as intellectual property, innovation and public health.

"Cooperation among the Indian Council of Medical Research (ICMR), MRC of South Africa and FIOCRUZ of Brazil will be the highlight of trilateral meeting," the official added. ■

Indian IT Giant Infosys on Mexican Expansion Plan

Indian IT services giant Infosys has embarked on a two-year expansion plan in Mexico, the company's head of new markets and services Dheeshjith V G said.

Infosys opened the Mexico unit in the city of Monterrey in August last year, marking its first direct operations in Latin America. The facility provides IT and BPO services to both existing global clients as well as regional clients.

"Based on our success [to] date and the momentum that we witness in the market, we believe this will be one of our fastest growing subsidiaries," said Dheeshjith. "We do plan to expand our operations significantly in Mexico."

The Monterrey facility now has 150 employees and Infosys has previously said it aims to have 1,000 employees across Mexico by mid-2010.

The executive could not give more details about the expansion goals in terms of locations or staffing, but did say Infosys will focus on application development and maintenance services, while also introducing services such as ERP Implementation and support, core banking product implementation, and infrastructure services.

Infosys will also be working to establish niche alliances with Latin American companies to gain a strong

foothold in the market, as well as investing in sales and branding services.

Mexico is especially attractive to Infosys due to its proximity to the US, NAFTA trade regulations, and the government's openness to IT investment, Dheeshjith said.

He added that Infosys is contemplating the start of operations in other parts of the region, but will not make a definitive decision until the Mexico expansion is complete.

"Infosys believes that Latin American IT market is largely untapped and is arguably the most important market for service providers like Infosys over the next few years," he said. "We believe financial services, manufacturing, retail and communications could

be the core sectors that could benefit from Infosys services."

Infosys saw global revenues rise 24.5 percent to US\$1.1bn in the first quarter of its fiscal year 2009, ending June 30. Meanwhile, company revenues for the fiscal year are expected to range between US\$4.97bn and US\$5.05bn, representing an increase of 19-21 percent from the previous year.

Infosys attributed last quarter's growth to the inroads it has made in emerging economies, including Latin America. ■



Brazil's MMX Mineração Projects 7-Fold Rise in Iron Output By 2013

Brazilian company MMX Mineração is projecting a sevenfold increase in its iron production to 40Mt/y by 2013, with 6.3Mt coming from its operations at Corumbá and 33.7Mt from new unit MMX Sudeste, the company said in a statement recently.

This and other expansions will require investments of US\$1.5bn in the 2008-15 period, which have been approved by MMX's board of directors.

Currently MMX Sudeste - made up of MMX's Serra Azul unit and a Greenfield project called Bom Sucesso - produces 4.3Mt/y and Corumbá 1.9Mt/y.

The projects at MMX Sudeste will require US\$1.1bn and Corumbá US\$62mn. Most of MMX Sudeste's

production is headed overseas, the company added.

Pig Iron, Billets

The company is also planning to build a US\$333mn billet plant in Mato Grosso do Sul state that will start up at 34,000t/y in 2010 and reach 452,000t/y in 2012.

MMX's pig iron plant has an annual production capacity of 400,000t. However, this year the company is estimating output of 230,000t due to scarce charcoal resources.

The company plans to use some of its own cash flow and work with financial institutions to fund the projects, and at the moment is not planning to issue any equity, the statement said. ■

3-Firm Mexican Consortium Offers to Build \$2bn Petrochem Plant in Peru

A group of three Mexican companies have said recently that they could invest up to \$2 billion in building a petrochemicals plant in natural-gas rich Peru if they could secure cheap supplies of ethane.

Executives from Mexican petrochemicals company Mexichem, conglomerate Alfa and Idesa met with Peruvian President Alan Garcia, who is encouraging foreign companies to help the Andean country develop its energy sector.

"Our interest lies in getting the raw materials for a

petrochemical complex. If we could get hold of ethane gas at competitive prices, our investments could exceed \$2 billion," Alfa President Dionisio Garza told reporters.

Peru has proven natural gas reserves of 13.4 trillion cubic feet and the government wants investors to help

100 pc FDI Allowed in Most Sectors

India's Minister of Commerce & Industry Kamal Nath has said that Foreign Direct Investment (FDI) up to 100 percent is permitted under the automatic route in most of the sectors and added that FDI is a means to supplement domestic investment for achieving a higher level of economic development and providing opportunities for technological upgradation as well as

access to global managerial skills and practices.

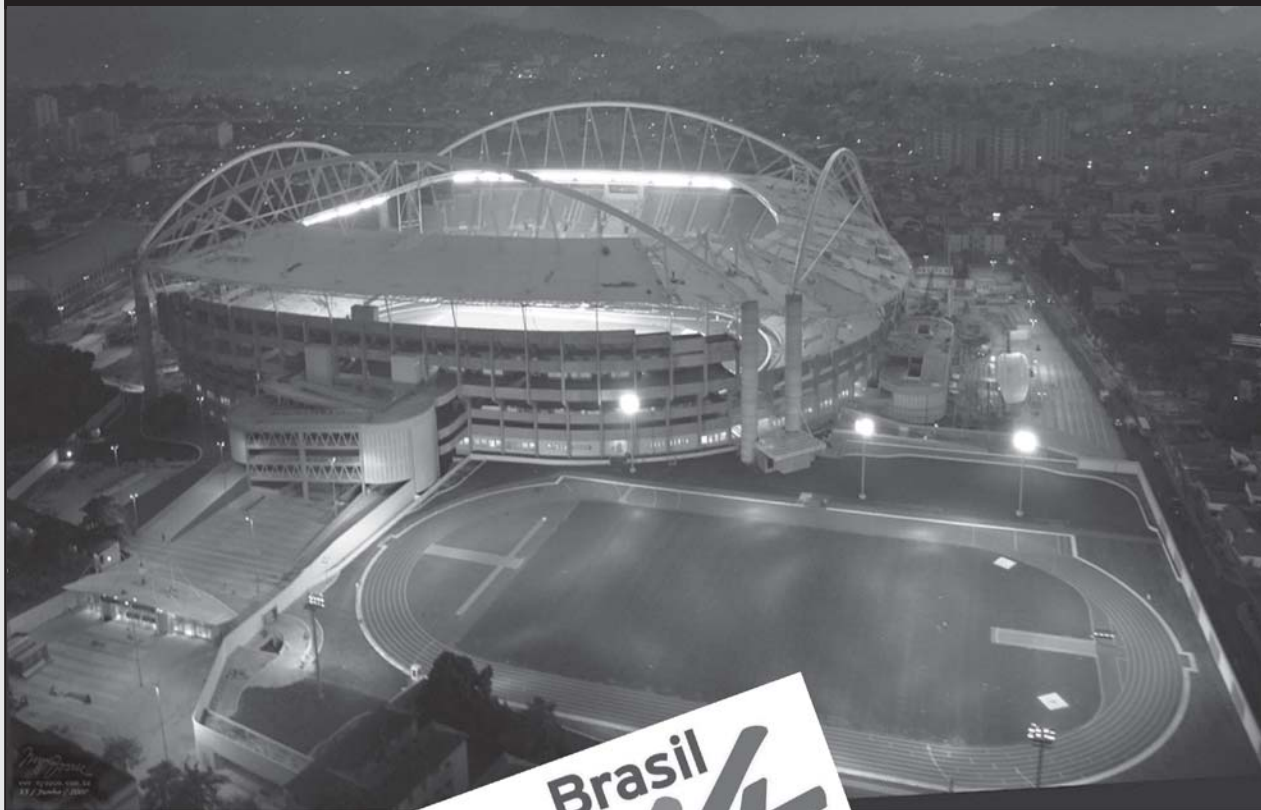
With forward and backward linkages and access to international quality goods and services, FDI brings in capital and also provides access to modern technology and best practices.

A statement on FDI equity inflows in various Sectors during April 2004 to March 2008 is as below:

Amount Rupees in crore (US\$ in million)

Ranks Sector	2004-05 (April-March)	2005-06 (April- March)	2006-07 (April-March)	2007-08 (April-March)
1. Services Sector (Financial & Non-Financial)	1,986 (444)	2,399 (543)	21,047 (4,664)	26,589 (6,615)
2. Computer Software & Hardware	2,441 (539)	6,172 (1,375)	11,786(2,614)	5,623 (1,410)
3. Telecommunications (Radio Paging, Cellular Mobile, Basic Telephone Services)	570 (125)	2,776 (624)	2,155 (478)	5,103 (1,261)
4. Construction Activities (Including Roads & Highways)	696 (152)	667 (151)	4,424 (985)	6,989 (1,743)
5. Housing & Real Estate	0 (0)	171 (38)	2,121 (467)	8,749 (2,179)
6. Automobile Industry	559 (122)	630 (143)	1,254 (276)	2,697 (675)
7. Power	241 (53)	386 (87)	713 (157)	3,875 (967)
8. Petroleum & Natural Gas	518 (113)	64 (14)	401 (89)	5,729 (1,427)
9. Metallurgical Industries	836 (182)	6,540 (147)	7,866 (173)	4,686 (1,177)
10. Chemicals (Other Than Fertilizers)	909 (198)	1,731 (390)	930 (205)	920 (229)

Brazil Plans \$2.5-bn Quick Pass Transport Plan for World Cup



Anyone looking forward to 2014 and what should be the footballing holiday of a lifetime – the World Cup in Brazil – has received some good transport news.

Infraero, the government-controlled company that runs most of Brazil's airports, plans to spend almost 4bn reais (\$2.5bn, €1.6bn, £1.3bn) by 2010 to make sure the crowds will be able to get from game to game across the vast country.

Brazil's airports are frequently overcrowded and have come to a near standstill at peak holiday periods over the past two years, as overstretched infrastructure has failed to cope with the additional strain caused by two disasters: one airliner crashed in the Amazon forest after a mid-air collision in 2006; another crashed on landing in São Paulo a year ago – as well as emergency runway repairs and strikes by air traffic controllers.

Yet the announcement by Infraero has not been universally welcomed. Critics say it should be

concentrating on its role in promoting economic development throughout Brazil not picking its investment priorities on the basis of a sports tournament.

"We already have serious problems with air travel, and there are huge gaps in the network that need to be filled," said Saturnino Sérgio da Silva, head of infrastructure at Fiesp, the São Paulo federation of industry.

With the "interiorisation" of Brazil's economy, especially through the growth of sugar, ethanol and other agribusiness, foreign investors are finding it hard to get around because of a lack of airports, says Sérgio da Silva. Works on some key hub airports have been stalled by public accounts watchdog investigations.

"I'm not very happy that the motive for investment is a game," said Sérgio da Silva. "Brazil needs to plan seriously to provide the transport that is vital today, and will become more so." ■

Sharma on 3-Country LatAm Visit to Broaden Trade Ties

Minister of State for External Affairs Anand Sharma paid visit to three Latin American countries Guyana, Suriname and Venezuela from 13 to 20 May, 2008 to further strengthen the bilateral trade relations between India and that region.

\$50 mln LoC for Agriculture in Guyana

Sharma's Latin American tour began with a three-day visit to Guyana from 13 to 15 May. He held discussions on bilateral, regional and international issues of mutual concern with the President, the Prime Minister and the Foreign Minister of Guyana. He also co-chaired the 4th India-Guyana Joint Commission Meeting.

President Jagdeo underlined the great importance that Guyana attached to the visit and sought India's active cooperation in transforming Guyana's agriculture and information technology sectors with strong participation from India's private sector. India has extended a fresh Line

of Credit of US \$ 50 million to facilitate greater economic interaction between Guyana and India. India has also agreed to cooperate with Guyana in crop diversification and agricultural research as well as in mining, renewable energy and pharmaceuticals

A Gift of IT Centre to Suriname

Sharma's next port of call was Suriname (from 15-17 May). He was accompanied by a business delegation comprising senior representatives of public and private sector companies and financial institutions from India.

Sharma held talks with the Suriname President Rinaldo Ronald Venetiaan and Foreign Minister Mrs. Lygia Kraag-Keteldijk. Both leaders recalled the close and cordial ties shared between the two countries historically. President Venetiaan conveyed Suriname's appreciation for the assistance provided by India in Suriname's developmental efforts especially in energy, infrastructure, agriculture, capacity building and human resource development.

Later, in the evening on May 15, Sharma addressed India-Suriname Business Seminar attended by over 200 leading businessmen of Suriname and two cabinet ministers, in which he not only highlighted India's economic and technological achievements but also emphasised that India was willing to share its experience and capabilities with other developing countries in the true spirit of South-South Cooperation.

The next day, Sharma co-chaired the 4th Session of the India-Suriname Joint Commission with Surinamese Foreign Minister Mrs. Kraag- Keteldijk. At the end of the meeting, attended by 13 ministers of Suriname's Cabinet, Sharma announced Government of India Credit Lines worth US \$ 55 million out of which projects worth over US \$ 25 million have already been identified. A fresh amount of US \$ 30 million has been earmarked for the new projects to be submitted by the Government of Suriname. As a special gesture, Sharma announced that India would fund and set up an IT Centre in Suriname as a gift.

On this occasion, a Memorandum of Understanding was signed between India's Foods Fats and Fertilizers Ltd and Ministry of Agriculture of Suriname for



Minister of State Anand Sharma with President Bharrat Jagdeo of Guyana

allotment of 40,000 hectares of land in Suriname for cultivation of oil-palm. Another Agreement was signed between the Ministry of Finance of the Government of Suriname and EXIM Bank of India for a Line of Credit of US \$ 10.6 million as a part of the above assistance package for the purchase of Chetak Helicopters, Coastal Communications Network and other high technology equipment, which underlines appreciation for quality and competitiveness of Indian technology in South American region.

Suriname sought India's help in health, pharmaceuticals, ICT, E-governance, education, professional training, rural development, environment, energy, technological development, communications, port development, public sector reforms, internal security, agriculture, animal-husbandry, dairy, aqua-culture, agro-forestry and many other high technology areas which is a reflection of India's growing profile in the region as a technological super-power.

As a result of the visit, India and Suriname also agreed to cooperate in mining, banking, financial services, renewable energy and infrastructure development. Suriname is rich in natural resources like bauxite, gold, manganese, iron ore, kaolin and diamonds apart from forestry and agriculture.

Stress on Energy in Venezuela

Sharma concluded his Latin American tour with a visit to Venezuela from 18 to 20 May, almost a month after Minister of Petroleum and Natural Gas Murli Deora visited that country for signing a joint venture agreement on the San Cristobal oil field.

Sharma had detailed one to one discussions with President Chavez who expressed Venezuela's desire to diversify ongoing bilateral relations with India.

A road map for enhancing strategic and enduring cooperation between both countries in a variety of sectors such as agriculture, energy and

renewable energy, infrastructure and transfer of technology was discussed.

Venezuelan Ministers of Foreign Affairs, Energy and Petroleum, Light Industries and Commerce and Science & Technology were also present during the meeting. After discussions, both sides agreed to convene the next India-Venezuela Joint Commission meeting in New Delhi later this year.

Earlier, Sharma had detailed discussions with Foreign Minister, Nicolas Maduro. During their talks, both Ministers reviewed various regional and global issues of mutual concern such as setting up of alternative financial and monetary architecture mechanism through institutions such as the Bank of South, regional development initiatives such as UNASUR and other such matters.

Maduro appreciated India's varied achievements in science and technology, evolving economic and political status in the world and eminent credentials for working with like minded developing countries in building a world without hegemony and distortions.

Wide-ranging bilateral relations were reviewed at a luncheon meeting where Venezuelan Ministers of Culture, S & T, Education and Higher Education and Vice-Ministers of Light Industries and Commerce and Tourism also participated in the discussion. Venezuelan side thanked India for its offer to set-up an IT Centre of Excellence in Venezuela. They expressed keenness in stepping up cooperation in agriculture and agricultural research, S&T, ICT, pharmaceuticals and generic medicines, infrastructure and transfer of technology.

Besides meetings with local dignitaries Sharma also interacted with a cross section of the non-resident and community of Indian origin in Venezuela. ■



Minister of State Anand Sharma meeting President of Suriname Runaldo Ronald Venetiaan.

India's '08-'09 Growth Rate Falls to 8 pc; But Above Global Average

The International Monetary Fund (IMF) has lowered India's growth forecast from 9.3 percent in 2007 to 8 percent in 2008-09 as it predicted the world economy now "in a tough spot" would grow by 4.1 percent this year.

The global economy has weathered the impact of the credit crunch better than first feared, the IMF said recently as it issued a downbeat forecast for the second half of 2008, amid concerns about inflation, particularly in emerging markets.

"The global economy is in a tough spot, caught between sharply slowing demand in many advanced economies and rising inflation everywhere, notably in emerging and developing economies," IMF's World Economic Outlook (WEO), released recently in Washington said.

The IMF expects global growth to slow significantly in the second half of the year, before recovering gradually in 2009. Updated forecasts in the WEO also raise inflation projections, particularly for emerging markets and developing countries.

The WEO expects a moderation in global growth from 5.0 percent in 2007 to 4.1 percent in 2008 and 3.9 percent in 2009. Following a better-than-expected performance in the early part of 2008, WEO projections for the US, the euro area and Japan show a slowdown in activity in the second half of 2008.

Expansions in emerging and developing economies are also expected to lose further steam, with growth in these countries projected to ease to around seven percent in 2008-09 from 8.0 percent in 2007. China's growth rate is expected to ease from near 12 percent in 2007 to around 10 percent in 2008-09.

At the same time, as the growth slowdown, the WEO notes, rising energy and commodity prices have boosted inflationary pressure, particularly in emerging and developing economies.

In advanced economies, inflation pressures are likely to be countered by slowing demand and, with commodity prices projected to

stabilize, the expected increase in inflation for 2008 is forecast to be reversed in 2009.

In emerging and developing countries, inflationary pressures are mounting faster, fuelled by soaring commodity prices, above-trend growth, and accommodative macroeconomic policies.

Hence, inflation forecasts for these economies have been raised by more than 1.5 percentage points in both 2008 and 2009, to 9.1 percent and 7.4 percent respectively and the moderation in inflation in 2009 will depend on more assertive tightening of monetary conditions.

"In the recent past, the global economy has managed to take large shocks in stride, but we think its capacity to absorb them is being increasingly challenged," IMF chief economist Simon Johnson said at a press briefing.

"How it will navigate through the latest turbulence in financial and commodity markets will crucially depend on how successfully policymakers respond to a fast-changing set of risks in many advanced and emerging economies."

The WEO says the top priority for policymakers is to head off rising inflationary pressure while keeping sight of risks to growth. In many emerging economies, tighter monetary policy and greater fiscal restraint are required, combined in some cases with more flexible exchange rate management.

In the major advanced economies, the case for monetary tightening is seen as less compelling, given that inflation expectations and labour costs are projected to remain well anchored while growth is weakening, but inflation pressures need to be monitored.

The WEO says the global economy will need to adapt to the increased transfers in purchasing power from commodity users to producers, while policy tightening will be necessary in several countries that face inflationary pressures.



IADB to Fund Brazilian Ethanol Plants Despite Opposition

Latin America's biggest development institution is prepared to defy growing environmental concern about biofuels by lending money to a \$1 bn-plus Brazilian ethanol project.

The board of the Inter-American Development Bank is set to approve proposals to provide a 15-year loan of \$260m (€164m, £130m) to three new ethanol plants being built by Santa Elisa Vale do Rosario, a Brazilian company, and US private equity groups.

The facility which will sit alongside a \$360m commercial bank credit would be the biggest ever by a multilateral institution for a green fuel initiative. But it may not be popular among the IADB's European minority shareholders. "It is a hard project for the IADB," said Sylvia Larrea, the executive managing the project at the bank. "There are heated debates in the market."

Steady rises in the international oil price have spurred interest in green fuels such as ethanol and biodiesel, but initiatives have become increasingly controversial in recent months as a result of steep rises in the prices of grains and other basic foods.

Ban Ki-Moon, United Nations secretary-general, recently warned about the impact of growing crops for biofuels, suggesting that it was contributing to increased food prices.

Latin American supporters of biofuels such as Ms Larrea, however, argue that Brazil produces its ethanol from sugar cane rather than edible grains such as maize, a process widely regarded as being more energy-efficient.

They also reject accusations from environmental critics that Brazilian ethanol-related sugar production is contributing to deforestation of the Amazon, saying sugar is grown largely in the south and centre of the country, thousands of miles from the rainforest.

"The choice isn't really between food and fuel," said Luis Alberto Moreno, president of the IADB. "The choice is between sustainable and unsustainable biofuels. We're convinced that certain Latin American countries have ideal conditions for producing biofuels in a sustainable way."

Ms Larrea noted that interest in the new fuels was growing in Colombia, and sugar growers in



Central America and the Caribbean had also invested in alternative fuels.

She justified the bank's support for the project by arguing that offering longer-term finance on more flexible terms would allow the project's managers to invest more in rapidly evolving new technologies.

The plant will include a facility to convert into energy the waste material produced after sugar cane is crushed, helping to increase overall efficiency.

Diplomatic Postings

K.J.S Sodhi, presently, Joint Secretary at the Ministry of External Service, New Delhi, has been appointed as the next Ambassador of India to Suriname.

G. Mukhopadhyaya, presently Ambassador of India, Damascus, has been appointed as the next Ambassador of India to Panama.

B.S. Prakash, presently consul General of India, San Francisco, has been appointed as the next Ambassador of India to Brazil.

All the three diplomats are expected to take up their new assignments shortly. ■

Bachchans Make Trinidad Show Unforgettable for Caribbean Fans



Ethnic Indians from all over the Caribbean flocked to the Queen's Park Oval in Port of Spain to watch Bollywood legend Amitabh Bachchan, son Abhishek and daughter-in-law Aishwarya dance to the tunes of their hit songs as part of their Unforgettable Tour.

Trinidad was the second leg of the tour which kicked off in Toronto, Canada, July 18. Since Trinidad was the only Caribbean stop, Indians flew in here for on July 20's show by chartered planes from Suriname, Guyana and Jamaica.

After a short delay caused by an electrical outage, the show was put on the road by the Caribbean's noted master of ceremonies Shamoony Mohammed.

Seventeen-year-old Shivanna Ragoonanan held the audience's attention with her renditions of both Trinidad and Indian's national anthems on the steel pan.

After that there was no looking back as Preity Zinta and Akshay Kumar prepared the crowd for an enthusiastic song and dance extravaganza with their brilliant performances. Preity set the tone with a couple of scintillating renditions, including "Pretty Woman" from her film "Kal Ho Na Ho". Large screens had been put up at the Oval to ensure everyone was able to see their favourite stars perform.

Ritesh Deshmukh and Vishal Shekhar took over from Preity and Akshay. Then Abhishek was on the frontline, interacting with the crowd, which included former prime

minister Basdeo Panday, MP Kamla Persad Bissessar, cultural activist Ajeet Praimsingh and acting director of the Gandhi Cultural Centre Shantosh Misra.

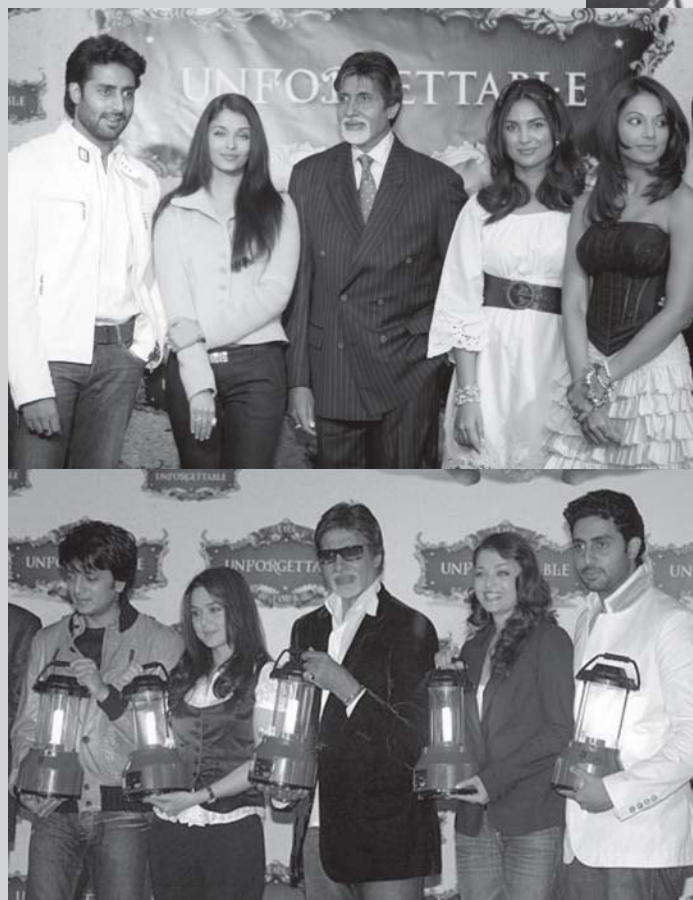
Abhishek recalled that he had come to Trinidad 25 years ago with his father and had a very memorable stay. He thrilled the audience with his electrifying performance of songs from "Dus" and "Bunty Aur Babli".

Aishwarya Rai got a standing ovation as she took to the stage. She came. She saw. She conquered. She sang and danced, ably supported by her cast on stage and from the audience. The former Miss World was dynamic, thrilling and decisive. She knew what the audience wanted and came prepared to deliver it.

The audience jumped to their feet when the Big B took control of the show. Some danced while others sang along as he performed several hits, including "Rang Barse" and "Pichkaree".

It was truly Amitabh's show. His mesmeric presence on the stage would continue to linger in the hearts and minds of all those who came to see him perform.

Indian entertainers are very popular among the



more than 500,000 people of Indian origin in Trinidad and Tobago. As soon as the dates of shows by Indian performers are announced, the tickets get sold out.

For the Unforgettable Tour, VVIP tickets were sold at \$400, VIP ones for \$250, special reserve tickets at \$160, reserved area tickets at \$90 and general admission for \$50.

Since 1964, Indian musicians, dancers and singers have been performing here and this is viewed by cultural thinkers and sociologists as an in-depth initiative to fully re-link with the Indian diaspora who came here mainly from two Indian states - Uttar Pradesh and Bihar - between 1845 to 1917 to work on agricultural farms.

Some of the film artistes who have performed here over the years include Hemant Kumar, Manna Dey, Mohammed Rafi, Mukesh, Asha Bhosle, Kishore Kumar, Lata Mangeshkar, Abhijeet and Shah Rukh Khan. ■

El descubrimiento de medicamentos es la llave para el crecimiento futuro de las firmas farmacéuticas indias

Los nuevos programas de descubrimiento de medicamentos son la llave al futuro de la industria farmacéutica de la India, el cual depende de su capacidad de reducir su dependencia en la fabricación barata y de fomentar la innovación

El descubrimiento y el desarrollo de medicamentos es un esfuerzo basado en el conocimiento, y la disponibilidad de investigadores de calidad es crucial para su éxito. La investigación y el desarrollo del descubrimiento de medicamentos en la India abarca la investigación colaborativa, descubrimiento y desarrollo de medicamentos básicos y los servicios de contrato. Debido al coste cada vez mayor de desarrollar un nuevo fármaco y a los riesgos implicados en el proceso, las compañías están intentando atenuar los riesgos implicados.

En 2007, las compañías indias de ciencias biológicas involucradas en la investigación farmacéutica básica presentaron un gran número solicitudes de patente. La mayor parte de esas solicitudes vinieron de las compañías de Mumbai, de Hyderabad y de Bangalore, que están involucradas en la investigación química así como la basada en la biotecnología de nuevas medicinas.

Según Utkarsh Palnitkar, socio y líder del sector, Prácticas de las Ciencias de Salud, Ernst & Young, la tendencia en solicitudes de patente es un indicador de la estatura cada vez mayor de la India, y las compañías indias, que eran una vez cautelosas, se han mostrado bien versificados en el juego de la innovación.

Una de las tendencias recientes es la escisión de las Unidades de I&D para abrir valores. Desarriesgar el modelo comercial y a la vez desvincular el valor del programa del descubrimiento de la droga ha sido seguido por las grandes firmas incluyendo Ranbaxy Laboratories, Sun Pharmaceuticals y Nicholas Piramal India limited (NPIL), y Dr. Reddy's Laboratories (DRL). El fabricante de fármacos ha flotado Perlecan Pharma en colaboración con ICICI Venture y CVC para encargarse de su negocio nuevo de fármacos.

Las escisiones proporcionan mayor flexibilidad y ímpetu al programa de investigación de descubrimiento de medicamentos ya que abre un valor significativo para la

compañía y sus accionistas.

Además, los costes suben a medida que nuevos candidatos de fármacos van madurando (proceden a las etapas avanzadas de ensayos clínicos) y por lo tanto, el financiamiento se convierte en un tema importante. La nueva actividad de investigación de medicamentos no forma parte de las operaciones de base de las compañías farmacéuticas, así llega a ser difícil que una compañía centre en ella recursos y energía disponibles.

En segundo lugar, las compañías farmacéuticas indias han sido socias para la I&D e incluyen nombres grandes como Zydus Cadila, DRL, Ranbaxy, NPIL, Biocon, para nombrar algunos. La mayoría de las compañías se han implicado con otras compañías especialistas de la investigación para el desarrollo de nuevas medicinas en áreas de enfermedades como cáncer, diabetes, malaria y desordenes del sistema nervioso.

Las estrategias empresariales abarcan un enfoque de colaboración para el descubrimiento de medicamentos. La compra estratégica de componentes y la desinversión de los activos de la fabricación con un negocio de recompra son algunas de las estrategias usadas cada vez más para trabajar junto con las multinacionales indias. La colaboración y la competición han sido identificadas por todos los jugadores globales principales como principios en mejores prácticas hacia el descubrimiento de medicamentos.

Los Desafíos

- Los desafíos que hacen frente a la industria giran alrededor de la mano de obra y de la financiación en las etapas iniciales - hay una escasez tremenda de personal entrenado, la única solución es la de reclutar a graduados frescos y entrenarlos en el trabajo.
- La I & D en la industria farmacéutica son polifacéticos y recurren a la maestría de biólogos moleculares, químicos sintéticos y analíticos, los especialistas de la genómica y del proteomics, los farmacólogos y los médicos practicantes.
- Un desafío significativo confrontado por la industria es la financiación del capital de riesgo (VC), que en la India es seriamente limitada. La financiación pertenece a los

jugadores privados de la equidad que invierten cuando el candidato alcanza la fase de desarrollo. El enfoque es más hacia el 'D' que en la 'I' en I&D.

Apoyo estatal

Las subvenciones del gobierno están disponibles, pero tienden a ser pequeñas y dirigidas típicamente a las instituciones del gobierno o a los cuerpos de investigación. Hay poco apoyo gubernamental para la I&D del sector privado fuera de lo disponible en el fondo de desarrollo de tecnología, que financia proyectos aprobados por el CSIR.

Muchos gobiernos provinciales están estableciendo sus propios fondos de desarrollo y están destinando cantidades significativas para invertir en las compañías situadas dentro de sus límites.

La Iniciativa por la investigación de la Innovación de la Pequeña Empresa (SBIRI) establecida en el 2005 es el nuevo esquema puesto en marcha por el Departamento de la Biotecnología (DBT) para apoyar el esfuerzo hacia la asociación entre el sector público y el privado en el país. El esquema cubre todas las áreas en biotecnología relacionadas con el cuidado médico, agricultura, los procesos industriales y los dispositivos y los instrumentos de la biotecnología ambiental y la biomedicina.

La Iniciativa India de la Dirección de la Tecnología del Nuevo Milenio (NMITLI) es el esfuerzo más grande de la asociación entre el sector público y el privado



emprendido por el gobierno de la India. En los seis años de su existencia el programa ha desarrollado 42 proyectos de la I&D abarcando áreas diversas y con la participación de 287 socios (222 en el sector público y 65 en el sector privado) con un gasto estimado de 3000 millones de rupias.

Conclusión

La India está emergiendo como eje para I&D colaborativos y externalizados. Muchas compañías globales están enfrentando una crisis de valores a medida que intentan sostener un modelo comercial basado en altos costes de fabricación, I&D, comercialización y ventas, escrutinio regulator cada vez mayor y presiones de reembolso.

El ambiente propicio para la innovación en la India y un gobierno dinámico que está haciendo todo lo posible para promover este sector, ha formado un efecto espiral único.

Las compañías indias necesitarán hacer la transición hacia empresas dirigidas por la I&D y necesitarán encontrar soluciones creativas alrededor de desafíos tales como Capital de riesgo escaso y de mercados indiferentes para prosperar a largo plazo.

Las compañías indias necesitan encontrar maneras de lograr un equilibrio razonable entre las altas inversiones en la innovación para ayudar a dirigir el crecimiento futuro, mientras siguen generando crecimientos de ingresos a corto plazo, para poder participar en el mercado de riesgo elevado del desarrollo de medicamentos. Esto daría lugar a proyectos de mayor colaboración en el descubrimiento y desarrollo de medicamentos con compañías innovadoras a través de la cadena de valores. ■

La India está preparada para ofrecer offshore los servicios de patentes

Una unidad offshore de servicio de patentes precisa de habilidades y maestría específicas al campo, conveniencia infraestructural, compatibilidad cultural, una estructura establecida de propiedad intelectual en un país y un acuerdo contractual provechoso para ambas partes.

La gama entera de trabajo se relaciona con la propiedad intelectual (PI) e incluye actividades que van desde la preparación de solicitudes de patente hasta la comercialización de la PI. La PI actualmente representa más de 45 por ciento del mercado de la externalización de procesos legales (LPO) y se espera que encabezará el crecimiento en este sector en los próximos tres a cinco años. Los servicios de asistencia del PI offshore incluyen servicios como por ejemplo:

- a. Las búsquedas de la literatura y las búsquedas del arte anterior, es decir, búsquedas para la literatura relacionada a la patente y de la que no está relacionada a la patente en las bases de datos propietarias y no-propietarias.
- b. El análisis de carteras de la patente y los servicios de Landscaping incluyendo el análisis del traslape y la creación de las cartas de demanda, modelado de la valuación y la inteligencia competitiva.
- c. Los servicios de corrección de pruebas y registración de patentes - los servicios paralegales de la patente.
- d. Elaboración de las solicitudes de patente, accesos técnicos y ayuda con el procesamiento la escritura de un bosquejo preliminar de una solicitud de patente, ayuda con enmiendas y elaboración de los accesos técnicos completos para la conversión rápida en solicitudes de patentes.

La confidencialidad es otra parte importante. Una infidencia no sólo viola las reglas de la conducta profesional sino también puede ser la base de la responsabilidad del agraviado.

Un informe reciente por la compañía de investigación ValueNotes, con sede en Pune reveló que:

- Los ingresos provenientes de los servicios offshore de la patente a la India se estiman ser \$46 millones por el año 2007-08.
- Se espera que los ingresos indios crezcan en el 35 por ciento por año por los cinco años próximos.
- Se espera que la industria alcance ingresos de \$206 millones antes de fin de 2012.
- El valor actual del mercado de los servicios offshore de

la patente se estima en \$2.2 mil millones

- Hay alrededor 50 vendedores de la India que ofrecen servicios de patentes desde finales de 2007. El número de gente total empleada en esta industria era 1.550 en fecha de finales de 2007 y se espera que alcance 6.950 para el final de 2012.
- Las compañías del origen norteamericano son el segmento más grande de la clientela para los vendedores indios, representando aproximadamente un 60 por ciento del trabajo enviado a la India.
- Los jugadores multiservicios establecidos (que ofrecen otros servicios jurídicos) se dispersarán por la cadena de valores y ensancharán el abanico de servicios ofrecidos.
- Los vendedores multiservicios constituyen el 86 por ciento de la industria de servicios de la patente en la India.

La industria es sumamente fragmentada con unos pocos jugadores grandes y varios jugadores más pequeños. Hay más de 600 agentes de patente registrados con la Oficina India de Patentes en la India y cerca de 300 profesionales de la propiedad intelectual que no están registrados. Cerca de una mitad de estos 900 profesionales proporciona actualmente los servicios de la patente a los clientes europeos y americanos, y este número es probable que doble a 1.800-2.000 antes de 2010.

El crecimiento en el mercado mundial de la externalización de la patente es debido a offshoring creciente de la actividad de Investigación y Desarrollo (I&D), carencia de la mano de obra y el impacto de la Ley de la Reforma de la Patente de los E.E.U.U. de 2007.

La industria de offshoring de los servicios de la patente en la India se puede clasificar ampliamente en tres grupos - cautivos, abastecedores multiservicios de tercera persona y proveedores de servicios puros de la patente de tercera persona. Por lo general, los jugadores grandes ofrecen servicios de alto valor y los jugadores más pequeños ofrecen servicios en grandes cantidades y de poco valor.

Las corporaciones grandes externalizan grandes partes de su proceso de elaboración de la patente tales como búsqueda del arte anterior, ilustración de la patente, corrección de patentes e incluso la elaboración de la patente en algunos casos. Sin embargo, muy pocas compañías externalizan servicios tales como informes del paisaje y informes de inteligencia competitiva.

Las firmas indias procesan solicitudes de patente y las

archivan en los costes de hasta sólo \$4.000, mientras que los costes comparativos en los E.E.U.U. podrían ser alrededor \$15.000 y \$25.000.

En 2007 más de 1.8 millones de solicitudes de patente fueron archivados por todo el mundo.

Los costes de archivarlas estaban entre \$30 mil millones a \$32 mil millones. Las firmas pueden ahorrar cerca de un 40 por ciento en costes al offshore a las casi 50 compañías especialistas en la India. Los cinco vendedores más grandes en esta industria son Evalueserve, Pangea3, CPA Global, Lexadigm y Clairvortex. Algunos de los jugadores más prestigiosos son IP PRO, Patent Metrix, Mindcrest y Quislex.

Según el consejo de BPO de las Cámaras de Industria y Comercio Asociadas (ASSOCHAM), sólo más de 200 compañías más grandes de los E.E.U.U. están buscando localizaciones offshore para la realización del ahorro de 30-70 por ciento.

La propiedad intelectual total, especialmente en la industria de la externalización de patentes, puede

emplear a cerca de 5.000-10.000 personas en los próximos años. Brainleague, que surgió del Instituto Indio de Empresariales, Bangalore (IIM-B), elaboró cerca de 75 solicitudes de patente el año pasado y también entrenó sobre 4.500 personas en temas relacionados a IP por todo el país.

Las oficinas de patentes emergerán como un nuevo segmento de clientes con oportunidades significativas de offshoring. En la oficina de patentes de los E.E.U.U. solamente, hay cerca de 50.000 solicitudes en trámite y podrían tardar de tres a cinco años para examinarlas.

Según Arun Jethmalani, CEO, ValueNotes, "Los vendedores establecidos conocedores de los servicios de alto valor querrán completar su arsenal de ofrendas para atraer más negocio de sus clientes existentes. Querrán ofrecer soluciones de punta a punta."

Los temas relacionados a IP requieren habilidades sumamente especializadas y la India estaría logrando madurez en la gestión de estos temas de IPR durante los tres años próximos. ■

Buenas Prácticas de Fabricación una actitud y una inversión para mejor rendimiento mañana

Las compañías farmacéuticas indias están abrazando agresivamente los estándares fijados por autoridades reguladoras de medicamentos a través del mundo. Aunque la buena práctica de fabricación o BPF (Good Manufacturing Practice - GMP) es legal y un requisito regulador, su importancia verdadera consiste en la protección de la salud de los usuarios del producto y asegurar su confianza en los productos manufacturados por la industria farmacéutica. La calidad se debe incorporar al producto y únicamente las pruebas no pueden asegurar su calidad.

Las buenas prácticas de fabricación (BPFs) en la fabricación de productos farmacéuticos son esas prácticas que aseguran la fabricación continua de productos habiendo establecido previamente los parámetros de calidad. Las buenas prácticas de fabricación o BPFs constituyen un sistema de controles, códigos, y pautas para la fabricación de medicamentos, aparatos médicos, productos de diagnóstico, productos alimenticios e ingredientes farmacéuticos activos (active pharmaceutical ingredients-APIs). Las buenas prácticas de fabricación se refieren tanto a la producción como al control de calidad.

Hoy, cuando la industria farmacéutica india está mirando hacia los mercados mundiales para su

crecimiento por medio de negocio internacional, la conformidad a las normas de calidad es necesaria. La certificación de las buenas prácticas de fabricación (BPFs) permitirá a las compañías conseguir una aprobación rápida de la FDA estadounidense pues la conformidad del GMP asegurará que los medicamentos son manufacturados teniendo presente el aspecto de la calidad.

La industria farmacéutica india echó raíces alrededor de 1900 y se centró principalmente en formulaciones. La Ley y Normas de Medicamentos y Cosméticos entraron en vigor en 1945. Hasta los años 70, la industria farmacéutica india fabricaba sobre todo formulaciones con muy pocos medicamentos a granel/ingredientes farmacéuticos activos. Después de 1975, ocurrió un crecimiento importante en la industria cuando muchas compañías farmacéuticas indias se incorporaron a la fabricación de medicamentos a granel y de tal modo, al mercado internacional.

Después de casi cinco décadas se efectuaron cambios positivos en la Ley de Medicamentos y Cosméticos, 1945. Éstos eran:

- Alrededor del año 2000, la introducción del Programa M revisado incorporó los detalles de los requisitos según la BPF para las instalaciones y el equipo

de la fabricación de productos farmacéuticos

- El Programa T introdujo el requisito de la BPF para las instalaciones y el equipo de los productos farmacéuticos de la medicina Ayurvedic y de Unani.
- El Programa U indicó que los detalles debían ser demostrados en la fabricación de productos farmacéuticos en sus expedientes
- El Programa V introdujo los estándares de patentes y de medicinas propietarias, y declaró las dosificaciones las medicinas /las vitaminas terapéuticas y profilácticas.

Al introducir las BPFs es recomendable analizar al principio la proporción de costes y beneficios de la inversión contra el rendimiento. Haga un plan de los productos que se fabricarán y entienda y ejecute correctamente las pautas de las BPF de la FDA, tome el consejo de la gente apropiada que son expertos en la materia, designa al personal calificado y con experiencia para realizar diversas actividades. Finalmente, la BPF se debe asumir como una actitud. Es una inversión que, si se hace correctamente, rendirá buenos resultados mañana.

El Programa M de la Ley de Medicamentos y Cosméticos de 1940 con respecto a las BPFs y los requisitos de local, instalación y el equipo para la fabricación de productos farmacéuticos es bastante exhaustivo. Abarca muchos aspectos relacionados a los requisitos generales de las instalaciones por ejemplo, la ubicación/los alrededores, el edificio/el local, circuito de agua, área de almacenaje, área de la producción, área ancilar, y área del control de calidad.

El Programa M también abarca aspectos referentes a las plantas tales como personal, salud, ropa e higiene, fabricación, las operaciones y los controles, saneamiento del local de la fabricación, las materias primas, equipo, documentación y los expedientes.

También fija requisitos referentes al equipo y empaquetado tal como etiquetas y otro material impreso, garantía de calidad, intervención de la autoinspección y de calidad, sistema del control de calidad, especificaciones, expediente principal de la fórmula, expedientes de empaquetado, expediente de empaquetado por lote, expediente del procesamiento por lotes, procedimientos estándares de funcionamiento y expedientes, muestras de referencia, nuevo tratamiento y recuperaciones, expedientes de la distribución, validación y validación del proceso, retiradas de producto, quejas y reacciones adversas, y el archivo principal del local.

Varias de las autoridades estatales de control de medicamentos en el país están actualmente en las etapas finales de la puesta en práctica del Programa M

revisado. Por ejemplo, Maharashtra, uno de los ejes farmacéuticos principales con alrededor de 1007 unidades farmacéuticas, incluyendo líderes farmacéuticos domésticos como Cipla Ltd, Sun Pharmaceuticals Ltd, Wockhardt, Glenmark, aparte de varias compañías multinacionales como Pfizer, Wyeth y GlaxoSmithkline, ha anunciado una conformidad con las BPF del 73 por ciento, es decir, 622 unidades en el estado hasta el mayo de 2008. Sin embargo, algunos estados tales como Gujarat han anunciado conformidad total con la BPF de cien por ciento.

Hay más de 200 unidades farmacéuticas en Karnataka y todas han manejado alcanzar la certificación de la BPF. Hay seis compañías enumeradas en el estado - Strides Arcolab, Bal Pharma, Anglo French, AstraZeneca Pharma India, Biocon y Shipa Medicare.

El beneficio neto es un proceso de desarrollo de negocios de dos vías. Primero, las corporaciones indias están estableciendo instalaciones para abastecer a sus mercados globales. Obviamente, éstas deben ser dignas de ser aprobadas por las agencias reguladoras globales tales como la FDA norteamericana y la Unión Europea (UE) etc. En segundo lugar, las multinacionales principales están estableciendo instalaciones en la India para cosechar las mismas ventajas del coste para ser competitivas a las corporaciones indias en sus propios mercados.

Aparte de esto, hay el atractivo del mercado grande que abre para ellos debido al régimen de la patente del producto. Sandoz, GSK y muchas otras compañías que realizan la investigación son ejemplos apropiados.

La industria farmacéutica india está creciendo a una tasa de 10 por ciento contra el crecimiento global del 7,0 por ciento. Al mismo tiempo, la amenaza de medicamentos falsos también está aumentando a un ritmo alarmante, para no olvidar la competición de países tales como China. Todo el esto hace muy esencial no sólo introducir, sino también inculcar el sistema de la BPF. El coste de inversión inicial estará allí, pero en la puesta en práctica y el seguimiento acertados de la BPF las ventajas son muchas por ej. aumento de la productividad, reducción en despilfarros, aumento en la producción, alta moral del personal/de trabajo, mejores condiciones de trabajo, una mejor imagen de la compañía.

La India está en el proceso de construir la capacidad de la industria para las exportaciones a los mercados regulados. Así, la industria farmacéutica india tiene que actualizarse en todos los aspectos de la BPF para tener presencia continua en el mercado global y para cumplir con las demandas cada vez mayores de una industria dinámica y empujada por la tecnología. ■