

INDO - LAC BUSINESS

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July-September 2010

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



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Moments*

4th CII India-Latin America and Caribbean (LAC) Conclave: Enhancing Business Partnerships

29-30 April 2010 : New Delhi



Diversified Trade Key to Tapping LAC Markets

Enhancing Business Partnerships

29-30 April 2010 : New Delhi





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Mr Amit Mittal (Founder-MD)



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

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Printed & Published by

Satya Swaroop and printed at
Jayant Printery 352/54, Girgaum Road,
Thakurdwar, Mumbai 400002 and
published from New Media House,
1 Akbar Villa, Near Old State Bank,
Marol-Maroshi Road, Andheri (East),
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.

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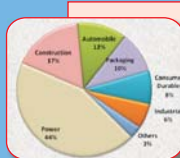
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Dear Reader,

Greetings. In recent years, the Latin America and Caribbean (LAC) region has emerged as a potential market for Indian exports. This aspect was highlighted at the recent 4th CII India-Latin America and Caribbean Conclave held in New Delhi, where Minister of State for Commerce Jyotiraditya Scindia stressed the need for further diversifying India's exports to South American countries to fully exploit the region's potential. The cover story of the current issue of Indo-LAC Business details the proceedings of the Conclave, where business deals worth an estimated \$10 billion were discussed. Most countries in the LAC region have fared well in combating recession and restoring normal pace of their economic growth. In fact, the International Monetary Fund (IMF) has openly lauded Brazil and Peru as the role models that other nations should emulate in this regard. In the focus section of the magazine, we reproduce the full text of the speech delivered recently by IMF Managing Director Dominique Strauss-Kahn at a meeting of the LAC Finance Ministers, held in Lima, capital of Peru. The issue features two important studies by the Export-Import Bank of India (Exim Bank). The first asserts that India will continue to be an important global hub of the IT industry in the years to come. In the second study, Exim Bank stresses the need for the Indian aluminium industry to develop new products in order to compete globally. Brazil is one of the LAC countries that has managed its economy well in the face of recession. The IMF Executive Board, which concluded consultations with Brazil recently, has pointed out that Brazil had recovered from the global crisis sooner and faster than most other economies, and had already registered a full year of strong growth. We carry the IMF assessment in our features section. There is a nice feature by Ambassador R. Viswanathan on his dilemma about being loyal to Argentina's two fiercely fighting rival football teams at the same time. We carry a write-up on the Mexican economy which is on the path of recovery, led by a rebound in export-oriented manufacturing as demand picked up in the US, the country's main export market. India has extended full support to Mexico, which is hosting a global Climate Change meet and indicated accordingly to the visiting Mexican Foreign Minister Ms. Patricia Espinosa Cantellano. We carry a report. There is a scintillating feature on Mexican tourism, which presents a mesmerizing land of magic moments. The issue carries the Spanish section as usual besides other regular features.

Wish you happy reading

Satya Swaroop
Managing Editor
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Partner in your Global Endeavours.



Bank's Major Initiatives

- Export Credits
- Finance for Export-oriented Units
- Overseas Investment Finance
- Lines of Credit
- SME & Agri Finance
- Support for Grassroot Enterprises
- Export Services

Products and Services

- Export Marketing
- Pre-shipment
- Post-shipment
- Investment Abroad
- Advisory Services
- Import Finance
- Export Product Development
- Export Production

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\$10bn Worth Projects Figure at 4th India-LAC Conclave

India Must Diversify Exports to Fully Tap LAC Markets

- Jyotiraditya Scindia



Jyotiraditya Scindia, Minister of State for Commerce and Industry, addressing the conference

Address the inaugural session of the two-day 4th India-Latin America and Caribbean Conclave, organized by the Confederation of Indian Industry

India should look to diversify its geographical reach and export product portfolio in the promising Latin America and Caribbean (LAC) markets whose true potentials have not been fully tapped by India so far, India's Minister of State for Commerce and Industry Jyotiraditya Scindia has said.

(CII) in New Delhi recently, Scindia pointed out that the emerging markets such as the LAC region are growing at a healthy 4.0 percent compared with 0.5 percent in the developed markets,

Even within the LAC region, the bulk of the Indian exports go to Brazil while several other major LAC countries like Mexico, Argentina, Peru, Chile and Uruguay account for only a fraction of their total Indian imports, the Minister added.



Ninad Karpe, CEO and Managing Director, Aptech Ltd, India; Fabio Fischer de Aguiar Board Vice President, TCI BPO S/A, Brazil; Ameet Nivsarkar Vice President - Global Trade Development, NASSCOM, India; Francisco Cabrera, Minister of Economic Development, Government of Buenos Aires, Argentina at the 4th CII INDIA-LATIN AMERICA AND CARIBBEAN CONCLAVE - Enhancing Business Partnerships at New Delhi.

Scindia said that geographical diversification apart, India's LAC export basket too needs to be broadened. As of now, light engineering, pharmaceuticals and mineral products account for the bulk of Indian exports to the region, but they do not represent the strengths and capabilities of the Indian economy in its entirety.

The Minister said that energy cooperation is a key sub-set of the overall India-LAC economic cooperation. In this, biofuels promotion has a key role. He referred to the case of Brazil which has successfully developed and promoted bio-fuels for widespread domestic use.

Scindia also said that the LAC region, in particular the Mercosur countries, are poised to become global agriculture outsourcing hubs, opening up fresh opportunities for Indian farm companies to enter into JVs with local players in the region, or even consider mergers and acquisitions (M&As) there.

India is a big potential market for agro-processed foods made in the LAC countries, Scindia said, adding that Brazil in particular is seemingly focused on tapping this opportunity although the logistics challenges are there to be tackled.

The Minister made a special mention of the potential of India-LAC cooperation in tourism and said that this industry will not only bring economic value but will promote better cultural understanding between the two regions.

Scindia concluded by saying that that Indian technology and Latin American natural and social capital make a great fit. There is also great cultural compatibility between the people of the two regions which makes joint ventures and M&As sustainable



Francisco Cabrera, Minister of Economic Development, Government of Buenos Aires, Argentina addressing the conference.

business propositions.

Earlier, Ms Liliana Perez, Secretary General, Ministry of Foreign Affairs, Republic of Colombia, in her address said that the Colombian Government is holding advanced talks with India with respect to signing a Double Taxation Agreement which will provide further impetus for India-Colombia economic relations.

Ms Perez talked about the need for a free trade agreement as well, and added that tourism would be a key potential area for both countries to forge partnerships.

CII LAC Committee Co-Chairman and Senior President of the Aditya Birla Group Shubhendu Amitabh set the tone for the Conclave with his opening remarks, saying that the CII India-LAC Conclaves have



Ms Liliana Perez Uribe, Secretary General, Ministry of Foreign Affairs, Republic of Colombia, addressing the conference

played a catalytic role in cementing many significant project partnerships and joint ventures between businesses in the two regions.

Amitabh said that over 200 participants, representing the Indian and LAC ministries and government departments, business groups, financial institutions and social organizations, had engaged in interactive discussions at the Conclave and projects worth over US\$10 billion were discussed. Also, proposals for M&As with total estimated value of \$283 million were discussed, covering sectors such as IT/ITeS, healthcare, biotech, agri-business, forestry, auto and steel industries.

Amitabh observed that the dynamism in the bilateral engagements is also predicated to the changing global economic order. Earlier, when people talked about an emerging global economic order, the underlying thought was that the power equations would gradually flatten as the developing world aligned itself with the architecture built by the North countries. But, recent events have completely belied this script. The leading lights of the developing world including India has staked claim for global leadership roles, both in the political and economic spheres.

Argentina Invites Indian Investment in IT, Infrastructure

Argentina is creating a mini-Bangalore in the southern part of the capital city of Buenos Aires. Stating this in his special address at the valedictory session of the 4th CII India-Latin America and Caribbean (LAC) Conclave organized recently in New Delhi, Mauricio Macri, Head of Government of Buenos Aires, Argentina, said that Indian IT major TCS was the first company to set up operations in this area. He acknowledged the significant

advances that the Indian IT and ITeS industry has made globally and invited more Indian firms to invest in Argentina.

Macri also pointed to Argentina's comparative strengths in agriculture and urged Indian firms to invest in the South American country. He added that physical infrastructure development holds the key to Argentina's growth process. With fresh investments in this domain, Argentina would be able to triple its industrial and agricultural output and exports. He invited Indian infrastructure companies to consider participating in Argentina's infrastructure projects.

He also focused attention on the opportunity for bilateral cooperation in tourism, which will again increase with better infrastructural support. "Come to Argentina and look for the opportunities," he told the Conclave delegates.

Earlier, CII LAC Committee Co-Chairman Shubhendu Amitabh said in his opening remarks that the next CII India-Latin America and Caribbean (LAC) Conclave, 5th in the series, will be organized on 24 and 25 February 2011. The venue and location of the Conclave will be decided soon.

CII LAC Committee Member and Dynamic Logistics Executive Director Praful Talera presented the Conclave recommendations.

Monica Socolovsky, an Argentine fashion designer and entrepreneur, who has popularized the Indian hand embroideries and materials in her designs for the last 30 years, was felicitated at the event. ■



(L-R) Shubhendu Amitabh, Co-Chairman, CII LAC Committee;
Jyotiraditya Scindia, Ms Liliana Perez Uribe,

LatAm Finance Ministers' Meet

Global Co-operation Key to Economic Recovery



Most countries in the Latin America and Caribbean (LAC) region have fared well in combating recession and restoring normal pace of their economic growth. In fact, the International Monetary Fund (IMF) has openly lauded Brazil and Peru as the role models that other nations should emulate in this regard. Following is the full text of the speech delivered recently by International Monetary Fund Managing Director Dominique Strauss-Kahn at a meeting of the Finance Ministers of Latin America and the Caribbean held in Lima, the capital of Peru.

The global economy has come a long way since the onset of the global financial crisis. As we all know, the crisis erupted in the US housing market and soon engulfed the whole world. Especially after the collapse of Lehman Brothers, economic activity all over the world began to tumble at a dizzying rate and a second Great Depression became a very real possibility.

But it hasn't happened. Instead, thanks to a bold and rapid policy response by policymakers all over the world, delivered in an atmosphere of unprecedented policy cooperation, global economic activity is rising again. And as the world emerges from crisis, a key lesson is that global recovery comes from global cooperation. This will be the great legacy of these troubled times.

This spirit of solidarity must be sustained as the post-crisis world takes shape. Indeed, tackling the complex and daunting challenges of the post-crisis era will require even more cooperation than before. And as recent events in Europe remind us, the dark clouds have not yet passed. What happens in one country can easily reverberate across borders, often at lightning speed. There can be no going it alone.

Global and Regional Outlook

The global recovery is proceeding, although at different speeds. We now expect global growth to hit 4.25 percent in 2010 and 2011, faster than previously expected. But it is still fragile. And markets have been unsettled by the significant fiscal consolidation challenges faced by some countries. The world is still a dangerous place, as downside risks still dominate and tail risks remain ever-present. Events in Europe only reinforce this message.

In the advanced economies, the recovery is lukewarm, given high unemployment, lasting damage to banking systems, and weak financial positions of households. Here, the recovery will be more sluggish than in the past, as repairing the

damage will take time.

The situation is markedly different in emerging markets. Here, the recovery is far more robust, reflecting strong internal demand and the rebound in global trade. Of course, the countries that did not make policy mistakes - such as those in Asia or Latin America - are ahead of the recovery curve, while others such as some in emerging Europe - lag further behind.

The effect of the crisis on Latin America and the Caribbean region has been uneven. Countries that followed sound policies, like Peru, fared rather well - better than countries in other regions and better than in the past. On the other hand, countries in Central America took longer to recover and the tourism-dependent Caribbean countries are still suffering.

Good performance was generally associated with a good starting position. These countries did not make the mistakes of many advanced countries by going on a debt-fueled spending binge or using complex financial engineering to magnify risk. Rather, they learned from past mistakes, and embraced cautious and prudent macroeconomic policies.

Here, when the storm arrived, the levies were firmly in place. Countries had saved for a rainy day, so they could use fiscal policy to cushion the downturn and support employment. Indeed, for the first time in history, many countries in the region were able to implement countercyclical monetary and fiscal policies. They also benefited from flexible exchange rates, significant international reserve buffers, and a more credible monetary policy than before. And because banking systems and corporate sectors were generally healthy, the region did not have a financial crisis of its own. Peru provides a perfect example of strong fundamentals and proactive policies preserving gains in growth, employment, and poverty reduction.

The recovery is so strong in these countries that they face challenges associated with strong capital inflows and overheating. In some ways, they are a victim of their own success.

Policy Challenges

Let me now turn to key policy challenges for Latin America and the Caribbean in particular.

Let me start with the issue of removing macroeconomic stimulus as the recovery proceeds. This will be a delicate balancing act - exit too soon, and you could kill the recovery, exit too late, and you may sow the seeds of the next crisis.

Right now, the key priority must be to reduce sovereign vulnerabilities, especially in advanced economies. In these countries, public debt is expected to reach a staggering 120 percent of GDP by 2015 about 40 percentage points above pre-crisis levels. Most of this comes from the recession itself, from falling revenues, and not from discretionary stimulus. But if untreated, concerns about fiscal sustainability can undermine the recovery and jeopardize financial stability. What should be done? Policymakers should implement the fiscal stimulus planned for 2010 fully, except in countries facing financing pressures. And if the recovery proceeds as expected, most advanced economies should start adjusting in 2011. Entitlement reforms that do not affect demand can be implemented sooner.

In emerging markets, including in Latin America and the Caribbean, the concerns are a bit different. With the recovery more advanced, a natural starting point would be to remove temporary fiscal stimulus. Fiscal correction can take some heat off monetary tightening, which in turn can dampen excessive capital inflows.

What about monetary policy? At least in the major advanced economies, monetary tightening can take a back seat to fiscal adjustment, especially since inflation expectations remain low and well anchored. But in economies ahead of the recovery curve - including in emerging markets - overheating risks have increased, signaling the need for more timely action.

The second key issue - of direct relevance to this region - is the challenge of rebounding capital inflows. Countries with strong fundamentals, like Peru and others in the region, will likely receive large and sustained capital inflows over the coming years. The challenge will be to absorb these flows effectively and avoid the build-up of vulnerabilities. Any policy response must be pragmatic. A range of tools can be deployed, including exchange rate appreciation, reserve accumulation, tighter fiscal policy, and macro-prudential measures. Capital controls can sometimes play a role too, but should

not be used to avoid needed adjustment.

The third challenge relates to social issues. As unemployment stays high, an economic crisis can quickly turn into a social crisis. Specific labor market policies can help limit the damage - adequate unemployment benefits can support confidence, protect household incomes, and avoid increases in poverty. Education and training programs can also help.

During this recession, many countries preserved basic social spending and social safety nets. This is something the IMF pushed for in country programs. I think this was incredibly important. Not only did it protect the most vulnerable from the ravages of the crisis, but it also contributed to social and political stability.

Here, in the Latin American and Caribbean region, countries like Peru have made immense social progress over the past decade or so, reducing poverty to a historic low and bringing down inequality. In Peru, for example, the incidence of poverty fell from 55 percent in 2000 to 36 percent in 2008. This is a remarkable achievement. In the past, big external shocks had dramatic social consequences. It took the region a quarter century to undo the jump in poverty that followed the 1980s debt crisis. But this time was different, because countries allocated funds to social policies, and social safety nets provided a crucial lifeline.

Historically, inequality has been a Latin American curse. Not only did it prevent large swaths of the population from sharing in income gains, but it also contributed to widespread social and political instability - which in turn hurt economic prospects. But today, all over the region, the tide is turning. A number of countries still have some way to go. In many, inequality remains high, and there is a need to spend more on education and healthcare. This complements and supports macroeconomic stability.

Conclusion

To conclude, I would like to leave you with a few thoughts.

First, we need more international cooperation than ever before. The challenges are becoming more complex, the world is becoming smaller, and centers of growth are becoming more diverse. But for this to

happen, global governance must become more representative. The more representative, the more legitimate, and the more legitimate, the more effective. The coordination shown by the G-20 during the crisis was a huge step forward. And while the G-20 is more representative than seen before, it still leaves many countries out.

Second, I believe the IMF can play an important role in harnessing global cooperation, emphasizing the public good of global financial stability. We are now reforming our governance structure to enhance the voice of emerging markets and developing countries. During the crisis, our response was fast and flexible - we dramatically stepped up lending, we revamped our crisis prevention toolkit with the Flexible Credit Line, and we streamlined conditionality. We want to listen to our members, including in this region, and to continue adapting to meet their needs. But our members also need to commit to collaboration and to putting the global interest first. Our recent partnership with Europe represents a new mode of cooperation that I hope can provide a precedent for how we might work with other regions -including here in Latin America. Let me note, though, that IMF lending in Europe works just like it would in any part of the world we do not play favorites.

Third, the economic strategy chosen by countries in this region was vindicated by the crisis. You were right, and others were wrong. The lesson here is that this commitment to macroeconomic stability must be defended, and buffers rebuilt, so that the region can be ready for any future economic dislocation.

And finally, social progress must always go hand-in-hand with macroeconomic stability. Growth must benefit the many, not just the few, and social safety nets must provide needed economic security. The twinning of macroeconomic stability with social progress is a sure recipe for success. It augurs a new era for Latin America and the Caribbean, in which strong growth can raise the living standards of all, shifting the region to a virtuous cycle of prosperity and stability.

Statement by an IMF Mission to Paraguay

Robert Rennhack, Chief of a IMF mission to Paraguay, issued the following statement today in Asunción:

"The IMF mission that visited Asunción wishes to thank the authorities for friendly, open and fruitful

discussions, and for help in organizing very useful meetings with entrepreneurs, bankers, and donors. In all these, we have confirmed that the economic team has bolstered its credibility significantly by maintaining macroeconomic stability in the face of the challenges of severe drought and the global financial crisis in 2009.

“While real GDP fell by 3.8 percent in 2009, monetary and fiscal policy shifted to a countercyclical stance aided by the real effective depreciation of the Guaraní that helped limit the fall in domestic demand. In spite of the policy stimulus, inflation eased to 1.9 percent during the year. At the same time, the government employed a countercyclical spending policy through a substantial increase in public investment (which grew by 67 percent in nominal terms) and in conditional cash transfers, without curtailing other spending categories. In spite of this significant increase of public expenditures, the fiscal balance closed with a surplus of 0.1 percent of GDP, thanks to an increase in tax collection by 6.4 percent as compared to 2008. As a result, public debt remained low at 23 percent of GDP, while the quality of bank supervision strengthened further.

“The external current account deficit declined in 2009, and net capital inflows rose, as residents repatriated funds held abroad an important signal of confidence. This allowed the central bank to gain about US\$ 1 billion in net international reserves, which reached US\$3.8 billion (25 percent of GDP) by end-2009. This reserve cushion helps safeguard the country from the effects of external shocks and enhances the credibility of macroeconomic policies.

“The macroeconomic policies and a supportive external environment will help the economy rebound in 2010, with real GDP expected to grow by 6.0 percent. Favorable weather conditions will help produce a record harvest in soy and other agricultural products, which - together with renewed growth in key trading partners - will produce a healthy recovery in exports and - through the agriculture sector's links with the rest of the economy - promote a recovery in private investment. With the recovery in domestic demand and higher international commodity prices, inflation is projected to rise to 5.0 percent in 2010 and to decrease to lower levels in the medium term, while

the external current account deficit would rise moderately in relation to GDP. At the same time, with continued net capital inflows, net international reserves could rise to US\$4.1 billion. Demand policies will support the economic recovery in 2010. Monetary policy will manage liquidity to keep inflation in line with the central bank's 5.0 percent goal.

“For 2010, tax revenues are expected to rise in nominal terms. If the personal income tax is implemented, with a required declaration of assets, this will help improve tax collection, formalize the economy, and strengthen tax administration. The government should, however, maintain fiscal discipline by setting clear spending priorities and by phasing in spending increases during the current and the next budget year in a gradual manner, consistent with the performance of revenues, and to ensure continued fiscal sustainability, which is at the core of macroeconomic equilibrium.

“The mission encouraged the government to press ahead with its agenda of institutional reforms to provide an even firmer anchor for confidence and sustain vigorous economic growth. These reforms would include the development of a medium-term framework for fiscal policy, further efforts to strengthen tax administration and broaden the tax base, a more strategic focus for public enterprise reform, the gradual adoption of inflation targeting by the central bank, and further progress to improve financial supervision. As always the Fund stands ready to provide technical assistance in these areas and wishes the government every success in these endeavors.” ■

India Will Continue to be Global Outsourcing Hub for IT Services

- Exim Bank Study

The Indian IT industry, which has emerged as the pride of the national economy in recent years, will continue to contribute a major chunk of the country's foreign exchange earnings, says a study by the Export Import Bank of India (Exim Bank), quoting NASSCOM figures and estimates for the future. The study also says that India is expected to assert its dominating position as the global outsourcing hub for IT-enabled software and services.

The Indian IT industry can be segregated into four main components:

- IT Services
- ITES-BPO
- Software products and engineering services
- Hardware

According to estimates released by NASSCOM, Indian IT-BPO grew by 12 percent in 2008-09 to reach US\$71.6 billion in aggregate revenue. Software and services exports (includes exports of IT services, ITES-BPO, software products and engineering services) reached US\$47 billion, contributing nearly 66 percent to the overall IT industry revenue. IT industry exports (including hardware exports) reached US\$47.3 billion in 2008-09 as against US\$40.9 billion in 2007-08, a growth of 16 percent. Contributing 66 percent to the overall revenue, exports remained the mainstay of the Indian IT-BPO growth story. Software and services exports, accounting for over 99 percent of the total exports directly employed over 1.7 million professionals in 2008-09. IT services contributed 57

percent to total exports to reach US\$26.9 billion in 2008-09. BPO services exports, up by 17 percent, was the fastest growing segment across software and services exports driven by scale as well as scope. BPO service portfolio was strengthened by vertical specialization and global delivery capabilities. Complementing the strong growth in IT services and BPO exports was the continued growth across software product development and engineering services, which also reflected India's increasing role in global technology IP creation. Export revenues from these relatively high-value-added services such as engineering and R&D, offshore product development and made-in-India software products grew at 15 percent, and clocked US\$7.3 billion in 2008-09.

Domestic IT market (including hardware) reached US\$24.3 billion in 2008-09 as against US\$23.2 billion in 2007-08, a growth of 4.7 percent. Hardware grew at 2.6 percent; software and services spending supported by increasing adoption, grew by almost 4.5 percent. The performance of the Indian IT sector is given in Table: 2.

According to the estimates released by NASSCOM, export revenues for the Indian IT-BPO services industry are expected to record a growth of 5.5 percent, to reach US\$49.7 billion in 2009-10. The growth was led by domestic market buoyed by increased Government spending in IT.

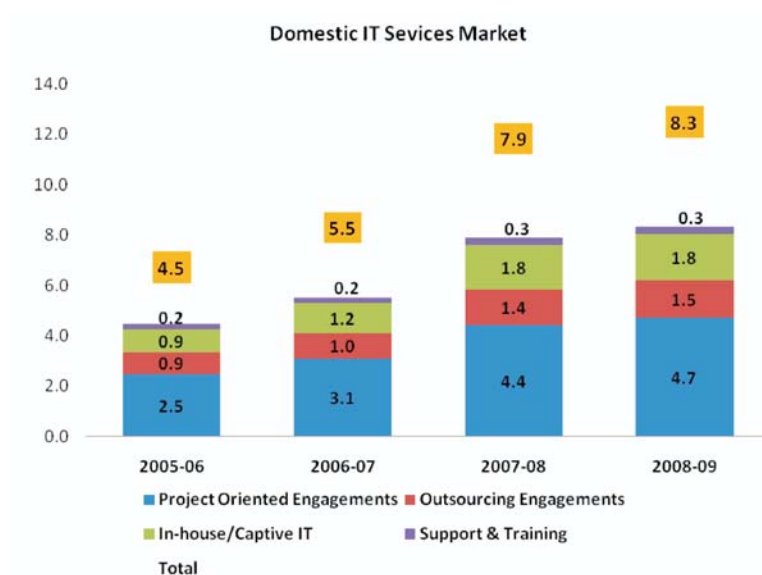
(Table: 1)

Exhibit 3 shows the domestic IT services market.

Table: 1

Key highlights of the IT-BPO Services Industry in 2009-10		
Financial year	Exports (USD bn)	Domestic (INR bn)
FY 08-09	47.1	590
FY 09-10	49.7	662
FY 10-11 (outlook)	56-57	761-775
Source: NASSCOM		

Exhibit: 1



During 2008-09 the domestic revenue from IT services was US\$8.3 billion and the largest contributing segment for this growth was the project oriented engagements with a share of 57 percent of the total domestic revenue from IT services, followed by In-House/captive IT (22 percent), outsourcing engagements (18 percent) and support and training (3.0 percent) (Exhibit: 1)

The industry's export vertical market exposure is well diversified across several mature and emerging sectors. Banking, Financial Services and Insurance (BFSI) remained the largest vertical market for Indian IT services exports, followed by hi-tech/Telecom (20 percent), manufacturing (17 percent) and retail (8.0 percent) in 2007-08. Others sectors such as healthcare, airlines & transportation, construction & utilities accounted for 3.0 percent each in the IT

Table: 3

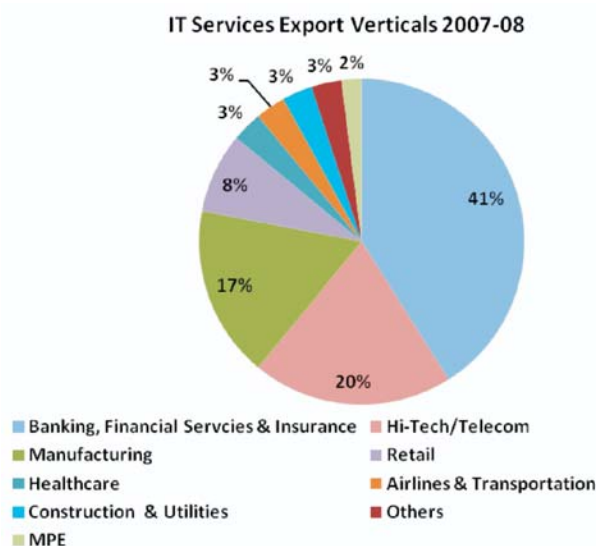
The Performance of the Indian IT sector

(US \$ Billion)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	% Growth in 2008-09 vs 2007-08	CAGR
Exports Revenue								
IT Services	7.3	10.0	13.3	17.9	23.1	26.9	16.5	29.8
ITES-BPO	3.1	4.6	6.3	8.4	10.9	12.8	17.4	32.8
Software products and engineering services	2.5	3.1	4.0	4.9	6.4	7.3	14.1	23.9
Total IT-BPO Services								
Export revenue	12.9	17.7	23.6	31.2	40.4	47.0	16.3	29.5
Hardware	0.5	0.5	0.6	0.5	0.5	0.3	-40.0	-9.7
Total IT Exports revenue (A)	13.4	18.2	24.2	31.7	40.9	47.3	15.6	28.7
Domestic Revenue								
IT Services	3.1	3.5	4.5	5.5	7.9	8.3	5.1	21.8
ITES-BPO	0.3	0.6	0.9	1.1	1.6	1.9	18.8	44.7
Software products and engineering services	0.5	0.7	1.3	1.6	2.2	2.3	4.5	35.7
Total IT-BPO Services								
Domestic revenue	3.9	4.8	6.7	8.2	11.7	12.5	6.8	26.2
Hardware	4.4	5.2	6.5	8.0	11.5	11.8	2.6	21.8
Total Domestic revenue (B)	8.3	10	13.2	16.2	23.2	24.3	4.7	24.0
Total IT Industry (A+B)	21.7	28.2	37.4	47.9	64.1	71.6	11.7	27.0

Source: NASSCOM

services exports. (Exhibit: 2)



Outlook

According to NASSCOM, direct employment in Indian IT-BPO crossed the 2.2 million mark, an increase of about 226,000 professionals over 2007-08; indirect job creation is estimated at about eight million. IT services (incl. engineering services, R&D, Software products) exports, BPO exports and Domestic IT industry provides direct employment to 947,000, 790,000 and 500,000 professionals respectively.

Broad-based growth across all the segments of IT services, BPO, software products and engineering services, is reinforcing India's leadership as the key sourcing location for a wide range of technology related services with Increasing traction in application management and widening service portfolios.

The performance of the industry in 2009-10 is far stronger than what is reflected through the growth numbers. The industry has reinvented itself by increasing its cost efficiencies, utilization rates, diversification into new verticals and markets and new business and pricing models. In the process, it was also able to turn itself into a business transformation enabler for its clients. As per the findings of NASSCOM, the coming years are going to represent a significant shift in terms of business models, service lines, customers and talent structure. There will be increased focus on higher end offerings such as system integration, consulting, business intelligence, knowledge services and vertical specific BPO services. The industry is expected to generate an increasing share of revenues from the untapped SMB segment through improved pay per use business models and platform solutions. It is also expected to acquire

domain expertise and near shoring capabilities to further advance India's value proposition as a global outsourcing hub.

Another likely challenge that may affect the IT sector is the Eurozone crisis. Eurozone nations like Greece, Spain and Portugal are facing financial crisis because of heavy borrowings by their governments, leading to erosion in investor confidence across the world. There has been widespread belief that the European crisis could affect other parts of the world, especially those countries which have high deficits, mainly on account of international borrowings. According to NASSCOM estimates, USA with a share of 60 percent and UK (19 percent) remained the largest IT-BPO export markets for India, followed by Continental Europe with 13 percent. The industry footprint is steadily expanding to other geographies as well, with the exports to Continental Europe in particular growing at a CAGR of more than 51 percent during FY 2004-2008. So the recent Eurozone crisis, along with the new government in UK deciding to start reviewing all international projects again, might affect the IT industry in the short run as the projects may get delayed due to such a review. The long run perspective, however, remains better as of now, assuming that the Eurozone crisis might not percolate to other regions.

With the Improving economic conditions, signifying return of consumer confidence and renewal of business growth, and the drive in IT spending, the industry is expected to post greater level of growth in the year 2010-11. IT services is expected to grow as companies coming out of recession harness the need for information technology to create competitive advantage. Even though India has a 51 percent market share in the off-shoring market, there is tremendous headroom for growth as current off-shoring market is still a small part of the outsourcing industry.

NASSCOM predicts the outlook for 2010-11 to remain bright with software and services exports revenues expected to grow by 13-15 percent, and domestic revenues to grow by 15-17 percent. The industry is also expected to generate an increasing share of revenues from the untapped SMB segment through improved pay per use business models and platform solutions. It is also expected to acquire domain expertise and near shoring capabilities to further advance India's value proposition as a global outsourcing hub. ■

Indian Oil PSUs in Consortium's Pact with Venezuelan Project

India's three large state-owned oil companies - Indian Oil Corporation Ltd (IOC), Oil India Ltd (OIL), and ONGC Videsh Ltd (OVL) - along with their consortium partners have inked a joint venture agreement for the \$20-billion Carabobo-1 project in Venezuela. The other two partners in the consortium are Spanish major Repsol and Malaysian Petronas.

According to an official release, the consortium signed a joint venture agreement with the Corporación Venezolana del Petróleo S.A. (CVP) for the development of and production from the Carabobo-1 Project in Orinoco region of Venezuela in a ceremony presided by the President of the Bolivarian Republic of Venezuela, Mr Hugo Chavez Frias, recently. The new joint venture is PetroCarabobo S.A, according to a press release.

The consortium of OVL (11.0 percent), IOC (3.5 percent), OIL (3.5 per cent), Repsol YPF (11.0 percent) and Petronas (11.0 percent), was selected by the Government of Venezuela on February 10 for awarding a 40 percent ownership interest in an Empresa Mixta or 'Mixed Company' which will develop the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Heavy Oil Belt. The Corporación Venezolana del

Petróleo (CVP), a subsidiary of Petróleos de Venezuela S.A. (PDVSA), Venezuela's state oil company, will hold the remaining 60 percent equity interest.

The mixed company will build heavy oil production facilities and upgrade facilities and the associated infrastructure. The upstream production facilities are expected to produce around 400,000 barrels a day of extra heavy oil of which approximately 200,000 barrels/day will be upgraded into light crude oil in a facility to be located in the Soledad area, Anzoátegui State.

The licence term is for 25 years with the potential for a 15-year extension, the release said, adding that the project cost is estimated at \$15-20 billion and is one of India's major investments in the Latin American oil major.

Earlier, India's Cabinet Committee on Economic Affairs had given its nod to OVL and its partners, OIL and IOC, to invest \$2.181 billion in the project over a period of six years from 2010-15.

After the conclusion of the signing ceremony, India's Minister of Petroleum and Natural Gas Murli Deora had a meeting with the Venezuelan President where the possibility of sourcing Venezuelan crude to meet the requirements of new refinery capacities coming up in India was discussed.

Discussions were also held on the possibility of the award of the Junin Norte block, where new oil reserves are being certified by OVL. The Venezuelan side also expressed interest in establishment of refineries in India and Venezuela with involvement and assistance from Indian oil sector companies, the release said. ■



Venezuelan President Hugo Chavez has a word with Union Minister for Petroleum and Natural Gas Murli Deora at the headquarters of Petroleos de Venezuela SA in Caracas

Godrej Enters Latin America's Huge Hair Colour Market

Godrej Consumer Products Ltd (GCPL) has recently announced it had signed an agreement to entirely acquire the Argentina-based Issue Group for an undisclosed sum. The latter has a significant presence in many Latin American countries in the hair and skin care segments.

The deal, which comes after Asian and African buys, is a further step in strategy to be market leader in three continents. Analysts have estimated the deal size at around Rs 230 crore. This deal comes barely 10 days after GCPL said it was acquiring the remaining 51 percent stake of US-based Sara Lee Corporation in their joint venture, Godrej Sara Lee.

Apart from Argentina, the Issue Group has significant presence in Peru, Uruguay and Paraguay, besides a rising one in Brazil.

The hair colourants market in Argentina is estimated to be around \$200 million and growing at a compounded annual rate of 22 percent over the past two years. The Issue brand enjoys volume leadership in Argentina, with a market share in excess of 20 percent. The business had revenues of over \$33 million in 2009.

The acquisition is valued at approximately eight times Ebitda (earnings before interest, taxes, depreciation and amortisation) and expected to pull up earnings per share right in the first year, according to the management. Elara Capital provided advisory support for the transaction.

GCPL Chairman Adi Godrej said: "The Issue Group provides us the perfect platform for establishing a strong

presence in the fast growing hair colour markets in Latin America. It enjoys market leadership in many countries in South America. We also hope to use the strength of the offerings of the company and our own innovation funnel to create a sizeable business in hair colours."

Adding: "The acquisition represents another important step towards GCPL becoming a leading emerging markets' multinational and dovetails well with our global 3 by 3 strategy presence in three continents, Asia, Africa and Latin America, through three core categories home care, personal wash and hair care."

A. Mahendran, Director, FMCG Portfolio Cell, added: "We also believe the opportunities for capitalising on the strengths of this business across our entire hair colours business are significant."

It was only on May 14 that GCPL announced a Rs 1,055-crore deal, subject to shareholder approval, for acquisition of the entire stake in Godrej Sara Lee. It is expected to complete the transaction by June 1, according to Adi Godrej. The acquisition will help GCPL catapult into one of the biggest in the home and personal care segment in India. Along with the Megasari acquisition in Indonesia, this transaction confirms GCPL as the second-largest household insecticide company in Asia (outside Japan).

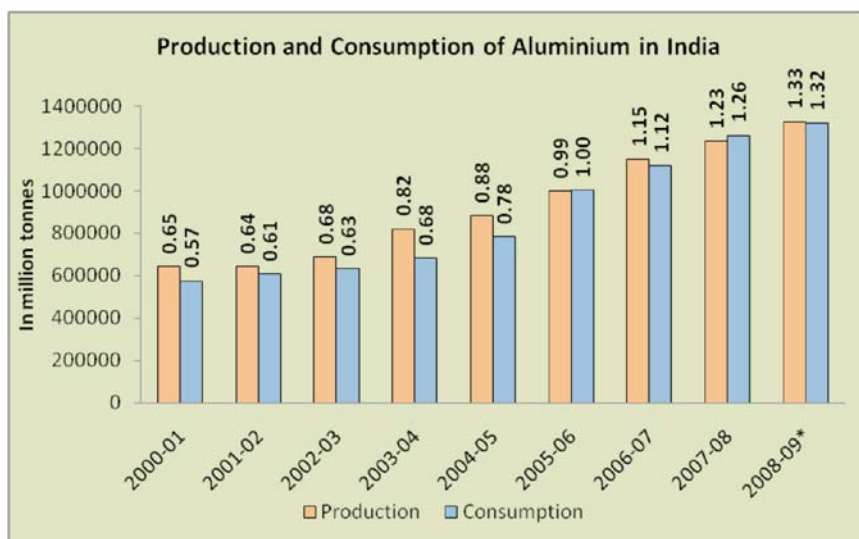
Apart from Megasari, GCPL had also bought Tura in Nigeria (for Rs 400-500 crore). Tura was the third acquisition by GCPL in the African continent in recent years. The first two, Rapidol and Kinky, were acquired in South Africa in 2006 and 2008, respectively. ■



Aluminium Industry Must Develop New Products to Compete Globally

- Exim Bank Study

The aluminium industry is of the leading segment of the Indian economy and is expected to play a significant role in its future growth, according to a study conducted by the Export Import Bank of India (Exim Bank). India is ranked sixth in the world having largest proven and probable bauxite reserves (over 140 million metric tonnes). Production and consumption of aluminium had grown over the years in India. Aluminium production in 2008-09 was 1.33 million tonnes, and aluminium consumption in the same year was estimated to be 1.32 million tonnes. In order to take advantage of its position as a large producer, the aluminium industry must continue to develop new products and processes to combat the threat from other competitive materials and maintain aluminium's sustainable credentials, the Exim Bank study says.



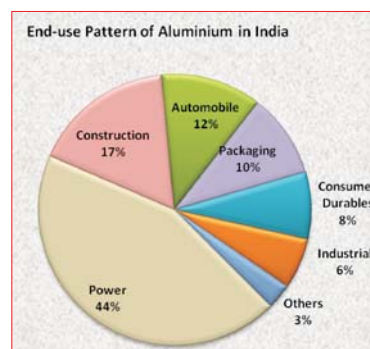
Note: * Estimated, Source: Crisil Research

During 2005-06, 2006-07 and 2008-09, the domestic aluminium industry witnessed deficit in production, as compared to the demand. During the period 2000-01 to 2008-09, aluminium production in India witnessed a CAGR of 9.4 percent, while consumption witnessed a CAGR of 11.2 percent.

Consumption

Aluminum is the most widely used non ferrous metal, and its usage is increasing mainly because of its inherent characteristics such as light weight, strength, moderate melting point, ductility, conductivity, corrosion resistance, and ability to be recycled without loss in quality. The pattern of end-usage of aluminium in India significantly differs from that of the world;

power sector holds large share of aluminium usage in India with 44 percent share, followed by construction (17 percent), automotive (12 percent), packaging (10 percent), and consumer durables (8.0 percent). The share of usage of aluminium in industrial applications, especially in manufacture of machinery / capital goods is estimated to be 6.0 percent in India.



Source: Crisil Research

Exports

During 2007-08, exports of aluminium had grown by 30 percent from US\$114.01 million

in 2006-07 to US\$142.71 million in 2007-08. However, during 2008-09, exports fell by 47.3 percent from US\$142.71 million to US\$ 75.17 million, the main reason being the slowdown in demand associated with the global economic crisis. During April-January 2009-10, the exports showed a negative growth of -4.1 percent compared to corresponding period in the previous year. Imports of aluminium too had declined by -21.1 percent during 2008-09 and the total import during this period was US\$ 99.58 million.

production in 2010. The Asia region would dominate the global aluminium industry, both in terms of capacity addition (mainly in Gulf region) as well as consumption (driven by China and India). According to an estimate by the Middle East Economic Digest, of the 6.5 million tonnes of potential aluminium capacity planned beyond 2010, as much as 4.4 million tonnes will be built in the GCC. In the longer term, MEED estimates that by 2020 the GCC alone is expected to produce around 10 million tonnes/year of aluminium, accounting for 20 percent of

India's Exports and Imports of Aluminium (US \$ Million)								
Trade	2006-07	2007-08	2008-09	April-Jan 2008-09	April-Jan 2009-10	% change 2007-08 vs 2006-07	% change 2008-09 vs 2007-08	% change Apr-Jan 2009-10 vs Apr-Jan 2008-09
Exports	114.01	142.71	75.17	427.62	410.30	25.2	-47.3	-4.05
Imports	97.6	126.17	99.58	-	-	29.3	-21.1	-

Source: DGCIS

The major item of export from India under aluminium category was unwrought aluminium, with a share of 37.3 percent in total aluminium exports, followed by stranded wire, cables, plaited bands, and such products of aluminium, not electrically insulated (18.6 percent); and aluminium plates, sheets and strip (13.7 percent). Major items of import under the aluminium category were unwrought aluminium (37.9 percent), aluminium waste and scrap (27.2 percent), and aluminium plates, sheets and strip (9.9 percent)

The major export destination for aluminium during 2008-09 was Singapore with a share of 27 percent in total aluminium exports, followed by Malaysia (9.0 percent), USA (6.0 percent), UAE (5.0 percent), and Nigeria (5.0 percent). Major import sources (of aluminium) for India during this period were China (17 percent), UAE (10 percent), South Africa (8.0 percent), Thailand (7.0 percent), and Germany (6.0 percent).

Outlook

The world aluminium production is estimated to have declined by around 14 percent in 2009. As most of the end-use sectors for aluminium are recovering, world aluminum production is estimated to grow by 3.0 percent in 2010. A number of smelters that have previously reduced their output or partially shut down their operations are expected to restart or increase

global market share. Globally, newer packaging applications and increased usage in automobiles is expected to keep the demand growth for aluminium in the long-term.

With key consuming industries forming part of the domestic core sector, the aluminium industry is sensitive to fluctuations in performance of the economy. Power, infrastructure and transportation account for almost three-fourth of domestic aluminium consumption. Hence, the demand is expected to revive and help in the growth of the industry.

The aluminium industry must continue to develop new products and processes to combat the threat from other competitive materials and maintain aluminium's sustainable credentials. R&D in the aluminium industry is thus very essential for India. Also India should concentrate more on recycling aluminium for sustainable development as recycling would help in saving both energy and resources. In the long term, the aluminium industry is expected to bring about sustainable growth contributing to the economic development of the country. ■

Agriculture Process Outsourcing by an Argentine Patel

R. Viswanathan, Ambassador of India to Argentina, Uruguay & Paraguay

During my meeting with Gustavo Grobocopatel, the founder President of the Argentine farming company Los Grobo which cultivates 270,000 hectares, I told him that I came from a small farming family which owned just an acre of land. Gustavo responded, "Lucky you.... I am a landless farmer". He is right. He does not own a single hectare. It is all leased land.

Los Grobo does not own any tractor or harvester either. They outsource all the operations such as planting, fertilizer-spraying, weeding, harvesting, storage and transportation to contractors who own the machineries. The firm has a system of technical leaders each of whom manage 7,000 hectares. They are not employees but are partners who share the profit and risk. Even the agronomists who work with the company are contractors, who get a share of the crops they raise.

The 270,000 hectares of land spread over Argentina, Brazil, Paraguay and Uruguay is managed by the headquarters staff of about 100 people who are connected in a network with the land owners, agronomists, the international traders and the 4,000 service providers. Grobocopatel who believes in social capital says, "We are not big... but many"

Here is Mr Patel working on the fields with his laptop...



Grobocopatel's Agriculture Process Outsourcing

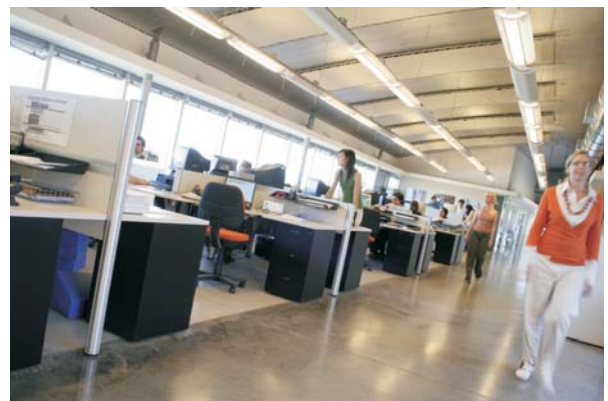


(APO) is similar to the BPO (Business Process Outsourcing) and Knowledge Process

Outsourcing (KPO) operations of the Indian IT companies. Los Grobo office looks like a BPO of Infosys with young people in casual dress glued to their computer screens and working with their blackberries. The only difference with the Infosys office is that Los Grobo is located in a remote rural area in the middle of soya and wheat fields near Carlos Casares, a small village 300 km from Buenos Aires city....seen in the photo below...



Los Grobo office ...like a BPO of Infosys...



Grobocopatel says he was inspired by "Information Age", the book of the Spanish sociologist Manuel Castells which helped him to understand how networks could be used to generate wealth with the least investment.

Grobocopatel describes his new model of farming as "Agribusiness in the new era of Knowledge Society". He points out at the young people behind the computers and says proudly that the human resources are the main asset of his company. Training and empowerment of the employees, the service providers and partners is an integral part of the value creation of the company.

Los Grobo has arrangements with universities to give courses in agribusiness and management of small and medium family-owned companies at their headquarters in Carlos Casares. Los Grobo encourages its employees to become entrepreneurs and even provides seed funding. Through its Rural Entrepreneurship Foundation, the company participates in projects to improve the standard of living in villages and small towns.

Los Grobo, together with other partners, has created Bioceres, a biotechnology research and development organization.

Los Grobo farms scientifically by satellite mapping of every hectare of the land using a vast database of agricultural metrics. They do "Precision Farming" in which monitors are used to control input distribution of seeds and different fertilizers for each parcel of land on the basis of information generated by software calculating the dosage needed, depending on satellite location of the seeding and sprayer machines. The best practices of Los Grobo include "No-Till Farming" (direct seeding) in which the crop residues are left to decompose and enrich the organic matter and maintain soil moisture. The land is always covered by straw and residues. There is no ploughing of the land and exposing it to the sun and wind and erosion and degradation. This method improves physical and chemical soil structure, reduces carbon emission, cost of production and labour and increases productivity and helps in the conservation of soil.

The innovative business model of Los Grobo has been studied and commended by Harvard University, among others. Los Grobo has been sought out for consultancies by other countries. It is the first company worldwide to obtain ISO 9001 certification on grain production processes. It is establishing its APO business model in Brazil, Paraguay and Uruguay. Other Argentine farming companies are following the example of Los Grobo. This includes the company El Tejar which has emerged as the largest farming

company in the world with cultivation of one million hectares this year. Such scale does not exist even in Brazil or USA. El Tejar's goal is to reach two million hectares in the next five years. Out of the one million, 800,000 hectares are leased and 200,000 owned. El Tejar operates in Uruguay, Paraguay, Bolivia and Brazil where they cultivate 600,000 hectares. With such emerging global pioneering leaders in farming, best practices, advanced technologies and abundance of water and fertile land, Argentina is set to become a significant global player in the future when the world is going to be more concerned about food security.

I call Grobocopatel as "Senor Patel". He has no connection to Gujrat. He is of East European origin and his grandfather had emigrated to Argentina in 1912. Grobocopatel founded the company in 1984 and has achieved a turnover of 700 million dollars in 2009-10. His target is 1.5 billion dollars in the next five years. Grobocopatel is an agronomist and had taught the subject in the Buenos Aires University before becoming an entrepreneur. His agronomist wife is also a director in the company. For them, farming is not just business. It is passion. Grobocopatel has admiration for Indian culture and practices meditation and yoga. He is planning to visit India for a month in December. He has agreed to give talks in India on his new business model and also meet Indian companies interested in strategic partnership with his company.

South America offers opportunities for Indian companies to invest in farmland and source edible oil, pulses, sugar and biofuels needed in India for the growing population and consumption. The Indian investors do not need farming expertise or invest in machinery since they can outsource all the farming operations to local service providers. A Non-Resident Indian company Olam is at present cultivating 30,000 hectares in Argentina growing peanuts, soya and beans and are planning to double the acreage in the next three years. All of their land is leased and their operations outsourced. Simmarpal Singh is the young country manager behind this success of Olam. I told Grobocopatel that we have an Indian Singh following in the footsteps of the Argentine Patel. ■

Colombia Bullish on Foreign Investment

By R. Viswanathan

Colombia has become a favorite destination for foreign investment in Latin America. The foreign investors are getting into petroleum, mining, services and manufacturing. Colombia's Foreign Trade Ministry expects \$10 billion in foreign investment this year, approaching the record \$10.6 billion of 2008. In 2009 FDI was \$7.2 billion.

The Colombian Minister of Energy and Mining announced recently that he expected investment of \$28 billion in oil exploration and production in the next four years and increase the oil production to 1.4 million bpd by 2014 from 963,000 bpd in June 2010.

Colombia is emerging as South America's third-largest oil producer behind Brazil and Venezuela. About \$5.6 billion of direct foreign investment went into petroleum and mining in 2009. Colombia's known oil reserves rose 22 percent in the last eight years to 1.9 billion barrels with production jumping 45 percent.

The foreign investors who were deterred by the internal problems of Colombia in the past are now encouraged by the improving situation of the country. Farc is irreversibly fading out. There is steady reduction in kidnapping, crime and narco-traffic. In any case, the Colombian economy has been

stable and growing even despite those challenges. Politics has also been mature and there is a general political and economic consensus on the future of the country. The election of Manuel Santos, the new President, who had earlier served in the cabinet of Uribe means continuation of the policies of crackdown on crime and market-friendly approach.

Colombia is the only Latin American country to have an Investment Promotion Officer (Alejandro Pelaez) in their Embassy in Delhi. Colombian Ambassador Juan Alfredo Pinto Saavedra is one of the most active Latin American diplomats reaching out to Indian business and media.

OVL and Reliance have already invested in the petroleum sector of Colombia. TCS, Infosys, United Phosphorous, NIIT, Bajaj, TVS, Hero Honda, Havells, Essel Propack and Praj have operations in Colombia. In 2009 India's exports to Colombia reached \$504 million. Colombia is the third largest destination of India's exports to Latin America. More Indian companies should enter this market which offers lot of potential for India's investment and trade.

(Author is India's Ambassador to Argentina, Uruguay and Paraguay) ■





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Brazil's Economic Recovery

Sooner & Faster: IMF

The International Monetary Fund (IMF) has praised Brazil for the way it has managed its economy post-global recession. The IMF Executive Board, which concluded consultations with Brazil recently, pointed out that Brazil had recovered from the global crisis sooner and faster than most other economies, and had already registered a full year of strong growth. Following is the IMF Board's assessment after its discussions with Brazil in July 2010.

After contracting by a cumulative 4.8 percent in the fourth quarter of 2008 and the first quarter of 2009, the economy had grown at an average annualized rate of 8.9 percent over the past four quarters, largely on the strength of domestic demand. The output gap was estimated to have closed.

Strong Macroeconomic Framework

Brazil's strong macroeconomic framework and the authorities' timely policy response were critical in containing the negative effects of the global crisis and laying the groundwork for the recovery. Macroeconomic resilience was due both to the strength of the financial system and the combination of fiscal responsibility, exchange rate flexibility, and a credible commitment to inflation targeting - the pillars of the successful macroeconomic strategy that Brazil has pursued over the last decade.

The Brazilian financial sector is supporting the economic expansion. During the crisis, as the supply of new credit from private banks to the economy fell

significantly, the expansion of credit by public banks played a critical role in preventing a potentially large output loss. Banking sector vulnerability indicators have improved in recent months.

Brazil continues to be the recipient of heavy capital inflows, as global investors seek to benefit from the economy's strong growth potential and relatively high interest rates. In October 2009, the authorities imposed a 2.0 percent tax on purchases of domestic bonds and equities by foreigners, which appears to have had some impact in slowing inflows. Since the beginning of 2009, the stock market index has risen by two-thirds and the real has appreciated by about 25 percent against the US dollar.

The authorities have taken steps to contain inflationary pressures. In recent months, the central bank has raised the policy rate by a total of 200 basis points, to 10.75 percent. It has also reversed most of the cuts in reserve requirements, and steps to support capital adequacy, implemented at the time of the crisis. In the fiscal area, the primary surplus is projected to rise from 2.1 percent of GDP in 2009 to 3.3 percent in 2010. The authorities have indicated that they will not resort to the use of fiscal adjusters in order to achieve this target. Temporary tax incentives adopted to support domestic demand during the crisis have been mostly phased out. The quasi-fiscal operations of the development bank BNDES are projected to remain high, at around 2½ percent of GDP in 2010.



Executive Board Assessment

Executive Directors welcomed the rapid recovery of the Brazilian economy over the past year, reflecting brisk growth in domestic investment, resilient consumption, and stronger-than-expected demand for commodity exports. This remarkable performance has been underpinned by the authorities' robust policy framework, based on fiscal responsibility, exchange rate flexibility, and a credible inflation target. Directors noted that, with output converging to its potential and the unemployment rate declining to its lowest level in a decade, pressure on resources has built up and monetary policy has become more complicated in the wake of strong capital inflows. This calls for a carefully calibrated policy mix to preserve macroeconomic and financial stability. Promoting balanced growth and more equitable income distribution remains an important medium-term objective.

Directors welcomed the authorities' commitment to withdraw the fiscal stimulus and to achieve the higher primary surplus target set for 2010, without resorting to the use of adjustors. Allowing faster consolidation should revenue collection turn out to be higher than expected would help relieve the burden of adjustment on monetary policy. Directors recommended that the authorities continue with efforts to reduce expenditure rigidities and further curtail quasi-fiscal spending in the form of loans provided by the national development bank. They also encouraged further steps to lower both gross and net debt-to-GDP ratios, including by strengthening the medium-term fiscal framework.

Directors agreed that monetary policy should remain focused on keeping inflation expectations well-anchored. They considered that the flexible

exchange rate regime has served Brazil well, and took note of the staff assessment that the real effective exchange rate appears overvalued. While recognizing the need for a temporary tax on portfolio capital inflows, Directors suggested that consideration be given to a long-term response that combines a tightening of fiscal policy, a lower interest rate, and prudential measures. They noted the comfortable levels of international reserves and their instrumental role in stabilizing market confidence during the recent turmoil. Going forward, while maintaining sufficient reserves is desirable for a highly open economy like Brazil, it would be advisable to take into account sterilization costs in an environment of high prevailing domestic interest rates and at the same time be vigilant about risks of further exchange rate appreciation.

Directors noted that the financial system has provided a strong pillar supporting the economic expansion and supported the plans to reverse emergency liquidity measures. The recent acceleration in lending to the household sector and its impacts on overall demand growth warrant special attention. Some Directors encouraged a comprehensive assessment of the composition and quality of the capital of public banks. Directors welcomed the authorities' agreement to undertake a Financial Sector Assessment Program update.

Directors endorsed the government's development strategy, with an emphasis on increasing investment, both public and private, over the medium term, especially for infrastructure projects. They stressed that reaching Brazil's full potential will require vigorous implementation of well-targeted structural reforms to enhance productivity and competitiveness, accompanied by measures to increase domestic savings, including reforms of



public sector expenditures and of the social security and the pension systems.

Key Role in Global Economic Governance

Brazil “has a key role to play in global economic governance. It is the largest economy in Latin America and is deeply integrated into the global trade and financial network. Brazil's future is inextricably linked to global economic prospects,” said IMF Managing Director Dominique Strauss-Kahn, as he was ending a two-day visit to Brazil in May 2010.

The country now enjoys substantial economic stability, he noted, but faces some potential risks from possible overheating. “While not too serious at this point, these risks require monitoring, including in the context of strong capital inflows,” the Managing Director said in Brasilia, where he met Finance Minister Guido Mantega.

The Managing Director and Minister Mantega also signed a Memorandum of Understanding for a new Joint Regional Training Center for Latin America. The new center will work within the Finance Ministry's School of Financial Administration (ESAF) and is a joint venture that includes the Ministry of Foreign Affairs, through the Brazilian Cooperation Agency (ABC) and the Department of Financial Affairs and Services (DFIN); and the Central Bank of Brazil, through the Central Bank's University (UniBacen); as well as the IMF Institute.

The Center expects to train government officials from all Latin America countries in the areas of macroeconomic management and policies, financial programming, financial and banking sector issues, government finance, and external sector issues and statistics. The program may also include seminars for high-level government officials. The new center extends the work of the Brazilian Technical Center (BTC), which since 2001 has given an average of 12 training courses per year to Latin American and African Portuguese speaking public sector officials.

Discussing the Global Economy in São Paulo

Strauss-Kahn also visited São Paulo where he participated in a forum organized by Globonews network on “The Global Economy in the Post-Crisis World.”

In remarks and in a question and answer session in front of an audience of 200 people, including academics, the private sector and the press, Strauss-Kahn said the world avoided a great economic depression and will recover thanks to close cooperation by the international community.

Referring to a critical lesson from the recent crisis, he said success came from the approach championed by world leaders, including Brazil, of the G-20 group of advanced and emerging economies and the IMF at the height of the crisis. “National oriented responses are not the way, since they risk creating economic conflicts,” said Strauss-Kahn, adding that financial regulation in particular should be coordinated internationally.

Research and Development

Strauss-Kahn also saw firsthand some of the state of the art science research being conducted in Brazil, during a visit to the Institute of Technological Research (IPT) from the University of São Paulo, where he was welcomed by São Paulo governor Alberto Goldman. He visited laboratories and installations at the Center for Naval and Oceanic Engineering. “It is good for us macroeconomists to have a look at what scientists are doing that can have a real impact on a country's growth and development,” Strauss-Kahn added.

Peru Gets a Pat

Peru sets an example to other emerging markets of how to reach a fast track of growth and poverty reduction by carrying out strong economic policies, International Monetary Fund Managing Director Dominique Strauss-Kahn has said in Lima recently.

“With a recovery underway that will see growth in Peru of between 6-7 percent this year, the challenge now is to manage success by continuing the timely and gradual phasing out stimulus and avoid the build-up of inflationary pressures, which hit the poor hardest,” Strauss Kahn added after discussions with President Alan García, Minister of Economics and Finance Mercedes Aráoz and President of the Central Reserve Bank Julio Velarde.



Responding to the decision by Peru to give final approval to the 2008 amendments of the IMF Articles of Agreement, Strauss-Kahn said, "This is a welcome decision. The amendment is a landmark reform in the governance of the IMF that gives dynamic emerging market economies and low-income countries a bigger voice in the IMF."

Strauss-Kahn discussed the outlook for the region in a roundtable with Minister Mercedes Aráoz, and finance ministers of Bolivia, Mexico and Uruguay - Luis Arce, Ernesto Cordero and Fernando Lorenzo respectively.

"The global economic crisis demonstrates how Latin America has turned a corner," Strauss-Kahn said. "Thanks to adept management of their economies in recent years, the countries of the region were able to cushion their populations from the adverse effects of

themselves against the downturn and bounce back quickly."

Another positive change is that growth throughout the region has been accompanied by a fall in poverty and social inequality. The televised discussion, hosted by America NTV-Canal Sur, will be broadcast throughout Latin America shortly.

Mr. Strauss-Kahn also answered questions from students from Peru and other countries in the region at a meeting hosted by Lima's Universidad Nacional Mayor de San Marcos.

"The strength of this region is in its youth. I want to understand the concerns of the future leaders of Latin America," Strauss-Kahn said. The event was the culmination of an "Ask the IMF" campaign in which 600 young people from Latin America posed 1,000 questions over 10 days to Strauss-Kahn. ■

Global Award for GeoSUR's LatAm GIS Network

The CAF GeoSUR Program has received an award from the ESRI company, world leader in software development for Geographic Information Systems, for its contribution to development of the first South American GIS network. The award was presented during the recent ESRI International User Conference held in San Diego, California, United States.

The GeoSUR Program, led by CAF and the Pan American Institute of Geography and History (PAIGH) with technical support from the US Geological Survey (USGS), makes geographic information on South America and Panama available to the public, which is useful for analyzing critical variables for development planning.

GeoSUR offers the first one-stop portal with access to digitized spatial information on the countries of South America. Over 30 institutions from South America, mainly geographic institutes and environment ministries, participate in GeoSUR and make its spatial information available.

The Program is a response to the need for

information which has been identified by the South American Regional Infrastructure Integration Initiative (IIRSA). Through the program CAF is contributing to improving knowledge of the region and supporting development planning activities which require the use of geographic information.

The system also offers a topographic processing service which models and generates data based on an elevation model of South America. This is the first service of its kind at global level because of its geographical area and high resolution. It can, for example, delimit watersheds, generate elevation profiles or slope maps for any area of South America.

Lastly, Geosur offers a mapping service for consulting spatial data on South America, with emphasis on infrastructure data, geo-referenced information on projects promoted by the IIRSA Initiative and CAF, and information from the Condor System, which is an early evaluation tool focused on identifying risks and environmental opportunities for projects, created by the Latin American development bank ■

Peru's Swiss-Aided SMEs Get Funds for Fish Farming

As many as 41 micro-enterprises (SMES) will benefit from the first phase of the project "Model for competitiveness of trout in the Puno region," an initiative promoted jointly by CAF, Swisscontact and Piscifactoras Los Andes (Piscis) in Peru to provide technical support and build the capacities of small-scale breeders of the species in the localities of Pomata, Santa Lucia and Moho and Huancan on the shores of Titicaca and Lagunillas lakes.

CAF Director Representative in Peru Eleonora Silva Pardo said the project executed by the CAF Competitiveness Support Program (PAC), Swisscontact and Piscis has successfully coordinated and strengthened small-scale production using modern methods by providing technical support, accompaniment and training in good aquaculture practices aimed at building capacities in business management and commercial cooperation, and applying health and environmental standards.

Presenting the results of the project, Silva Pardo said 62 technical assistance actions were implemented through 851 visits to producers to improve their aquaculture skills. In addition, a credit for 25 producers was arranged with Agrobanco and for another 16 with Fondopez.

In addition, the project included a consulting process to identify demand from major buyers of trout and select consumption for the tourist area of Cuzco, Valle Sagrado and Machupicchu.

Finally, aquaculture producers received training in accounting, tax and labor management for their businesses and specific recommendations for facilitating their process of formalization and business management.

These efforts guarantee continuity of the learning process of producers and generate expectation among the institutions that work in the sector because they consider this contribution to be fundamental for following the guidelines and giving continuity to the ongoing work, the CAF director said.

"The project reinforces the training in relation to quality and linkage to the market of trout producers in the Puno region, in a scheme in which the entire chain gains

competitiveness. In addition, the initiative is part of the priorities of the public sector, specifically Sierra Export Program and the Technical Standards Program for export of aquaculture species promoted by Promper," Silva Pardo added.

The project also strengthens the economic development activities promoted by CAF in the radius of influence of the Southern Interoceanic Highway (IIRSA South), particularly in the Puno region, the main trout producing area.

The representative of Swisscontact in Peru, Jon Bickel, said that although the project had a direct impact on only 41 small-scale trout breeders, there was potential for scaling up its impact to the target population of 400 companies operating in Puno.

"Achieving standardized production will give the fish farming chains access to developed markets, and raise competitiveness and profitability, which will eventually improve the socioeconomic situation of the population in the Puno districts of Pomata, Santa Lucia, Moho, and Huancan," the representative said.

Mauricio Gonzalez, general manager of Piscis, the largest exporting company in the sector, said industrial trout cultivation had been growing by 25% a year in Peru with production reaching 5,800 tons, positioning the country as the world's tenth largest producer.

"The main export markets for Peruvian trout are Europe, USA and Canada. However, the value of Peruvian trout exports is only US\$4 million and represents less than 1.0 percent of international demand. The Puno region concentrates 42 percent of domestic production, but only 25 percent has quality standards for export. For this reason, we feel this project - promoted by CAF and Swisscontact is improving existing levels of profitability and competitiveness," the manager said.

Peru's competitive advantages in trout production are its climatic conditions and water bodies which are optimal for achieving commercial size after 8 to 10 months, compared with the norm of 11 to 12 months. The Puno region, in particular, has considerable water resources (Lake Titicaca with 17,400 hectares) suitable for aquaculture which only uses 4.5 percent. These water resources in Puno are used by almost 400

companies involved in trout production.

Swisscontact (Swiss Foundation for Technical Cooperation) is an apolitical and non-denominational ONG founded in 1959 by personalities from the private and academic sectors of Switzerland.

The objective of Swisscontact is to reduce poverty and improve the quality of life of the neediest sectors

through projects in four key areas: economic development and SMEs, environment, financial services, and professional training. In all its activities, Swisscontact aims to achieve the greatest possible reach and sustainability of its projects, always involving communities and local institutions by applying the principle of helping others to help themselves. ■

Loan to Light Up Fast-Growing Venezuelan City of Maracaibo

The Venezuelan city of Maracaibo has experienced a growing demand for electricity with the expansion of residential and commercial developments in recent years. In this respect, and to improve the reliability and stability of the Zulia state electricity system, CAF (the Andean Development Corporation) approved a US\$126 million long-term loan for Venezuela for partial financing of the project - Construction of SF6 Encapsulated Substations in the Maracaibo urban area.

The project will be executed by C.A. Energa Elctrica de Venezuela (Enelven), a Corporelec subsidiary.

The development bank also announced the signing of a US\$261 million loan agreement by CAF President & CEO Enrique Garca with Beatriz Bolvar, head of the National Public Credit Office attached to the People's Power Ministry of Planning and Finance; and Jess Rangel, president of Enelven as executor of the project. The loan continues the funding for the Termozulia III Project and is part of the US\$600 million approved for this project in 2009.

Garca said "the availability of a reliable and safe electricity service is a determining factor for the competitiveness which drives the development of a country's productive and economic activity." The institution approved loans for this shareholder country for US\$2.981 billion in the 2005-2009 period, and "in 2010 approvals of approximately US\$1.80 billion are planned for projects for electricity, mass transit, water and sanitation and social action."

At the request of the Venezuelan Government, CAF approved in 2009 and 2010 to date about US\$900 million to upgrade the electrical system of Zulia state through the Enelven utility, which includes support for the Termozulia III project and for the SF6 Encapsulated

Substations in the Maracaibo urban area.

The total estimated cost of the Project for Construction of SF6 Encapsulated Substations in the Maracaibo urban area is US\$150 million. CAF is providing US\$126 million (84 percent) while the rest will be covered by the counterpart contribution. The project covers construction of two new substations with encapsulated technology (Santa Lucia, Grano de Oro), and expansion of the Miranda conventional substation, along with adaptation and construction of the input and output transmission lines for the substations.

Enelven selected this project because of the use of compact encapsulated substations whose design is simpler to operate and maintain than the conventional type. The technology makes possible the modular integration of all the units electrical components, using SF6 gas as insulating material.

US\$600 million for Termozulia III

The agreement signed in favor of the Termozulia III Thermoelectric project covers engineering, equipment and materials procurement, including construction of the thermoelectric generating plant and installation of transformers and transmission lines to transport the power. The facility also uses combined-cycle technology which results in major energy efficiencies by generating significant additional quantities of electricity from the same amount of fuel.

The project is located inside the Rafael Urdaneta thermoelectric complex in La Caada de Urdaneta municipality, Bajo Grande, Zulia state. ■

Running Scheme to Improve Civic Bodies' Efficiency

With the objective of improving the efficiency of municipal organization in the region, CAF presented the fourth Regional Program for Modernization and Improvement of Local Government (PRAMEG) at its headquarters in Caracas, Venezuela.

During an event in the presence of the CAF Vice President and Deputy CEO, Luis Enrique Berrizbeitia, accompanied by the Vice President of Country Programs, Lilliana Canale, and the CAF Director of Governance and Technical Cooperation, Elvira Lupo, the results of the first phase of the Program were presented to representatives from the municipalities of El Alto and Montero, Bolivia; Popayn and Tunja, Colombia; Latacunga and Riobamba, Ecuador; Arequipa and Chiclayo, Peru; and Piar and Cedeo in Venezuela.

PRAMEG was created in August 2007 with the aim of improving and modernizing the land registry system

(SIT). This process requires, in turn, efficient land planning which provides transparency, quality and flexibility for taxpayers, and financial autonomy in project execution for the municipality.

This initiative is part of CAF's commitment to improving the quality of the services that the population receives through local government. This is achieved by working directly with municipal governments since "the purpose of the Program is to provide sub-national governments with the instruments necessary to optimize their actions, resulting in tangible benefits for the taxpayer and the community in general," Berrizbeitia said.

Based on the "Report of Diagnosis and Action Plans for Improving Municipal Land Registry" developed with each municipality, a strategic plan was prepared with the participation of the municipalities selected to implement the recommendations ■

Bolivian Women's Textile Show in Traditional Style

Textiles with a profound cultural tradition are part of the "Science of Women" exhibition was opened on 29 July 2010 at the CAF artesespacio gallery. Approximately 40 textiles were on display produced by women of the rural ayllus and communities of Qaqachaca, Livichuco, Norte Condo and Anacato, in Challapata municipality, Abaroa province, Oruro department.

This exhibition was part and outcome of the "Challapata Project" promoted by INFOTAMBO, institution which

backs textile production and tourism activities in Bolivia by organizing training workshops aimed at rescuing the values of craft production.

Elvira Espejo, one of the project coordinators, said the pieces on show are the work of the women of the ayllus and communities which have focused their efforts on recovering the knowledge of dyeing with local natural dyes characterized by their high organic value and environmental conservation for natural wools of llama, sheep and alpaca.

The weavers organized themselves and replaced imported pigments for dyeing textiles with local natural dyes and ancestral dyeing techniques based on herbs, shrubs, minerals, berries and insects. With these innovations, they were able to overcome the effects of the economic crisis.

The "Science of Women" exhibition closed at CAF Artespacio, Av. Arce No. 2915 esq. Clavijo (CMG), on 3 September. ■



Football Fidelity: The Diplomat's Dilemma

By R. Viswanathan

I applauded and cheered when Argentina, Uruguay and Paraguay, the three countries of my accreditation as India's Ambassador, qualified for the World Cup in South Africa. But this diplomatic honour has now come under challenge from the football rivalry of the three countries.

The Argentines say that since I am resident in Buenos Aires I have no option but to cheer for the blue and white stripes. The Uruguayans tell me not to forget their country which won the first World Cup in 1930 beating Argentina. They went on to win a second cup in Rio de Janeiro in 1950, defeating the Brazilian team and shocking the 52 million noisy Brazilians into silence.

The Paraguayans say as an Indian diplomat I should show more solidarity with the underdog and should not be on the side of superpowers. Paraguay had beaten Brazil 2-0 and Argentina 1-0 in this World Cup qualifiers. While I face these three corner shots, there comes another one. "Don't be a traitor," shout my amigos from Brazil where I had spent four memorable years.

In this supercharged atmosphere of no-holds barred

rivalry, I found the only way to survive is to practice the old-world diplomacy. In the olden days, much before people got into Twitter troubles, there was a saying, "a diplomat is someone who thinks twice before saying nothing".

In the first few months of my arrival in Buenos Aires, the most important question I faced was not on the nuclear or climate change issue but, "Are you going to be a Boca or River?" The rivalry between Boca Juniors and Riverplate teams is one of the most intense in the world. Even marriages and friendships are built or broken on the issue of loyalty to the team which passes from generation to generation.

The match between the two teams in the Boca stadium La Bombonera is an unforgettable Argentine experience. I kept my neutrality until I fell into the trap of Francisco, the Vice President of the Indo-Argentine Chamber of Commerce and a Boca fan. He offered to take me to La Bombonera and arranged the best seat. But when I was about to sit, he said very loudly, "This seat is only for the Boca fans who are ready to live and die for the team. Are you ready to take the oath of loyalty to Boca and be a fan through



victories and defeats?” With hundreds of excited and fierce fans staring at me, I had no choice but to say “I do”. Then the ritual started.

I was made to jump up and down with Boca songs. I was indoctrinated with stories of the illegitimate ancestry of Riverplate players and the most appropriate words to describe them. They put a Boca shirt on me and said, “You can change wives but not this shirt!” In South America, marital infidelity is forgiven but not football disloyalty. So I am now stuck with the Boca shirt. My friends from River have vowed never to forgive me and are planning to petition the Government of India to send a River fan as the next ambassador.

World Cup time in South America is low season for work and business. My Argentine colleagues in the embassy are converting the office into a sports bar stocking it with the essential liquid and solid necessities to last for a month. Conveniently for them, the game timings will be 8.30 a.m., 11 a.m. and 3.30 p.m. Argentine time. The game watching will be preceded by an hour of preparations and followed by two hours of analysis, celebration or singing of sad Tangos. The Argentines advise the Indian staff “In Argentina, do as the Argentines do.”

This is the time of “sonrisa de esperanza y sollozo de pasión” (smile of hope and cry of passion), as the Tango of Carlos Gardel says. It is an exciting and unique experience to be in this part of the world during the World Cup. There is just no escape from the media frenzy and public fever with non-stop debates and analysis. The 40 million Argentines

become judges, prosecutors, critics and umpires at the same time. The current topic of debate is on the freedom given to the Argentine team members to have sex during the World Cup, the only one among the 32 teams which has got this unique privilege.

One cannot talk about football without a reference to Maradona, who scored with the “Hand of God” and is now the irrepressible coach. Sociologists say the best way to understand Argentina is through an understanding of Maradona, who has gone through ups and downs like the country itself. When asked by the media, “what will you do if Argentina wins the World Cup?”, he said, “I will run naked around the Obelisk monument”.

It is not only the footballers who use provocative vocabulary. Even Argentine diplomacy sometimes adds colour to the drab world of the ‘excellencies.’ In 1990, Guido di Tella, the Argentine Foreign Minister, said Argentina had “carnal relations” with the US...and the American diplomats did not know what to make of it!

(R. Viswanathan is Indian Ambassador in Buenos Aires. The views expressed in this article, special to IANS, are personal. He can be contacted at ambassador@indembarg.org.ar) ■



Mexican Economy On Recovery Path

The Mexican economy is on the path of recovery, riding on an expanded Gross Domestic Product (GDP) growth of 5.9 percent in the first half of 2010, led by a rebound in export-oriented manufacturing as demand picked up in the US, the country's main export market.



Mexican Finance Minister Ernesto Cordero has said the Government is expecting the economy to grow overall by 4.5 percent this year, though with expansion in GDP growth slowing to 3.8 percent in 2011.

Cordero said that growth in the second half of the year and next year will rely more on development of the domestic market.

The 4.5 percent estimate for growth this year is above the ministry's previous estimate of 4.1 percent and in line with most private estimates between 4.0 and 5.0 percent. Last year, the economy contracted 6.5 percent.

IMF Renews US\$48 Billion Credit Facility

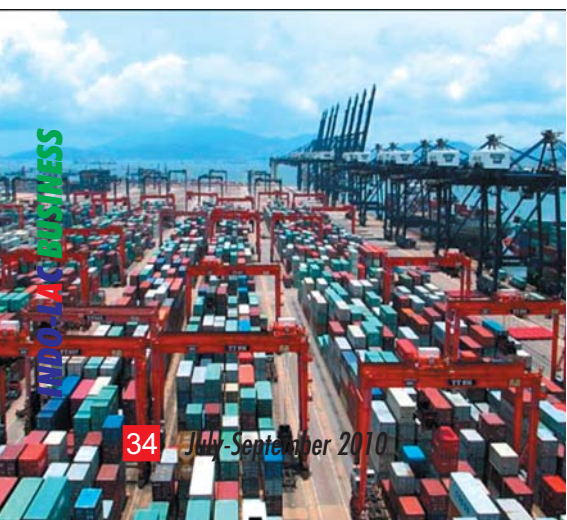
In March 2010, the Executive Board of the International Monetary Fund (IMF) approved a successor one-year arrangement for Mexico under the Flexible Credit Line (FCL) in an amount equivalent to SDR 31.528 billion (about US\$48 billion). The Mexican authorities stated they intend to treat the arrangement as precautionary and do not intend to draw on the line.

The FCL was established on 24 March 2009 as part of a major reform of the Fund's lending framework. The FCL is designed for crisis prevention purposes as it provides the flexibility to draw on the credit line at any time.

Disbursements are not phased nor conditioned on compliance with policy targets as in traditional IMF-supported programs. This flexible access is justified by the very strong track records of countries that qualify for the FCL, which gives confidence that their economic policies will remain strong.

Following the Executive Board discussion of Mexico, First Deputy Managing Director and Acting Chairman of the Board John Lipsky made the following statement:

"Mexico has a sustained record of sound economic policies, and has very strong economic fundamentals and frameworks. Public and private debt levels were reduced and balance sheets strengthened in the years before the global crisis. Well implemented rules-based policy mechanisms, including the balanced budget fiscal rule and inflation targeting framework and flexible exchange rate regime, have





anchored stability.

This strong policy framework has helped preserve stability during the crisis, and for the first time in many decades allowed the authorities to deliver a sizable counter cyclical fiscal and monetary policy response. Adroit

steps have been taken in various financial market segments to maintain orderly conditions. The authorities have continued to demonstrate their commitment and ability to reform in challenging times, including through the passage of important revenue measures in the 2010 budget that will strengthen the medium-term fiscal outlook. Swift action to secure contingent credit lines during the crisis from the U.S. Federal Reserve and the International Monetary Fund also helped maintain external confidence.

On the back of these strong policy measures and improving global economic conditions, growth has resumed since mid-2009, asset prices have recovered from troughs seen at the height of the crisis, and domestic financial stability has been maintained. Looking forward, policies will continue to be underpinned by the rules-based macroeconomic framework, and the authorities intend to continue to react as needed to any future shocks that may arise.

Nonetheless, sizeable downside risks still confront the global economy. It is against this background

that, at the authorities' request, the Executive Board today approved a one-year arrangement under the IMF's FCL, which the authorities intend to treat as precautionary. This successor FCL arrangement will continue to play an important role in supporting the authorities' overall macroeconomic strategy and in bolstering confidence until external conditions improve, complementing financing from other multilaterals.

Mexico's very strong policy frameworks and economic fundamentals, together with the additional insurance provided by the successor arrangement under the FCL, put Mexico in a very strong position to deal with other potential risks that could arise in the period ahead as the global economy continues to gradually recover from the crisis."

Hopes of an economic recovery revived at the start of 2010 despite the fears that the Mexican industry will report steep falls in output for several more months during the year.

At the same time, economists in the US, where Mexico sends about 80 percent of its exports, had increasingly pointed to signs that the US recession was moderating.

"The sharp economic contraction and the sensation that demand is in free fall are abating," said an analyst. "It is likely that we will start 2010 in a clear recovery," he added.

Last year, the Mexican economy sank deep into recession due to plunging demand for its exports from the US and it contracted about 6.0 percent as expected.

"It is a very deep crisis," said an analyst then, referring to the global recession, which weighed especially on countries such as Mexico which depended heavily on





exports. Industrial production, which accounts for about 40 percent of the Mexican economy, kept falling throughout the year in 2009.

A rally in Mexico's peso currency and in global equity markets were also signs that investors were betting on recovery, the analyst said.

The outbreak in April 2009 of the H1N1 influenza virus that forced the temporary shutdown of parts of Mexico's economy further compounded the economic problems.

At that time, the Mexican Finance Ministry forecast that the flu outbreak would shave 0.3 percentage point off GDP. The Central Bank Governor said the flu would likely cost 0.5 percent of GDP.

Economic Profile & NAFTA

Mexico is a federal constitutional republic in North America, bordered by the US on the north and by Belize and Guatemala on the south-east. The south and west is flanked by the Pacific Ocean and the Gulf of Mexico on the east. Mexico's has an estimated population of 111 million, and its economy is the 13th largest in nominal GDP terms (\$1.143 trillion -2009) and the 11th largest by Purchasing Power Parity (PPP, \$1.563 trillion 2009). Furthermore, Mexico's economy is part of the North American Free Trade Agreement (NAFTA), a trilateral trade bloc in the region comprising of the US, Canada and Mexico.

Mexico has benefited from the NAFTA; being a free market economy, it has increased its trade with the US and Canada threefold. Furthermore, over 90% of their trade falls under 12 free trade agreements spanning more than 40 countries worldwide. The Mexican GDP grew at an average rate of 5.1 percent during 1995-2002. The recent economic recession and more specifically, the down slide in the US markets impacted this growth in a negative way. The annual average growth for the GDP in 2005 dipped to 3-4.1 percent.

In 2009, the economic profile for Mexico took a turn for the worse.

Widespread disease in the form of a flu outbreak added to the failing economy in 2009. Policy stimulus proved inadequate against the background of limited fiscal stimulus and monetary relaxation. From an all-time low rate of annual inflation of 3.3 percent in 2005, this rate has only recently displayed signs of reducing from 6.4 percent in 2008 to 5.4 percent. These fluctuations are largely caused by the economy of Mexico's close association with US business and trade.

For the year 2010, the growth figures pertaining to the Mexican economy indicate signs of a recovery. The Mexican Finance Ministry has increased the growth figures from 3.0 percent to 3.9 percent. This upswing was the result of significant improvement in Mexico's exports, automobile production, manufacturing and increased imports of consumer goods. Employment is also on the rise alongside an increase in foreign and domestic demand, despite a deep divide in economic distribution, where 32 percent of the top earners take in 55 percent of the country's total income. ■



India Supports Mexico's Upcoming Climate Change Meet

Mexican Foreign Minister Patricia Espinosa Cantellano called on Prime Minister Manmohan Singh in August in New Delhi at the start of a three-day official visit to India in her capacity as the Chairperson of the COP-16 meeting on Climate Change.

Mexico is scheduled to host the Conference of the Parties (COP-16) meeting on Climate Change in Cancun in November this year.

Ms Cantellano, who arrived in the Indian capital accompanied by Vice-Minister of Foreign Affairs, Ms. Lourdes Aranda, Special Representative for Climate Change, Mr. Luis Alfonso de Alba, and other officials.

She held discussions with India's External Affairs Minister S. M. Krishna and Minister of Environment and Forests Jairam Ramesh and interacted with representatives of trade and industry at the

Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industry (CII).

Minister Ramesh strongly pitched for a "balanced and equitable" outcome of global climate change negotiations and had advocated the principle of common but differentiated responsibilities of developed and developing countries for curbing carbon emissions.

The two sides discussed ways to share future innovations on curbing global warming and existing clean technologies besides steps to plug lacunae in the existing Clean Development Mechanism.

This year holds special significance for Mexico as it marks the bicentenary of Mexican Independence and the centenary of the Mexican Revolution. This year both India and Mexico are celebrating the 60th



L-R: Pradeep Madhvji, Chairman, Travel & Tourism (Medical Tourism) Committee-IMC, Bhavna Doshi, Vice President-IMC, Anil Kumar Ruia, Chairman, International Trade Committee-IMC, Her Excellency Gloria Guevara, Minister of Tourism, Mexico, Mark Fernandes, Chairman, Shipping & Aviation Committee-IMC, Dilip Dandekar, President-IMC, His Excellency Jaime Nualart, Ambassador of Mexico to India, Hon'ble Rajju Shroff, Consul General (Honorary), The Consulate of Mexico, Clarence Fernandes, Co-Chairman, Travel & Tourism (Medical Tourism) Committee-IMC, Surendra Mardia, Director, (Bombay Metal Exchange Ltd.).

anniversary of the establishment of diplomatic relations. Several commemorative events are being planned during the year. A commemorative stamp is also proposed to be issued later in the year.

An official press release said India enjoyed warm and friendly relations with Mexico. President Pratibha Patil had visited Mexico in April 2008 and Mexican President Felipe Calderon had visited India in September 2007 when both countries elevated their relations to a "Privileged Partnership".

It said these visits gave a fresh impetus to the bilateral relations when a number of agreements were signed and institutional mechanisms were set up to take forward the ongoing cooperation between the two countries.

The Indo-Mexican bilateral trade in 2009 was \$ 2.2 billion (India's exports were \$ 1.14 billion and imports were of \$ 1.08 billion in 2009). Total Indian investments in Mexico are in the range of \$ 1.5 billion mostly in the IT, pharmaceuticals, manufacturing and packaging sectors.

India's main exports items are engineering products, chemicals, pharmaceuticals, gems & jewellery and textiles. Import items from Mexico are crude oil,

mineral fuel, fertilizers, iron steel, and silver. Total Indian investments in Mexico are in the range of US\$ 1.5 billion mostly in IT, Pharmaceuticals, manufacturing and packaging sectors. Earlier, the High Level Group on Trade & Investment met in April 2010 and Foreign Office Consultations were held in July 2010 in Mexico City.

Earlier, addressing the Indian industry at a function, Ms. Espinosa said "Cancun must meet challenges of resources and technology transfer and predictable sources of finance".

She said global responses to climate change will support national efforts and clear rules and greater predictability were essential for the central participants of the global economy, adding that a successful negotiation will underscore the importance of the multilateral system.

Mexico, she said, recognized the importance of negotiations for the private sector as well as the need for a clear and predictable framework for investment.

She also emphasized on "the need to facilitate access to technology, capacity building and financing for mitigation and adaptation." ■

Renuka Sugars to Pay 25 pc Less for Brazilian Buyout

India's Shree Renuka Sugars has renegotiated and sealed a deal to bring down the cost of its acquisition of Brazilian company Equipav SA Acucar e Alcool (Equipav AA) by 25 percent to Rs 1,151 crore.

The renegotiated deal reflects the bearish sentiment in the sugar sector owing to a sharp fall in global prices.

According to the new terms, the company will buy 50.34 percent, and not 50.79 percent as agreed upon in February. The deal values Equipav AA at \$1.147 billion, according to a press release.

Equipav has two modern sugar and ethanol mills with integrated cogeneration facilities in Sao Paulo, South-east Brazil, with a combined crushing capacity of 10.5 million tonnes (mt) of cane a year (44,400 tcd). It also has a cogeneration capacity of 203 MW. The mills will be expanded to a combined crushing

capacity of 12 mt and cogeneration capacity to 295 MW with an investment of Rs 562 crore.

Besides capital expenditure, a part of the amount being paid will be used to repay debt and increase the working capital, the company said. As of December 2009, Equipav had a debt of Rs 3,821 crore.

"The Equipav investment brings Shree Renuka closer to building a global sugar and ethanol business combining the most cost-efficient and scalable production areas in the world along with a leading presence in the largest ethanol and sugar markets of the world," the company said.

This deal is the company's second acquisition in Brazil this year. In March, it had bought out Vale do Ivaí SA Acucar e Alcool, a sugar and ethanol producer with an annual capacity of 3.1 mt. ■

India, Mexico to Jointly Promote Tourism

A five-member delegation led by Minister for Tourism, Mexico, Ms. Gloria Guevara called on Minister for Tourism and Housing & Urban Poverty Alleviation Kumari Selja in New Delhi. During their 40-minute meeting, both sides agreed to promote cooperation in tourism sector between the two countries.

Welcoming the visiting dignitary, Kumari Selja said that India deeply admires the uniqueness of Mexican culture and heritage which has been preserved and conserved over the years. She said, the diplomatic relations between the two countries should be strengthened by exchange of ideas for tourism development and promotion, exchange of visits by travel and tour operators, travel media, opinion makers, holding road shows and food festivals in each other's country.

Minister Selja said, two countries should exchange best practices in the tourism and hospitality education for Human Resource Development. Two countries may encourage student exchange programmes.

She said, the Indian Council of Cultural Relations proposed to open an Indian Cultural Centre in Mexico City and it will be an excellent platform for promoting Indian culture, cuisine and arts in Mexico. She said, a festival of India in Mexico is also being proposed for next year where Ministry of Tourism will focus among other things to promote Yoga and Wellness Tourism.

Ms. Guevara agreeing to strengthen the bilateral cooperation in tourism sector between the two countries lauded the success of Incredible India Campaign and overseas marketing. She praised the manner in which the government and the private sector efforts are being synergized in India to promote tourism sector.

She also appreciated the quick recovery of tourism sector in India after the recent global economic slowdown. She suggested to renew the Agreement on Tourism Cooperation Between India and Mexico signed in 1996. Ms. Guevara invited Minister Selja to attend International Fair on Cultural Tourism in Mexico in November 2010. ■



Mrs. Gloria Guevara meeting Kum. Selja, in New Delhi

Mexican Visa Just In 24 Hours



Later, speaking in Mumbai, Ms Guevara offered to issue "Mexican visa clearance within 24 hours to all non-US visa holding Indian visitors" to her country. For US visa holding Indians, there is already provision for visa on arrival.

Ms Guevara was interacting with the leaders of Mumbai's tourism and travel industry at a meeting organized by Indian Merchants Chamber on 19 August 2010. She was accompanied by Ambassador Jaime Nualart, Honorary Consul General Rajju Shroff and Trade Commissioner Aldo Ruiz, and other officials of Mexico's Tourism Ministry.

IMC President Dilip Dandekar, who introduced and felicitated the Minister, said Mexico, like India, was an ecologically diverse country having innumerable tourism destinations catering to a wide range of interests.

"It has vast deserts, nature reserves and rugged mountain ranges, not to mention picturesque towns full of life and color, and beautiful colonial cities, some of which have been declared world heritage sites," he said and

pointed out "With 22 biosphere reserves, 47 national parks and nine protected areas, Mexico has a wide range of eco-tourism."

Ms Guevara agreed with Dandekar that many things such as the ecological, ethnic and cultural diversities, economic and social conditions, a rich historical heritages and legacies, in India and Mexico were all comparable. "Like India, Mexico However, being geographically located close to the US and Canada, Mexico was able to attract huge flow of tourists from those countries.

"Tourism has created about eight million jobs and contributed about 9% to Mexico's GDP. My Government aims at doubling the inflow of tourists into Mexico within the next two years. About 40 years ago, Mexico began constructing tourist infrastructures such as hotels, road transport and other facilities on the Pacific coast, all on an ecologically sustainable basis, which has stood in good stead for us over the years," she said.

She said her country was able to overcome the effects of the global economic crisis, which began in 2007-08. "After successfully weathering the storm, we were able to steeply increase the capacity of our hotels located in 56 of the 70 tourist destinations, consequent sharp increase in hotel occupancy," she said.

"The Maya culture in Mexico dates back thousands of years. The country has 63 ethnic groups, and also a large number of heritage sites -- both ancient and colonial. In respect of offering unique tourist experiences, Mexico is the world's second most preferred tourist destination," she asserted.

Ms Gloria Guevara said that Mexico would soon be celebrating its National Cultural Festival, and invited Indians to participate in it in a big way.

Ambassador Jaime Nualart said Indian business houses, hotel chains and others could also hope to reap huge profits by making large investment in tourist and industrial sectors in Mexico. Hon. Consul General Rajju Shroff pointed out that India and Mexico had signed a double-taxation avoidance treaty, and over the years, the treaty had hugely benefited both the countries. "Our bilateral trade has risen to over \$2 billion, and had potential rise further," he added.

Chairman of IMC's Travel & Tourism Committee Pradip Madhavji made an elaborate presentation on Indian tourists' special preferences to short duration holidays of about 7 to 10 days, 'soft adventures', vegetarian food, shopping, and their concerns over safety and security. "If you set up a tourist promotion office in Mumbai, it will go a long way in promoting tourists from India to Mexico," he suggested. ■

Mexico, a Mesmerizing Land of Magic Moments

Mexico is located in the northern region of the American continent between the Gulf of Mexico on the east and the Pacific Ocean on the west. It is bordered by the United States on the north and by Guatemala and Belize on the south. Mexico's land area extends 1,964,375 sq km, which is divided into six tourist regions.

Northern Mexico

The deserts and dunes of the north extend across the states of Chihuahua, Coahuila, Sonora, Durango, Nuevo Leon, Tamaulipas and Zacatecas, where maximum summer temperatures range between 32° C and 36° C (90° F and 97° F) and winter lows drop below 0° C (32° F). The western and eastern mountain ranges of the Sierra Madre stretch across the region as well.

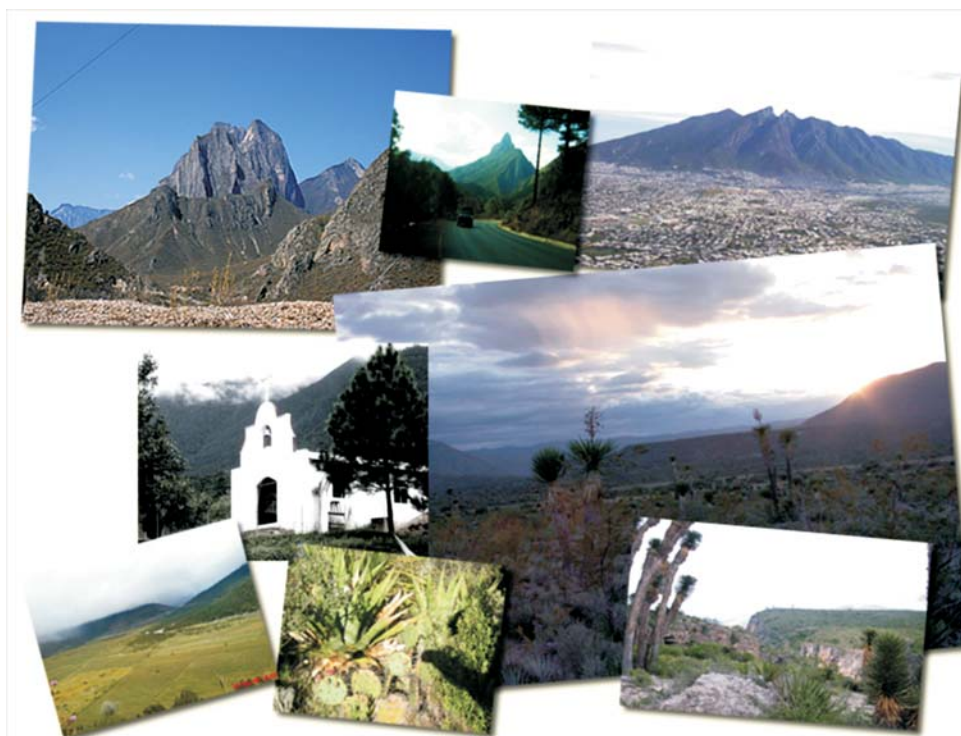
Ideal for camping and photography, one cannot miss out on the breathtaking sights of the hot springs in the Cuatro Ciénegas desert in Coahuila.

In the state of Zacatecas, one can admire the beautiful colonial buildings of the capital (also called Zacatecas) from high above on a suspended cable car, which departs from city landmark Cerro de La Bufa. There are also interesting archeological zones nearby such as Alta Vista and La Quemada.

In the state of Chihuahua, one can visit the ruins of Paquime, where some of the ancient constructions are five stories high. Also in Chihuahua, you can take an amazing ride on the Chihuahua-Pacific railroad as it passes through the

Copper Canyon region. Finally, don't forget to check out the traditional art of the Raramuri Indians, heirs of the Tarahumara culture.

In the state of Sonora, ancient territory of the Yaqui Indians, you'll find the best beach resorts in northern Mexico: Guayamas, San Carlos, Bahia de Kino, and Puerto Penasco. You'll also be able to admire the dunes of El Pinacate biosphere reserve and the adjacent Gran Desierto del Altar (the Altar Desert), recently declared UNESCO World Heritage sites.



Durango - Popular Film Location

Thanks to its barren desert landscape, the state of Durango has become a popular spot for film locations. Also in Durango, you can camp in the mysterious Zona del Silencio (The Zone of Silence), a desert area where the atmosphere purportedly attracts meteorites and blocks radio transmissions. Another state attraction is national park La Sierra de Organos, where you can see some of nature's most peculiar rock formations.

Durango lies in Mexico's northwest region, 268 km (166 mi) southwest of Torreon, Coahuila, and 310 km (192 mi) northwest of the city of Zacatecas. The climate is mostly dry, with rainfall in the summer. The average year-round temperature is 18°C (64°F).

In this city you'll see some of the northern region's most unique architecture, such as that of Durango's Cathedral, the Templo de Santa Ana and the Casa del Conde del Valle de Suchil. The diverse designs offer a precious mosaic of colonial and contemporary architecture. Other edifices, such as the Casa de Gobierno, house museums with amazing art exhibits, old furniture, archaeological pieces, religious art, historical archives and collections that reflect the artistic talent of the region's ethnic groups.

In Durango's surrounding areas you can do various outdoor recreational activities, including fishing trips at the Guadalupe Victoria Dam, camping outings at El Saltito waterfall and mountain biking excursions at Chupaderos. The latter has gorgeous settings that have been used as film location sites. You also can explore the vast Zona del Silencio (Zone of Silence), a mysterious region where you can observe singular plant and animal species.

In the state of Nuevo Leon, you can visit business and industrial center Monterrey, home of the famous cabrito (roast goat-kid) dish. The saddle-shaped Cerro de la Silla provides a backdrop to Mexico's third largest city.

Meanwhile, in the state of Tamaulipas, you can discover a wide variety of flora and fauna at El Cielo, a biosphere reserve with four different ecosystems.

You can also check out El Complejo Cueva Diablo, one of the nation's oldest archeological zones dating back 8,000 years.



TOURISM

INDO-LAC BUSINESS

Central Region - Mexico City

Central Mexico is one of the country's richest regions in culture and natural beauty. Its territory extends from the outer limits of a high plateau in the north to the edge of the Sierra Madre range in the south. Temperatures are moderate throughout most of the year, ranging from 3° C (26° F) in the winter to 30° C (86° F) in the summer. The climate can vary considerably depending on the geographic zone.

In this region, you can visit Mexico City, the nation's capital. There you can appreciate the fascinating architecture of the aging buildings in the city's Historic Center; or you can visit the Basilica of Guadalupe and such popular neighborhoods as San Angel, Coyoacan and Xochimilco. The latter is known for its gondola rides and colorful boats that take you through canals.

Nearby, you can discover intriguing archeological zones: Teotihuacan in the State of Mexico; Xochicalco in Morelos; Cacaxtla in Tlaxcala; and Tula in Hidalgo. Each archeological site is uniquely different as there are the many natural sites in the surrounding areas: volcanoes Iztaccihuatl and Popocatepetl, which lay between the States of Mexico and Puebla; el Nevado de Toluca in the State of Mexico; el Cerro del Tepozteco in Morelos; the Lagoons of Zempoala between the states of Mexico and Morelos; the Monarch Butterfly Sanctuary in Michoacan; the Sierra Gorda and la Pena de Bernal in Queretaro; and the Huasteca region in San Luis Potosi, where you can also visit mysterious ghost town Real de Catorce.

The central region offers the tranquility of its numerous forests, waterfalls, lakes, rivers, springs and caverns, all of which provide ideal settings for rafting, rappelling, cave exploring, scuba diving, camping, rock climbing and nature observing.

In the Mexican heartland, you can also visit picturesque towns known for their fairs, convents and haciendas, such as Tlaxcala and Huamantla. Or you can experience the rush of the running of the bulls in Aguascalientes, where you can also see cockfights and visit the San Marcos Fair. Or you can visit colonial city Guanajuato, which hosts the famous Cervantino Festival. And then there's Puebla, the city of angels, with more than 200 churches. Finally, be sure to check out Queretaro's monumental aqueduct and Morelia's baroque cathedral, both declared UNESCO World Heritage sites.

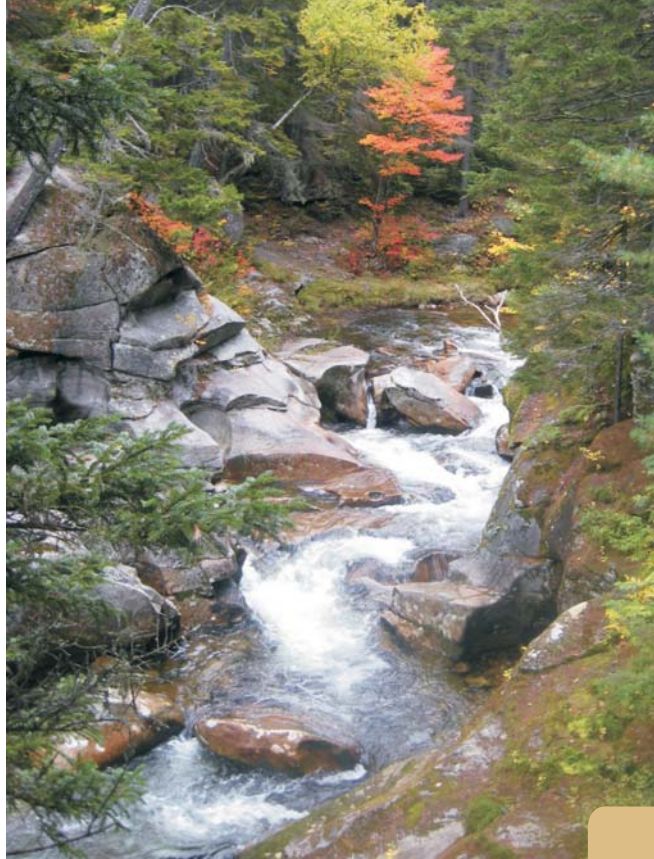


Southern Mexico and The Gulf Of Mexico

This region, which boasts some of the most amazing and diverse ecosystems on the planet, lies between two major bodies of water: the Gulf of Mexico and the Pacific Ocean. Rich in natural resources, culture and tradition, the states of Veracruz, Chiapas and Tabasco have tropical and semi-tropical climates (temperatures exceed 25° C, or 77° F).

The Olmeca region not only has numerous places to visit, but it's also home to the manatee, the Atlantic spotted dolphin and the whale shark. The strip of beach resorts in Veracruz, known as la Costa Esmeralda (the Emerald Coast), which stretches from Nautla to Tecolutla, is ideal for scuba diving, sportfishing, rock climbing, rappelling, rafting and kayaking.

In addition to such natural wonders as el Parque Chachalacas



(Chachalacas Park) and waterfall la Cascada Salto de Eyipantla, the state of Veracruz offers sites including El Pico de Orizaba, Mexico's highest mountain, and El Tajin, an archeological zone where you can witness the famed Flying Men of Papantla. There's also the port of Veracruz, the nation's busiest commercial seaport.

Southeast of Veracruz lies the state of Tabasco, with such natural attractions as the Parque Museo de la Venta (La Venta Park and Museum), ecological parks Yumka and Kolem Jaa in Tacotalpa, and las Grutas de Cocona (The Cocona Caves). Another main attraction is the Carlos Pellicer Camara Regional Anthropology Museum, which you can visit while in Tabasco's modern capital, Villahermosa.



Villahermosa

Villahermosa, the state capital of Tabasco, is located in the Gulf Coast region, in southeastern Mexico. It lies in a zone that gets heavy annual rainfall. The climate is humid and tropical, with an average year-round temperature of 25° C (77° F), however it can reach up to 40° C (104° F) in the summer.





Known as the Emerald of the Southeast, this modern city offers a wide variety of cultural and tourist attractions. During your stay, you can visit parks of spectacular beauty, such as Parque-Museo La Venta and Parque Tomas Garrido Canabal, or you can check out interesting museums like the Carlos Pellicer Regional Anthropology Museum. In addition, the city offers various entertainment options, particularly at the Tabasco 2000 complex, which has a planetarium, shopping mall Galerías Tabasco 2000, numerous department stores, boutiques, restaurants and a five-star hotel. There you'll also find city government buildings El Palacio Municipal and El Centro Administrativo de Gobierno.

In Villahermosa's surrounding areas you can enjoy magnificent natural scenery at places like Cascadas de Agua Blanca, where you'll see mountains, jungles, lakes, rivers and the Centla Marshes, one of the wettest zones in southeast Mexico. It is also the ideal spot for ecotourism outings, as it allows you to observe exotic examples of indigenous flora and fauna. Near the city you also can visit the Yumka Zoo and archaeological zones La Venta and Comalcalco, ancient capitals of the Olmecs and Mayans. Finally, you can do the cacao tour, an experience that will allow you to appreciate the Tabascans warm hospitality and the region's fine cuisine

Museums

Villahermosa has several important museums where you can learn about pre-Hispanic societies and the state of Tabasco's historical development.

Casa Museo Carlos Pellicer Camara - Located at 203 Narciso Saenz Steet, in the Zona Luz. This museum has an exhibit of furniture, documents and other personal objects that belonged to famed Tabascan poet Carlos Pellicer. Open Tuesday through Sunday from 10:00 to 8:00.

Museo de Historia de Tabasco (Tabasco History Museum) Located in the Casa de los Azulejos, on the corner of Av. 27 de Febrero and Benito Juarez. This museum offers a broad overview of the state of Tabasco's important social, political and historical events. Open Tuesday through Saturday from 10:00 to 5:00.

Carlos Pellicer Regional Anthropology Museum Located at 511 Av. Carlos Pellicer, in the Zona CICOM. This three-storied museum exhibits archaeological pieces from various cultures. It also has permanent exhibits and an interactive learning center where visitors will find reproductions of archaeological monuments. Open Tuesday through Sunday from 9:00 to 5:00



Archaeology

Near Villahermosa you'll find various archaeological zones with Olmec and Mayan ruins.

La Venta - Located 120 km (74 mi) west of Villahermosa, off Highway 180. This site has numerous examples of the monumental Olmec sculptures. Open daily from 8:00 to 4:30.

Comalcalco - Located 91 km (56 mi) northwest of Villahermosa. To arrive at the site from Villahermosa, take Highway 180 to Highway 187. This archaeological zone was an ancient Mayan city. The structures here are made of bricks rather than the more commonly used stones. Open daily from 10:00 to 5:00.

Heading toward the Pacific coast, the state of Chiapas provides spectacular sights like the Lacandona jungle, the Sumidero Canyon and the Agua Azul waterfalls. Other impressive places in Chiapas include religious center San Juan Chomula, world famous cities San Cristobal de las Casas and Tapachula, and Palenque, where you can discover the magic of Mayan ruins.



The Yucatan Peninsula

The Yucatan Peninsula, located in southeastern Mexico between the Gulf of Mexico and the Caribbean Sea, has a year-round hot and humid climate, which is ideal for enjoying its Beach Resorts and natural paradises.

The region, which comprises the states of Campeche, Yucatan and Quintana Roo, is well known for its numerous Mayan archeological sites. Many of the ancient traditions of the Mayas persist, for example, many women wear a traditional blouse called a huipil, and some homes are still built with straw rooftops. There are also the regional



henequen haciendas, many of which have been converted into posh hotels. And then there are the blue waters of the Caribbean Sea that wash onto white-sand beaches, where you'll find world-class hotels.

You can also visit Mexico's hidden treasure, Campeche, a historic fortified city declared a World Heritage site. Nearby Campeche are archeological zones Edzna and Calakmul, the latter forming part of the biggest biosphere reserve in the country.

Just two hours away from Campeche is Merida, the so-called white city, where the local cuisine is unbeatable and a stroll down Paseo Montejo Avenue allows you to appreciate the city's most important historical buildings. Nearby, in the heart of a cenotes zone (cenotes are sink holes, or fresh water pools connecting to submerged caverns), you'll find the most cherished sites of the Mayan world: Chichen Itza and Uxmal.

Located in the state of Quintana Roo is Cancun, a bustling tourist destination with luxurious hotels and nonstop nightlife. Also in Quintana Roo is the Mayan Riviera, where you'll find nature parks Xcaret, Xel-Ha and biosphere reserve Sian Ka'an. Finally, the state offers the islands of Cozumel and Isla Mujeres, located several kilometers away from the Great Mayan Reef, the second largest reef in the world and an underwater paradise for scuba diving.

The Pacific Coast

Located in western Mexico, the Pacific coast region stretches across 1,700 km of beaches, mountains and valleys, spanning from the state of Sinaloa to the Isthmus of Tehuantepec in the state of Oaxaca. The climate is hot and tropical (temperatures range from 15° C, or 59° F, to 32° C, or 90° F) along the coast, while the zone that makes up part of the Sierra Madre del Sur mountain range gets much cooler.

In the southern portion of the state of Sinaloa, Mazatlan stands out for its celebrated carnival, one of the country's most important festivals. Just below Sinaloa is the mystical state of Nayarit, where the ancient wisdom and traditions of the Huichol and Cora Indians live on. It's there where you'll find multicolored handicrafts made from wood, cloth or beads.

Further south, in Tapatio territory (the state of Jalisco), four gems stand out: the beautiful city of Guadalajara, resort hotspot Costalegre, beach resort Puerto Vallarta and el Volcan de Fuego (The Volcano of Fire), which lies on the Jalisco-Colima border. In the state of Michoacan, the beach of Maruata is excellent for surfing, while state capital Morelia has fascinating architecture.



In the state of Colima, beach town Manzanillo hosts important fishing tournaments.

Moving southward, in the state of Guerrero you can stroll down the cobblestone streets of picturesque Taxco, where you can buy the finest silver jewelry. Along Guerrero's coast, you can enjoy the Beach Resorts at Ixtapa and Zihuatanejo, where the calm waters invite you to relax, or you can visit Acapulco, widely considered one of the most famous bays in the world.

Finally, there are numerous options in Oaxaca, a state highly regarded for its regional cuisine and arts, which is home to such famed artists as Rufino Tamayo, Francisco Toledo and Rodolfo Morales. There, you can visit the state capital Oaxaca City and nearby archeological sites Mitla and Monte Alban, a World Heritage site. Or you can bask in the sun at Zipolite, a popular nude beach, or Huatulco, one of Mexico's fastest growing tourist destinations, which offers the unparalleled beauty of its pristine bays.

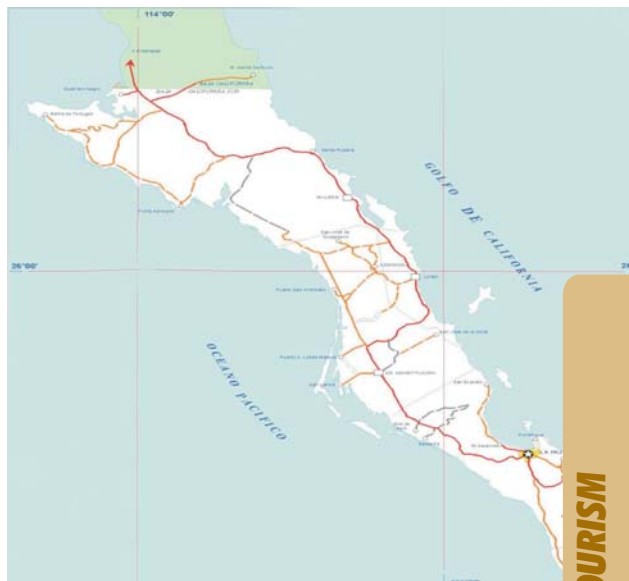
The Baja California Peninsula

Located in the northwest region, the Baja California Peninsula borders the United States on the north, and lies east of the Pacific Ocean and west of the Sea of Cortez. The peninsula has an ideal climate, with sunny days throughout most of the year and average temperatures ranging from 15° C (59° F) in the winter and 30° C (86° F) during the summer.

Its territory, which spans about 1,300 km from north to south, is divided into two states: Baja California and Baja California Sur. In the former, Tijuana stands out as one of the most visited border cities in the world, thanks to its popular bullfights, dog racing, cultural center and its famed contribution to international cuisine: the Caesar salad. Also in the state of Baja California, you can visit Ensenada, a town surrounded by nearby vineyards, which explains why it has become the peninsula's cultural capital in recent years. Or you can do some whale-watching at la Laguna Ojo de Liebre (Scammons Lagoon), where you can spy the Gray Whale. Also nearby is Rosarito, one of Mexico's top destinations for scuba diving and fishing.

In the peninsula's southern state, Baja California Sur, you'll find incredible natural scenery: beach resorts deserts, nature reserves and the mountains of the Sierra de San Francisco, where you can witness magnificent cave murals or visit old missions. What's more, you can enjoy the numerous spas and resorts of Los Cabos, one of Mexico's most popular destinations, which also offers top-notch golf courses. North of Los Cabos, in La Paz and Loreto, you can do some sportfishing, surfing, windsurfing, kayaking, scuba diving and whale-watching on the Sea of Cortez.

For road trips, it's worth noting that you can drive across the region along the Transpeninsular Highway, which stretches from Tijuana to Los Cabos. You can also travel by way of the so-called Escalera Nautica, a nautical route that stops at various ports along the coast. ■



Industria del Aluminio Debe Desarrollar Nuevos Productos para Competir A Nivel Mundial

-Estudio del Banco Exim

La industria del aluminio pertenece al segmento principal de la economía india y se espera que desempeñe un papel importante en el crecimiento futuro, según un estudio realizado por el Banco de Exportaciones e Importaciones de la India (Exim Bank). La India está en sexto lugar en el mundo con mayores reservas probadas y probables de bauxita (más de 140 millones de toneladas métricas). La producción y el consumo de aluminio habían crecido a lo largo de los años en la India. La producción de aluminio en 2008-09 era de 1,33 millones de toneladas, y el consumo de aluminio en el mismo año se estimó en 1,32 millones de toneladas. Con el fin de aprovechar su posición como gran productor, la industria del aluminio debe continuar desarrollando nuevos productos y procesos para combatir la amenaza de otros materiales de la competencia y mantener las credenciales sostenibles de aluminio, dice el estudio Exim Bank.



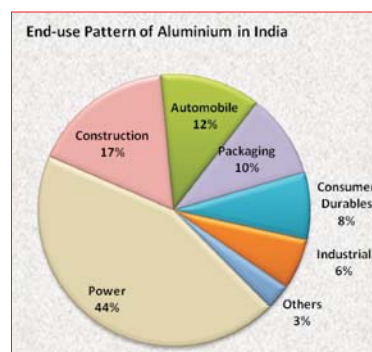
Nota: * Estimado, Fuente: Crisil Research

Durante 2005-06, 2006-07 y 2008-09, la industria nacional del aluminio sufrió déficit en la producción, en comparación con la demanda. Durante el período 2000-01 a 2008-09, la producción de aluminio en la India tuvo un CAGR del 9,4 por ciento, mientras que el consumo tuvo un CAGR de 11,2 por ciento.

Consumo

El aluminio es el más utilizado metal no ferroso, y su uso está aumentando principalmente debido a sus características inherentes, tales como peso ligero, resistencia, punto de fusión moderada, ductilidad, conductividad, resistencia a la corrosión, y la capacidad de ser reciclados sin pérdida de calidad. El patrón de uso final de aluminio en la India es significativamente diferente de lo del mundo; el sector de la energía tiene gran parte del uso de aluminio en la India con una cuota de 44 por ciento, seguido de la

construcción (17 por ciento), automotriz (12 por ciento), envases (10 por ciento) y bienes de consumo duraderos (8,0 por ciento). La proporción de uso de aluminio en aplicaciones industriales, especialmente en la fabricación de maquinaria y bienes de capital se estima en 6,0 por ciento en la India.



Fuente: Crisil Research

Exportaciones

Durante 2007-08, las exportaciones de aluminio han crecido un 30 por ciento de 114,01 millones dólares EE.UU en 2006-07 a 142,71 millones dólares EE.UU en 2007-08. Sin embargo, durante 2008-09, las

exportaciones cayeron un 47,3 por ciento de 142,71 millones dólares EE.UU a 75,17 millones dólares de EE.UU, debido principalmente a la desaceleración de la demanda asociada a la crisis económica mundial. Durante abril-enero de 2009-10, las exportaciones mostraron un crecimiento negativo de -4.1 por ciento en comparación con el período correspondiente del año anterior. Las importaciones de aluminio también había disminuido en un -21,1 por ciento durante 2008-09 y el total de las importaciones durante este período fue 99.58 millones dólares EE.UU.

previamente han reducido su producción o parcialmente cerrado sus operaciones se espera para reiniciar o aumentar la producción en 2010. La región de Asia dominaría la industria global del aluminio, tanto en términos de adición de la capacidad (principalmente en la región del Golfo), así como por el consumo (impulsado por China e India). De acuerdo con una estimación de la Middle East Economic Digest, de los 6,5 millones de toneladas de la capacidad potencial de aluminio previsto a partir de 2010, tanto como 4,4 millones de toneladas se construirán en el GCC. A más

Exportaciones e Importaciones de Aluminio (\$ Millones EE UU)								
Comercio	2006-07	2007-08	2008-09	Abril-Ene 2008-09	Abril-Ene 2009-10	% cambio 2007-08 vs 2006-07	% cambio 2008-09 vs 2007-08	% cambio Abr-Ene 2009-10 vs Abr- Ene 2008-09
Exportaciones	114.01	142.71	75.17	427.62	410.30	25.2	-47.3	-4.05
Importaciones	97.6	126.17	99.58	-	-	29.3	-21.1	-
Fuente: DGCIS								

El artículo principal de las exportaciones de la India bajo la categoría de aluminio fue de aluminio en bruto, con una cuota del 37,3 por ciento en las exportaciones totales de aluminio, seguida de alambre retorcido, cables, trenzas, y tales productos de aluminio sin aislamiento eléctrico (18,6 por ciento), y placas, hojas y tiras de aluminio (13,7 por ciento). Los artículos principales de importación en la categoría de aluminio fueron de aluminio en bruto (37,9 por ciento), los desperdicios y desechos de aluminio (27,2 por ciento), y las placas, hojas y tiras de aluminio (9,9 por ciento).

El destino principal de las exportaciones de aluminio durante 2008-09 fue Singapur, con una cuota del 27 por ciento de las exportaciones totales de aluminio, seguido por Malasia (9,0 por ciento), EE.UU. (6,0 por ciento), Emiratos Árabes Unidos (5,0 por ciento) y Nigeria (5,0 por ciento). Las fuentes principales de importación (de aluminio) para la India durante este período fueron China (17 por ciento), Emiratos Árabes Unidos (10 por ciento), Sudáfrica (8,0 por ciento), Tailandia (7,0 por ciento) y Alemania (6,0 por ciento).

Perspectiva

Se estima que la producción mundial de aluminio ha disminuido en alrededor del 14 por ciento en 2009. Como la mayoría de los sectores de uso final para el aluminio se están recuperando, se estima que la producción mundial de aluminio crecerá un 3,0 por ciento en 2010. Un número de fundiciones que

largo plazo, MEED estima que para 2020 solo el GCC producirá unos 10 millones de toneladas/año de aluminio, que representan el 20 por ciento de cuota de mercado mundial. A nivel mundial, se espera que las nuevas aplicaciones de embalaje y el uso incrementado en los automóviles mantengan el crecimiento de la demanda de aluminio en el largo plazo.

Con las industrias claves consumidoras formando parte del sector central nacional, la industria del aluminio es sensible a las fluctuaciones en el rendimiento de la economía. Energía, infraestructura y transporte representan casi las tres cuartas partes del consumo interno de aluminio. Por lo tanto, se espera que la demanda reviva y ayude en el crecimiento de la industria.

La industria del aluminio debe continuar desarrollando nuevos productos y procesos para combatir la amenaza de otros materiales de la competencia y mantener las credenciales sostenibles de aluminio. La I + D en la industria del aluminio por consiguiente, es muy esencial para la India. También la India debería concentrarse más en el reciclaje de aluminio para el desarrollo sostenible ya que el reciclaje ayudaría en el ahorro de energía y recursos. A largo plazo, se espera que la industria del aluminio resulte en crecimiento sostenible que contribuye al desarrollo económico del país. ■

India Continuará siendo el Centro de Outsourcing Global para los servicios de IT

- Estudio de Banco Exim

La industria india de tecnología informática, que se ha convertido en el orgullo de la economía nacional en los últimos años, seguirá contribuyendo una parte importante de los ingresos en moneda extranjera del país, según un estudio realizado por el Banco de Exportaciones e Importaciones de la India (Exim Bank), citando las cifras y las estimaciones de NASSCOM para el futuro. El estudio también dice se espera que la India afirme su posición dominante como el centro mundial de outsourcing de software y servicios de TI.

La industria india de TI puede dividirse en cuatro componentes principales:

- Servicios de TI
- ITES-BPO (Servicio Habilitado Por TI y la externalización de procesos empresariales)
- Productos de Software y servicios de ingeniería
- Hardware

De acuerdo con estimaciones publicadas por NASSCOM, la BPO-TI de la India creció un 12 por ciento en 2008-09 al llegar a 71,6 mil millones dólares en ingresos globales. Software y las exportaciones de servicios (incluye las exportaciones de servicios de TI, productos de software ITES-BPO y servicios de ingeniería) llegó a 47 mil millones dólares, contribuyendo con casi el 66 por ciento a los ingresos totales de la industria de TI. Las exportaciones de la industria de TI (incluidas las exportaciones de hardware) alcanzó 47,3 mil millones dólares en 2008-09 frente a 40,9 mil millones dólares en 2007-08, un crecimiento del 16 por ciento. Contribuir 66 por ciento de la cifra global, las exportaciones sigue siendo el pilar de la historia de crecimiento de IT-BPO de India. El Software y las exportaciones de servicios, que representan el 99 por ciento de las exportaciones

totales emplearon directamente a más de 1,7 millones de profesionales en el 2008-09. Servicios de TI contribuyó un 57 por ciento de las exportaciones totales a llegar a 26,9 mil millones dólares en 2008-09. Las exportaciones de los servicios de BPO, hasta un 17 por ciento, fue el segmento con mayor crecimiento en exportaciones de software y servicios impulsados por la escala, así como ámbito de aplicación. La cartera de servicios de BPO se vio reforzada por la especialización vertical y capacidades de entrega global. Complementando el fuerte crecimiento de las exportaciones de los servicios de TI y BPO fue el crecimiento continuo del desarrollo de productos de software y servicios de ingeniería, que también refleja el papel cada vez mayor de la India en tecnología global de creación de propiedad intelectual. Los ingresos de exportación de estos servicios de valor añadido relativamente alto como la ingeniería y la I + D, desarrollo de productos offshore y los productos de software elaborados en la India crecieron un 15 por ciento, y registró 7,3 mil millones dólares en 2008-09.

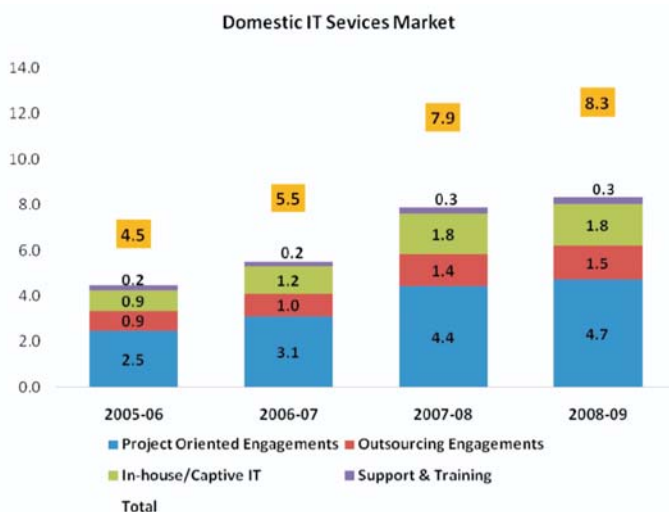
El mercado nacional de TI (incluyendo el hardware) alcanzó 24,3 mil millones dólares en 2008-09 frente a 23,2 mil millones dólares en 2007-08, un crecimiento del 4,7 por ciento. Hardware creció un 2,6 por ciento; software y el gasto sobre servicios respaldado por el aumento de adopción, creció casi un 4,5 por ciento. El desempeño del sector de TI india figura en el cuadro: 2.

Según las estimaciones publicadas por NASSCOM, se espera que los ingresos de exportación para el sector indio de servicios de IT-BPO registrarán un crecimiento del 5,5 por ciento, para llegar a 49,7 mil millones dólares en 2009-10. El crecimiento fue liderado por el mercado nacional impulsado por el

Tabla: 1

Los acontecimientos claves de la industria de servicios de IT-BPO en 2009-10		
Año Fiscal	Exportaciones (mil millones de dólares EEUU)	Nacional (mil millones de INR)
Año fiscal 08-09	47.1	590
Año fiscal 09-10	49.7	662
Año fiscal 10-11 (perspectiva)	56-57	761-775
Fuente: NASSCOM		

Expuesto: 1



Fuente: Crisil Research, NASSCOM

gasto público aumentó en TI.

(Tabla: 1)

Cuadro 3 muestra el mercado nacional de servicios de TI. Durante 2008-09 los rendimientos nacionales del servicios de TI fue 8,3 mil millones dólares y el segmento más grande contribuyendo a este crecimiento fue compromisos orientados hacia

proyectos con una cuota del 57 por ciento de los ingresos nacionales totales de los servicios de TI, seguido por In-House/captive (interno/captivo) TI (22 por ciento), compromisos de externalización (18 por ciento) y el apoyo y la formación (3,0 por ciento) (Anexo: 1)

La exposición al mercado vertical de la industria de exportación es bien diversificada en varios sectores maduros y emergentes. Banca, Servicios Financieros y Seguros (BFSI) quedaron el principal mercado vertical de las exportaciones de servicios indios de TI, seguido por hi-tech/Telecom (20 por ciento), manufactura (17 por ciento) y al por menor (8,0 por ciento) en 2007-08. Otros sectores como la salud, las compañías aéreas y transporte, construcción y servicios representaron el 3,0 por ciento cada uno en la exportación de servicios de TI. (Expuesto: 2)

Perspectiva

Según NASSCOM, el empleo directo en IT-BPO indio sobrepasó la marca de 2,2 millones, un aumento de alrededor de 226.000 profesionales en 2007-08, la creación de empleo indirecto se estima en alrededor de ocho millones. Las exportaciones de los servicios de TI (incluyendo servicios de ingeniería, I + D, los productos

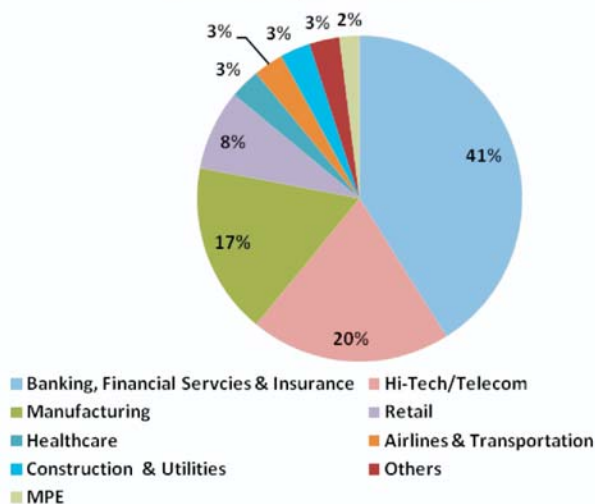
Tabla: 3

El rendimiento del sector indio de TI (\$ mil millones EEUU)								
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	% crecimiento en 2008-09 vs 2007-08	CAGR
Ingresos de Exportaciones								
• Servicios de TI	7.3	10.0	13.3	17.9	23.1	26.9	16.5	29.8
• ITES-BPO	3.1	4.6	6.3	8.4	10.9	12.8	17.4	32.8
• Productos de Software y servicios de ingeniería	2.5	3.1	4.0	4.9	6.4	7.3	14.1	23.9
Ingresos totales de exportación de servicios IT-BPO	12.9	17.7	23.6	31.2	40.4	47.0	16.3	29.5
• Hardware	0.5	0.5	0.6	0.5	0.5	0.3	-40.0	-9.7
Ingresos totales de exportaciones de TI(A)	13.4	18.2	24.2	31.7	40.9	47.3	15.6	28.7
Ingresos domésticos								
• Servicios de TI	3.1	3.5	4.5	5.5	7.9	8.3	5.1	21.8
• ITES-BPO	0.3	0.6	0.9	1.1	1.6	1.9	18.8	44.7
• Productos de Software y servicios de ingeniería	0.5	0.7	1.3	1.6	2.2	2.3	4.5	35.7
Ingresos domésticos totales de servicios IT-BPO	3.9	4.8	6.7	8.2	11.7	12.5	6.8	26.2
• Hardware	4.4	5.2	6.5	8.0	11.5	11.8	2.6	21.8
Ingresos domésticos totales(B)	8.3	10	13.2	16.2	23.2	24.3	4.7	24.0
Total de Industria TI (A+B)	21.7	28.2	37.4	47.9	64.1	71.6	11.7	27.0

Fuente: NASSCOM

Expuesto: 2

IT Services Export Verticals 2007-08



Fuente: NASSCOM

de software), las exportaciones de BPO y la industria doméstica de TI proporcionan empleo directo a 947.000, 790.000 y 500.000 profesionales, respectivamente.

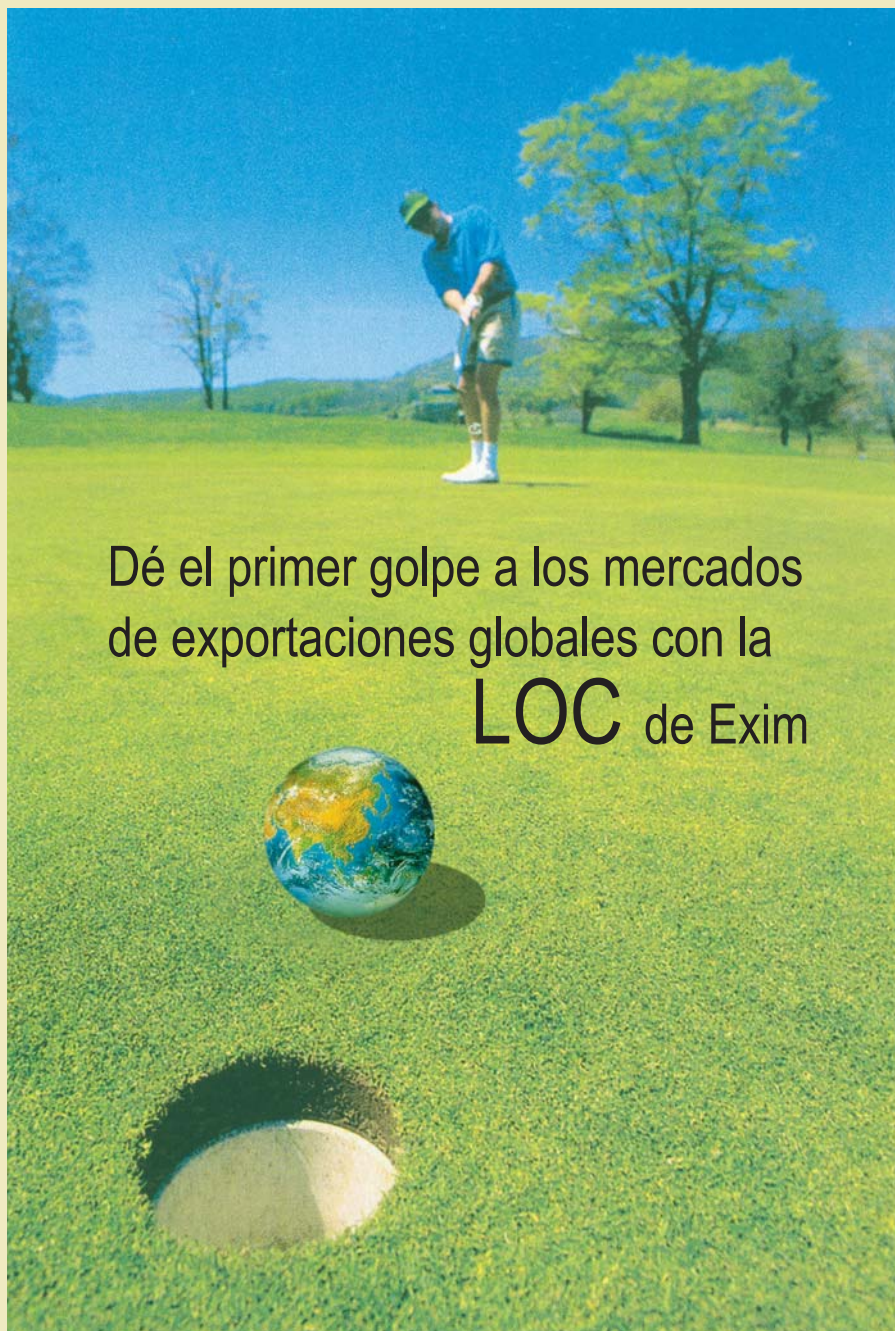
El crecimiento de base amplia en todos los segmentos de servicios de TI, BPO, productos de software y servicios de ingeniería, está reforzando el liderazgo de la India como el lugar clave de externalización para una amplia gama de servicios relacionados con la tecnología con la tracción incrementado en la gestión de aplicaciones y la ampliación de las carteras de servicios.

El desempeño de la industria en 2009-10, es mucho más fuerte que lo que se refleja a través de las cifras de crecimiento. La industria se ha reinventado a sí misma por aumentar su eficacia en los costes, tasas de utilización, la diversificación en nuevos verticales y mercados y nuevos modelos de negocios y precios. En el proceso, también pudo convertirse en un habilitador de transformación del negocio para sus clientes. Según las conclusiones de NASSCOM, los próximos años van a representar un cambio significativo en términos de modelos de negocio, líneas de servicios, clientes y la estructura de talento. Habrá una mayor atención a las ofertas de gama alta, tales como integración de sistemas, consultoría, inteligencia de negocios, servicios de conocimiento y servicios específicos a verticales de BPO. Se espera que la industria genere una proporción cada vez mayor de los ingresos del segmento no explotado de pequeñas empresas con mejores salarios por utilizar modelos de negocio y soluciones de plataforma. También se espera que adquiera la experiencia en el campo y las capacidades de near shoring para seguir avanzando la proposición de valor de la India como un centro mundial de outsourcing.

Otro reto probable que pueda afectar el sector de TI es la crisis de la Eurozona. Las naciones de Eurozona como Grecia, España y Portugal se enfrentan a crisis financieras debido a los empréstitos pesados por sus gobiernos, provocando la erosión de la confianza de los inversores en todo el mundo. Hay la creencia generalizada de que la crisis europea podría afectar a otras partes del mundo, especialmente aquellos países que tienen déficit elevado, principalmente como consecuencia de los préstamos internacionales. De acuerdo con estimaciones de NASSCOM, EE.UU. con una cuota del 60 por ciento y el Reino Unido (19 por ciento) siguen siendo los mercados principales de exportaciones del IT-BPO de la India, seguida de Europa continental, con 13 por ciento. La huella de la industria está en plena expansión a otras geografías, así, con las exportaciones a Europa continental, en particular, creciendo a un CAGR de más del 51 por ciento durante el año fiscal 2004-2008. Así que la crisis reciente la Eurozona, junto con la decisión del nuevo gobierno en el Reino Unido de revisar todos los proyectos internacionales de nuevo, podría afectar a la industria de TI en el corto plazo ya que todos los proyectos pueden retrasarse debido a dicha revisión. La perspectiva a largo plazo, sin embargo, sigue siendo mejor por el momento, en el supuesto de que la crisis la Eurozona no filtre a otras regiones.

Con la mejora de las condiciones económicas, que significa el consumidor vuelve a confiar y la renovación del crecimiento del negocio y el empuje en el gasto en TI, se espera que la industria tenga un mayor nivel de crecimiento en el año 2010-11. Se espera que los servicios de TI crezcan ya que las empresas que salen de la recesión explotarían la necesidad de tecnología de la información para crear una ventaja competitiva. A pesar de que la India tiene una cuota de 51 por ciento en el mercado de la externalización, hay tremenda oportunidad para el crecimiento del mercado porque el mercado actual de externalización es todavía una pequeña parte de la industria del outsourcing.

NASSCOM predice que las perspectivas para 2010-11 siguen siendo muy buenas con el software y los ingresos de las exportaciones de servicios crecerán un 13-15 por ciento y los ingresos domésticos crecerán por 15-17 por ciento. Se espera que el sector también genere una proporción cada vez mayor de los ingresos del segmento no explotado de pequeñas empresas por modelos mejores de ingreso por utilizar y soluciones de plataforma. También se espera que adquiera la experiencia en el campo y las capacidades de near shoring para seguir avanzando la proposición de valor de la India como un centro mundial de outsourcing. ■



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