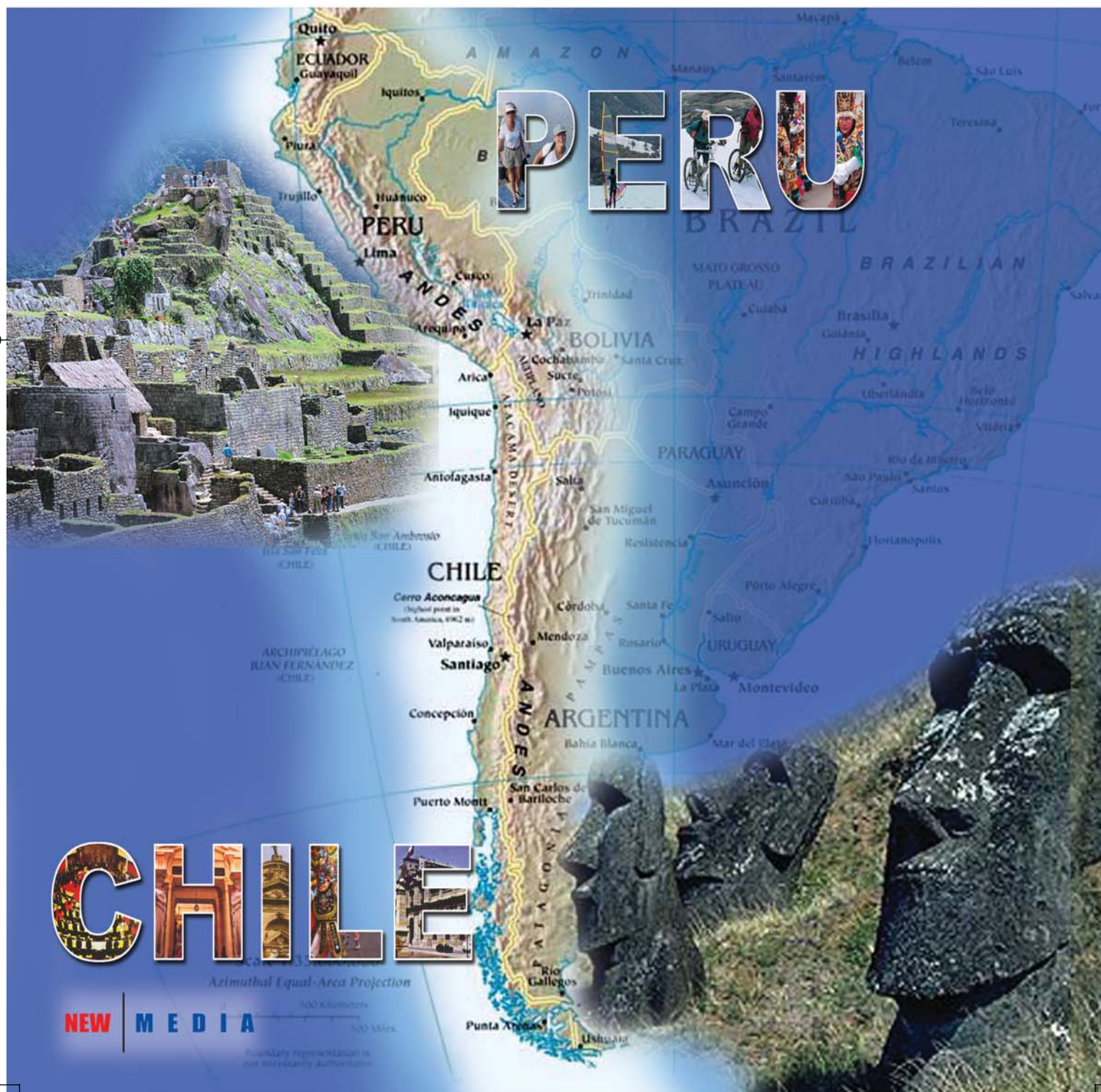




# INDO-LAC BUSINESS

■ October-December 2003

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







**Positioning and Strategic associations are the key to a successful partnership**

*-Allan Wagner*

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**Sourcing Management Office**

*- A Process Approach for Sourcing Excellence*

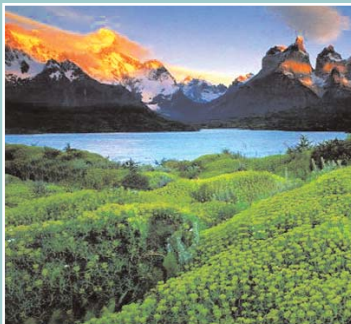
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# From the Editor's Desk

Dear Friends,

In this issue, we salute the spirit of resilience of Latin America. Both Chile and Peru have proved it. Both countries have gone through decades of violence, political and economic uncertainty. But both have rebounded with ambitious growth targets, after having established democratic rule in their respective countries. Both Chile and Peru have been blessed with immense natural resources, especially minerals, ranging from zinc and copper to silver and gold. The governments of both countries want foreign investment to flow in and help the process of reconstruction. Hence, the focus of the current issue is on both Chile and Peru. In October this year, Indo-LAC Business caught up with a high-level Peruvian delegation during its brief transit at the Mumbai airport. We feature in this issue, an exclusive interview with the delegation members, the gist of which makes it clear that Peru is keen on making India a strategic partner. It will also be negotiating a preferential trade agreement with India. As far as India and Chile are concerned, their bilateral trade had shot up by 165 per cent in the four years from 1998 to 2002. Several Chilean companies, especially in the financial sector, have established partnership with Indian IT companies. Much wider collaboration is seen in the coming years between India and Chile. Both Chile and Peru are ancient countries with rich civilizations and we have highlighted this aspect in articles on tourism in these countries.



Allan Wagner with Satya Swaroop

I take this opportunity to thank Mr. Benjamin Ruiz, Ambassador of Peru to India, Mr. Victor Muñoz, Deputy Chief of Mission, Embassy of Peru, Mr. R. Viswanathan, Joint Secretary - Ministry of External Affairs, Mr. Arijit Saraswati of Exim Bank and all other contributors.

We wish our readers a happy and a prosperous 2004.

Happy reading

**Satya Swaroop**  
Managing Editor

[satya@newmediacomm.biz](mailto:satya@newmediacomm.biz)





I am especially pleased to know that "INDO-LAC BUSINESS" magazine published by New Media Communication is focusing on Peru in the forthcoming issue.

Relationship between Peru and India have traditionally been, and continue to be cordial and friendly. In recent years, though our bilateral trade has grown in a considerable amount, I firmly believe that still there is a great potential that needs to be tapped not only in trade but in other fields as well, such as technical cooperation, investment and tourism.

Peru offers favourable, transparent and conducive policies which creates an image of confidence. It is our commitment to strengthen our links with India at all levels in order to address our common challenges and achieve our common goals.

My greetings to the people, business community and government of India.

**ALLAN WAGNER**  
*Minister of Foreign Relations*



T.C. Venkat Subramanian

# Enhancing Trade & Investment Between India and the LAC Region

- **T.C. Venkat Subramanian,**

Managing Director & Chief Executive Officer,  
Export-Import Bank of India

The Latin American & Caribbean (LAC) region is a major market, with over 540 million people and having an average per capita income of around US\$ 3600. The economies are significantly dependent on international trade, which has grown sizeably from US\$ 500 billion in 1995 to US\$ 720 billion in 2002. Predominantly Spanish speaking, the countries in the LAC region have an inherent focus towards intra-regional trade. Regional trading blocs like the Southern Cone Common Market (MERCOSUR), Andean Community, Caribbean Community & Common Market (CARICOM), Central American Common Market (CACM), Latin American Integration Association (LAIA) only reflect initiatives directed towards achieving a greater degree of regional economic cooperation. However, with reference to the World Development Indicators, World Bank, intra-regional trade do not assume majority of the global trade for the LAC region. As per latest figures, in 2001, among the various trading blocs of the region, the MERCOSUR countries recorded a maximum of 17.3% intra-bloc exports as a percentage of total exports of the bloc. The same for the Andean Community, CARICOM, CACM and LAIA were 10.9%, 13.3%, 15.0% and 13.0% respectively. With this typical trading behaviour of the LAC region, two important conclusion can be drawn - a) there is considerable trading opportunity with the region given the low proportion of intra-bloc trade, b) the good number of trading blocs in the region gives an indication of prospective gains from trade, as exporting to one country would provide access to other markets in the same bloc.

India's trade with the LAC region is still at a very

nascent stage. It amounted to US\$ 2.3 billion in 2002-03, which is around only 2% of India's global trade in the year. The major barriers, which have encumbered the growth in bilateral trade, can be identified as distance, language, lack of exchange of commercial information, economic instability, currency volatility of the region and lack of direct shipping and air links. However, what is encouraging is that total trade has risen steadily from less than US\$ 0.5 billion in 1991-92 to reach US\$ 2.3 billion in 2002-03. A second comforting factor has been the fact that since 2000-01, India has transformed itself into a net exporter with respect to the LAC region. Combining the two, a positive note can be drawn as regards to the prospect of Indo-LAC bilateral trade.

It is a common knowledge that in recent years, the LAC region has been witnessing a phase of economic depression reflected in low growth rates. Particularly, in 2002, GDP in the LAC region contracted due to the effect of economic recessions in Argentina, Uruguay and Venezuela. However, IMF in its September 2003 issue of the World Economic Outlook forecasted a yearly GDP growth of 1.1% for the region in 2003, which is to rise decently to 3.6% in 2004. The recovery would arise from a rebound in exports, supported by stronger global demand and substantial real exchange rate depreciations. Also, improved policy fundamentals have contributed towards the economic recovery of the region. The latter has been also highlighted in a survey by the United Nation's Economic Commission for Latin America and the Caribbean (UN-ECLAC), which mentions the positive contributions of fiscal, monetary and exchange rate policies on the economic recovery of the LAC region.

Given the present low level of bilateral trade, opportunities should be explored with a view to increase bilateral trading relation. With the prospects of economic recovery in the LAC region, considering such initiatives therefore, appear to be meaningful.

Recently Exim Bank concluded a study titled "Strategy for Quantum Jump in Exports: Focus on Africa, Latin America and China". According to the findings of the study, with adoption of proper strategies, India could achieve exports worth US\$ 1.8 billion to the LAC region from the current level of US\$ 0.58 billion, in an identified set of 100 products at 4-digit SITC code level, by 2007. These target products

Opportunity

INDO-LAC Business



when consolidated to arrive at broad sectors, reveal that chemicals and pharmaceuticals could achieve a share of 45% of total exports to the LAC region by 2007. Other major focus sectors and their projected share in exports are automobiles and components (16% of export basket), textiles and garments (11% of total), metals (10%), machineries and capital goods (9%) and leather goods (2%).

The Pharmaceutical market in Latin America is expected to expand to US\$ 29 billion by 2005 from that of US\$ 20 billion in 2000 and India's share in this market is negligible. Countries like Argentina, Brazil, Chile have a very high per capita pharmaceutical consumption and moreover, almost 7.3% of LAC's GDP is directed towards health services. Indian pharmaceutical companies have already made their presence felt in the region and Indian bulk drugs and finished formulations are exported to almost all the countries in the region. Also, traditional systems of medicine like the Ayurvedic system of medicines are gaining importance in the region and several countries in the region have shown interest in sourcing ayurvedic products and bulk drugs from India. Textiles and garments are another sector of high growth potential. In 2002-03, India's exports of textiles and garments to the LAC region amounted to around US\$ 140 million, which has a scope to multiply significantly in the near future. Prospects are particularly bright for synthetic fibres. Transport equipment account for around US\$ 100 million in India's export basket to the LAC region. However, about 50% of the exports are directed to Mexico alone. Given a high demand for automobiles and transport equipment in the region in general, there is a certain need to diversify and focus into other markets as well.

As far as trade in services is concerned, there are considerable opportunities in the LAC region. Services imports of the LAC region have increased at an average rate of 7% during 1999-2000, which is at par with that of North America and Asia, and higher than that of Western Europe and Africa. Argentina, Dominican Republic, Brazil, El Salvador, Costa Rica are have recorded maximum import growth rates in services. India in the same period has experienced a yearly average growth rate of 14% in export of services. Therefore, given India's stand in exporting services, and the existing import demand for services by the LAC region, trade in services is definitely a prospective avenue to enhance bilateral commercial relationship. Among services, software services are a major growth area. The Indian IT sector is maintaining strong growth performance with exports projected to touch US\$ 12 billion in 2003-04. However, the software exports are mostly directed towards North America and market diversification efforts could further contribute to achieve higher levels of growth. In Latin America, Indian companies have started operations and should explore major markets like Brazil,

Argentina, Colombia, Mexico, Chile. Areas like e-learning, e-commerce offer high prospects alongwith areas like telecom, financial services where IT can be effectively applied.

The countries in the LAC region are primarily FDI recipients. Despite the significant fall in FDI inflow in 2002, due to economic depression and prevailing political uncertainty, total inflows amounted to US\$ 56 billion compared to an outflow of US\$ 5.8 billion. Not surprisingly, India is not a major destination of FDI from LAC region. Similarly, Indian investment in the form of joint ventures in LAC region is also modest. Indian firms have entered into JVs with Latin counterparts in the area of automobiles, pharmaceuticals, food products etc. However, opportunities also exist in other areas like petroleum and mining, engineering products and software.

With a view to give a boost to bilateral trade and investment relations, the Government of India had introduced the "FOCUS LAC" programme in November 1997, which promoted Indian participation in trade fairs and other events in the region. Apart from this, the Government has also considered entering into preferential agreements with countries or blocs the LAC region. Recently, the Government signed a Framework Trade Agreement with MERCOSUR. India is also negotiating similar agreements with Mexico, Chile and CARICOM. Such efforts would definitely pave the way for increased bilateral economic cooperation.

Exim Bank, the premier export financing institution in India, considers the LAC region as a leading opportunity for Indian exporters. Likewise, the Bank has established institutional linkages with major financial institutions of the region and has extended Lines of Credit with a view to enhance India's exports to the region. These institutions are four national banks namely Banco Bradesco, Brazil, Banco Industrial de Venezuela, Venezuela, Banco de Comercio Exterior de Colombia, Colombia, Bancomext, Mexico and two regional banks, Central American Bank for Economic Integration, with headquarter at Honduras (covering five countries in the Central America namely, Costa Rica, Honduras, Nicaragua, Guatemala and El Salvador) and Andean Development Corporation, with headquarter at Venezuela (covering five countries belonging to the Andean group namely, Bolivia, Colombia, Ecuador, Peru, Venezuela)

It can be concluded by saying that Indo-LAC business prospects are bright given the low base to start with and the favourable outlook for the region in near future. Areas have been identified which have high growth potential, policy initiatives are being taken to realise the significant trade potential, and finally, it rests on the firms to venture into the region and gain from an enhanced level of commercial cooperation. ♦



# GENERAL GUIDELINES ON EXIM LINES OF CREDIT (LOCs)

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries, to import goods and services from India on deferred credit terms. The Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, especially to SMEs, and serves as an effective market entry tool.

## How does it work?

- ◆ Exim Bank signs LOC Agreement with overseas Borrower Institutions (Borrower) and announces the availability of LOC for utilization, when the Agreement becomes effective.
- ◆ Exporter checks with Exim Bank, available amount under the LOC and quantum of service fee payable to Exim Bank and negotiates contract with Importer.
- ◆ Importer approaches the Borrower for approval of the contract.



◆ Borrower appraises the proposal. If satisfied, approves the contract and refers to Exim Bank for concurrence for inclusion of contract for being financed under the LOC.

◆ Exim Bank accords approval to the contract, if in conformity with the terms of LOC. Exim Bank conveys contract approval to the exporter and the Borrower.

◆ The Importer arranges remittance of advance payment to the Exporter and also opening of a Letter of Credit, which states that the contract is covered under Exim Bank's LOC to the Borrower and reimbursement will be by Exim Bank for the Eligible Value of Credit.

◆ Exporter executes the contract/ships the goods/provides services.

◆ Commercial bank in India, designated as the Negotiating Bank, negotiates shipping documents and pays the exporter.

◆ Exim Bank reimburses the Negotiating Bank, on receipt of valid claim and service fee, by debit to the LOC account of the Borrower.

◆ Borrower repays Exim Bank on due dates.

## Eligible Goods

Capital goods, plant and machinery, industrial manufactures, consumer durables and any other items eligible for being exported under the 'Exim Policy' of the Government of India. ◆

## EXIM BANK'S OPERATIVE LINES OF CREDIT TO LATIN AMERICA (As on December 4, 2003)

Sr.No.	Borrower	Amount of Credit US\$ mn.	Terminal Dates for utilisation	
			Opening of L/C	Disbursement
1.	Corporacion Andina de Fomento (Andean Development Corporation) (covering Bolivia, Colombia, Ecuador, Peru and Venezuela)	US\$ 10 mn.	26-08- 2005	26-02-2006
2.	Banco Nacional De Comercio Exterior S.N.C. (Bancomext), Mexico	US\$ 10 mn.	8-01-2005	8-07-2005
3.	Central American Bank for Economic Integration (covering Honduras, Nicaragua, Guatemala, El Salvador and Costa Rica)	US\$ 10 mn.	20-01-2005	20-07-2005
4.	Banco de Comercio Exterior de Colombia, (Bancoldex), Colombia	US\$ 10 mn.	20.03.2005	20.09.2005
5.	Banco Bradesco S.A., Brazil	US\$ 10 mn.	12.05.2005	12.11.2005



# Positioning and Strategic associations

## *are the key to a successful partnership*

**-Allan Wagner**

The Peruvian Presidential delegation on their way to Thailand to attend the Asia Pacific Economic Cooperation Summit had a transit halt at Mumbai airport. The delegation comprised the President of Peru, Dr. Alejandro Toledo, the External Relations Minister, Mr. Allan Wagner and a high-level business delegation. During the halt, Mr. Wagner along with the business delegation had an exclusive interface with **Satya Swaroop**, Managing Editor, Indo-LAC Business on promoting bilateral relations between Peru and India with a focus on trade and commerce. Excerpts:

**India and Peru have always shared a cordial relationship. What steps do you recommend to bring the two countries closer?**

*Allan Wagner, Minister of External Affairs of Peru:*

In this globalized world, positioning in some key countries and to be strategically associated with them is very important. We have chosen India to become one of our strategic associates and partners as well. We choose those countries which have a significant market and are having a strong regional hub in order to position ourselves strategically in a regional context and in the world. Presently we have regional partners in Asia like China, South Korea and more recently Thailand; so if we think in terms of complementarities and functionality, India is the natural option for a country like Peru, which considers Asia as an area of multiple opportunities.

We are in the process of finalizing a Bilateral Investment Promotion Agreement (BIPA), which will provide a legal framework for increased investment exchanges. Also we are negotiating a Preference Trade Agreement, which should become the cornerstone of an increasing bilateral trade and would be the first step towards a free trade agreement between the two countries. We already have various institutional agreements between the main chambers of commerce of Peru and India, including a Joint Business Council. So we feel this is the right time to

improve our relations.

We are negotiating a free trade agreement treaty with Thailand, which will act as a regional hub for Peru in the ASEAN countries and Peru in-turn will be a partner and hub for Thailand. We are having the same approach with South Korea and China. We believe in developing this kind of approach for cooperation. We are positioning Peru strategically in a similar manner in front of the world. In certain aspects, India has made great achievement and we can benefit from that.

Similarly, Peru has competitive advantage in certain aspects which we can share with India.

Right now, the trade balance between India and Peru is very limited. We are exporting around \$ 23 million and importing around \$ 51 million. Our exports are very concentrated on fishmeal and minerals. Fishmeal sells by itself as a commodity. We would like to diversify and expand substantially our mutual trade. We are in the process of identifying sectors, for which we have to go deep into the structure of the Indian imports and Peruvian exports and spot the potential products for trade between the two countries. Peru has competitive and dynamic sectors with good products ideally suited for the Indian market.

The official visit of MEA of India, Mr. Yashwant Sinha to Peru, last June this year was a good sign and it will help the two countries come closer. I believe this is also an important way of promoting bilateral relations.

In Peru, we are promoting an open







L to R : Mr. Gustavo Teixeira, National Director of Protocol, Ministry of Foreign Affairs of Peru. • Mr. Felipe Llona, Chairman, Peruvian Association of Producers of Grape. • Mr. Alfonso Velasquez, Chairman, Peruvian Association of Exporters-ADEX. • Mr. Benjamin Ruiz, Ambassador of Peru in India. • Mr. Allan Wagner, Minister of Foreign Affairs of Peru. • Mr. Satya Swaroop, Managing Editor-Indo-LAC Business • Mr. Miguel Planas, Vicepresident, Lima Chamber of Commerce. • Mr. Victor Muñoz, Dy. Chief of Mission, Embassy of Peru in India

market and good investment climate. We are a growing economy and have maintained a growth rate of 4.0 per cent for the last three years, which was the highest in South America for the year 2002.

#### **Are you planning to pay an official visit to India?**

*Allan Wagner, Minister of Foreign Affairs of Peru:*

Very soon. We are working on the next presidential visit, which is tentatively scheduled for the second trimester of 2004. Not only the trade issue but there are also other areas that we want to cover as well. For example, the cultural cooperation. India is well known worldwide as a huge country with rich cultural heritage. We have to speed up the cultural exchanges and in the field of education. The professors and students of universities in both the countries visiting each other's campus will definitely give better opportunities for personal relationship and understanding the culture.

#### **What are the sectors which have maximum potential for both the countries?**

*Chairman of the Peruvian Exporters Association, Alfonso Velasquez:*

There is a lot of similarity between the two economies and we are looking for big opportunities in India in the future. Our Ambassador came over in order to draw our attention towards India and informed us about the similarities in the socio-economic life and the agrarian economy of India. We feel that people are very simple and progressive. There is a great potential for the agricultural products and its related fields, which we must tap.

**It has been said that there is a great prospect in agriculture since both are mainly agrarian economies;**

**hence there may be a great potential for tie-ups and signing treaties etc. in this particular field, any comment?**

*Lima Chamber of Commerce, Vice President, Miguel Planas:*

India and Peru have a great similarity as both of them have an agrarian economy and there are a lot of opportunities to benefit from each other. Peru can export and complement several agricultural products including the technological know-how through joint ventures, etc. Peru has a conducive investment climate and is an ideal investors' partner. Same can be expected from India since it is worldwide known its agriculture capacity and specially its scientific and technical contributions in this area, which definitely can be a model for developing countries.

#### **Would you like to add value to it?**

*Peruvian Association of Producers of Grape, Felipe Llona, Chairman:*

Agriculture is a great potential sector. We have to do further research in various areas of co-operation as more opportunities lie ahead. Mostly our mission is to promote business relations and the interchange of agricultural progress and know-how and technologies involved in irrigation. Commercial and business relations need to be strengthened.

#### **Message to the Indian Business Community?**

*Allan Wagner*

We wish all the Indian people, their government and business community progress and success. India is a very big country and it is in the process of achieving great economic progress. We see India as one of our strong strategic partner and we are committed to develop further our traditional good relations, for the benefit of our people in both countries. ♦

# FOCUS - LAC:

## *Need for expanding dimensions*



R.V. Warjri

The launching of this programme in November 1997 by the Ministry of Commerce, with the objective of enhancing India's trade with Latin American region, was a recognition of the potential of this region, particularly as a new market for India's growing exports. The success of this programme can be gauged from the fact that while in 1991-92, India exported only US\$ 124.4 million to its 8 major trading partners in the region (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Trinidad & Tobago, and Venezuela), this figure rose by a staggering 1215% to US\$ 1.636 billion in 2002-03. India's imports from this group, too, rose from US\$ 349.26 in 1991-92 to US\$ 1.044 billion in 2002-03. However, it must be kept in mind that apart from the large countries like Argentina, Brazil, Chile, Venezuela, trade balance is severely in favour of Indian exports with almost all other countries of the region.

Thus, it is now time to expand our focus on Latin America countries (LACs) from just Indian exports to a comprehensive engagement with each country, which would also include promoting our imports, our outward investment, trade pacts, harmonisation of regulations like phytosanitary requirements, etc. It is only this that will truly increase India's profile in the region and will benefit our status as the fourth largest economy (in PPP terms).

An educative illustration can be found by comparing Chinese interaction with the Latin American region. For example, our exports to the Andean countries (viz. Bolivia, Colombia, Ecuador, Peru, Venezuela, known as CAN) in 2002 were US\$ 218.75 million and our imports were US\$ 191.54 million (local customs figures). In contrast, China's exports to just Peru in 2002 were US\$ 247 million and imports were US\$ 732 million. China is, thus, Peru's third largest trading partner. Overall, China's exports to CAN were US\$ 1.07 billion, while imports were US\$ 931 million. A similar situation exists with respect to trade with MERCOSUR countries (Argentina, Brazil, Uruguay,

Paraguay).

In addition to a significant trade relation, China has also made investments in this region. For example, in Peru, Chinese investment amounts to US\$ 286 million. China also has sizeable investments in countries like Mexico, Chile, Venezuela, Argentina and Brazil. Moreover, China invested in several non-quantified activities in art and culture, sports, education, health etc, in almost all these countries. This is in addition to numerous reciprocal political visits taking place between China and these countries, which impart a greater political and strategic content to the overall relationship.

It is very clear that the approach of China takes into account not only exports to LACs from China but also imports from LACs, investment, aid projects, etc. The investments by Chinese companies in LACs also help in expanding the overall trade volume.

On the other hand, our efforts have largely been at pushing exports from India. Despite India's size and potential, the proportion of India's trade with these countries in terms of their, or our, total trade volume is minimal. It is, therefore, prudent to expand our focus to an integrated strategy of increasing the overall economic and commercial profile of India in LACs. Our strategy may take into account the following :-

- ◆ The need to start viewing ourselves from the perspective of the LACs. Particularly, their recognition and expectations from India as a rising economic power;
- ◆ India has already signed a PTA with MERCOSUR and we are interested in a similar agreement with CAN. However, we need to be sensitive to the pressures within CAN to first integrate its internal market as well as within the region. Moreover, as a trading bloc, their main priorities outside Latin America lie with the EU and U.S., followed by China, Japan and Russia. India's priority will go up by expanding our overall economic and commercial profile in LACs;
- ◆ Except for Brazil and Venezuela, most countries







Latin America favour the Free Trade Area of the Americans (FTAA) under the leadership of the U.S. Mexico is already in NAFTA, while Colombia and Chile have signed FTAs with the U.S. Peru is also eager to do the same at the earliest;

- ◆ The failure of the WTO at Cancun has placed medium and small countries like Peru, Ecuador, Costa Rica, etc in a state of scepticism and schizophrenia about the virtues of multilateralism. Countries like Peru think that a bilateral FTA would produce faster benefits for them and a multilateral trade agreement. This is an important reason for them to have pulled out of the G-21.
- ◆ From the perspective of LACs, India is a country with enormous capacity. There is recognition of India's achievement in IT / software, gems & jewellery, engineering goods, leather, textiles, pharmaceuticals, space technology, etc. This gives India an advantage in investing in LACs. Moreover, investment and trade rules are quite liberal in most LACs.
- ◆ India is free from by any local animosity or hostility of any kind. Moreover, the spiritual and culture mystique of India could also be translated into an economic investment.
- ◆ Setting-up / reactivating Joint Business Councils so that the business community can play a greater role in developing overall economic relationships
  - In specific terms, there are areas where Indian companies can invest in LACs. For example, under the US Andean Trade Promotion and Drug Eradication Act (ATPDEA), CAN countries (other than Venezuela) enjoy duty free access to the US markets for a wide range of goods till 2006. These include ready-made garments, hand made textiles, footwear, petroleum and petroleum products, watches and watch parts, leather handbags, gloves etc. Even in products where there is a maximum limit to this duty-free access, the utilisation has been quite low with sufficient room for

expansion. For example, against a total permitted of 5% of total US imports, total export from all 4 entitled CAN countries, of ready made garments made from local inputs, was only 0.88% in 2001. Thus, Indian entrepreneurs could take advantage to set up manufacturing facilities in these countries. This is particularly relevant and urgent in the textiles sector in the light of the phasing out of MFA agreement in 2005. India would be placed in a much more competitive and advantageous position vis-à-vis other countries like China and Mexico.

Another area that Indian companies can look at is mining. Peru, in particular, is famous for silver, copper, gold, zinc, etc. There are several companies from Canada, Spain, Australia, the U.S. and South Africa that are involved in this sector in a big way. Peru has a tradition of family run businesses, which are now looking to expand their operations and seeking outside capital.

India could also think of investment in the natural gas sector and in the unexploited iron deposits in Bolivia. This could be in equity participation, upstream/downstream and supplying of equipments etc. Santa Cruz, the commercial capital of Bolivia, holds an annual fair called FEXPOCRUZ in September, which is one of the largest fairs in the region. For more details, please visit the website: [www.fexpocruz.com.bo](http://www.fexpocruz.com.bo)

Details of sectors and areas in other LACs where Indian companies could invest can be collected from the concerned Indian diplomatic mission in those countries or from their Embassies in New Delhi.

Overall, a change of perspective from viewing Indian exports in isolation to an integrated approach involving our imports, investment, etc would go a long way in raising India's profile in the region and in greater economic and political benefits for India. ◆

*Author R.V. Warjri is Ambassador of India to Peru*

# Peru:

## *Emergent Economy with Legal Security*

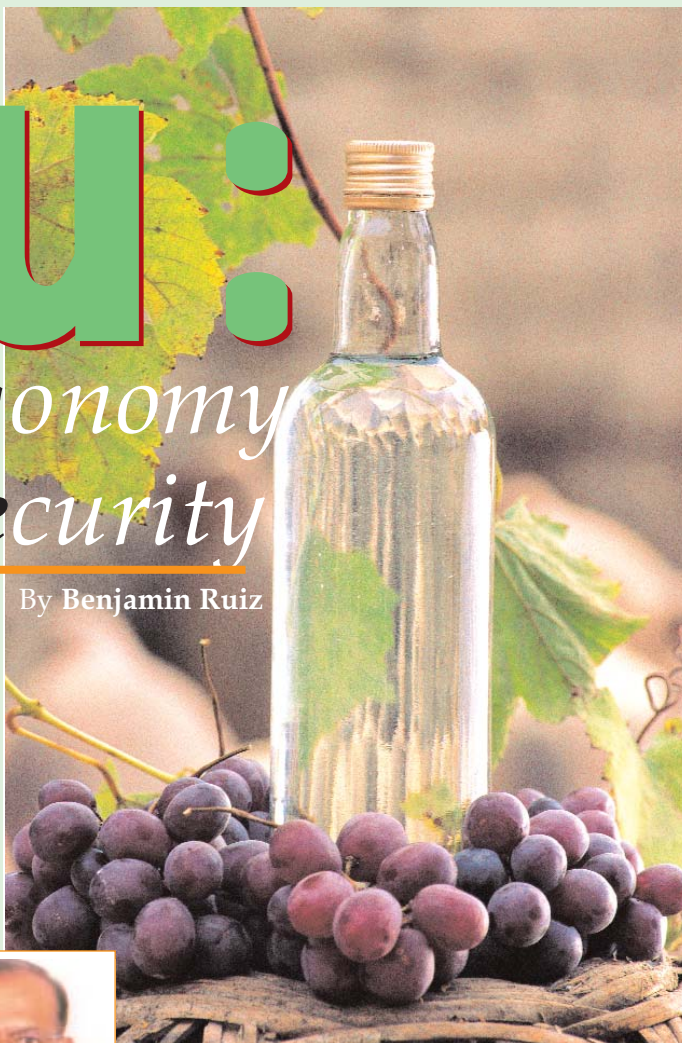
By Benjamin Ruiz

**W**hen one thinks of countries in those that one can make good business, profitable and safe, there are two prior issues that are of vital importance to consider: the legal, political and social stability issue of that place, on one hand, and on the other, the economic stability issue. Both matters should be complementary. Well a country within a framework of juridical agreement with the internationally accepted standards and an internal stability, are of the prime guarantee for business and investment. Similarly, the economic stability of the country is another fundamental guarantee for any economic activity, especially if this country, for example as the case of Peru, it has begun to give sustained samples of being an emergent economy, during last few years. Here we want to make a brief recount of our country, from the most general data in references to its economic-financial solidity and the securities that it can offer to a businessman, who thought some time of doing business in Peru.

The Republic of Peru is the third most extensive country in South America, after Brazil and Argentina and fourth in population. It is situated on the Western Coast of the subcontinent. It has an area of 1,285,216 Km<sup>2</sup>, with 53.5 million hectares of forest in the Amazon region. Its boundaries in the north are with Ecuador and Colombia, Chile in the south, Brazil and Bolivia in the east and Pacific Ocean in the west. Peru is a country with different climates that allows it to have an abundance and diversity of natural resources.



**Benjamin Ruiz**  
*Ambassador of Peru  
in India*



It has 28 different climatic areas that transform it into one of the countries with bigger biological wealth in the world. During the year 2002, Peru has obtained important economic achievements recognized by international specialized source. Referring to those achievements, it would be best to mention, in first term, the opinion in this respect, of one of the most prestige entities in the world of the international finances.

According to a recent study done by the prestigious firm of investments and financial branch of the Citigroup of the United States, "Salomon Smith Barney", titled "Emergent World Markets, Panorama and Strategy for 2003", dated the 6<sup>th</sup> of December 2002, Peru should continue leading the growth among the Latin America countries, during the year 2003. This report contains an analysis on the economic perspectives for the present year in the main emergent markets. In that report it is mentioned about Peru that as the country it should reach this year by 5% growth in the internal gross product, after having had an increase of 4.7% in the year 2002. Its exports will have



a rhythm of growth - partly because of the approval of the Andean Trade Preference and Drug Eradication Act - ATPDEA by the United States and the investments in mining, last year. With a small overall deficit, a very low inflation and financial policy that it will maintain a source of expansion of the internal demand, Peru, surely, will continue in this positive direction during 2003.

At present, Peru is a relatively isolated economy of possible effects of external shocks. It is self-sufficient in petroleum and has limited its commercial links with countries having some economic problems. Also, its financial ties with the world are not so significant that they can affect it due to external convulsions of economic-financial nature. Given this favourable panorama, is expected that the currency stays strong throughout the year and the Central Bank will continue accumulating international reserves, according to Salomon's Smith and Barney's same study of December last.

It is also important to mention, on December 24 of last year, the net international reserves of Peru ascended to the amount of US\$10,014 million dollars, what means for the country equivalent of 15 months of its exports. On the other hand, we should also refer to the present Government of Peru, headed by President Alejandro Toledo, who has maintained an appropriate fiscal discipline and a responsible handling of the budget of the State, with rigid measures of austerity that has deserved the recognition of the International Monetary Fund.

One of the most beneficial news for Peru in economic matter was, without any doubt, the certification of the United States that it could participate in the ATPDEA, that is the renewal and extension of the earlier Andean Trade Preference Act, ATPA, which had expired in December 2001. For the ATPDEA Peru will be one of the countries that obtains the benefit of being able to export the United States, the biggest market in the world, more than 5,000 products with zero tariff, products of different kinds right from textile,



**Mining operations at Yanacocha, Cajamarca. Increasing numbers of concessions awarded to multi-national companies has fueled at 60% increase in production of gold, silver and zinc.**

agricultural products, petroleum, leather articles, etc. Inside this panorama, Peru promises to be one of the most attractive destinations for the foreign investment in Latin America. In this sense, it is of our interest to promote not only the direct investments in our country but the formation of companies in "joint venture" among Indian and Peruvian companies, that can enter together in the market of the United States under advantageous conditions and to obtain real benefits of the APTDEA.

The stock of direct foreign investment accumulated in Peru, by October 2002, ascended to the amount of US \$10,757 million dollars, being main investors countries: Spain, Great Britain, United States, The Netherlands and Chile; investments mainly made in the sectors of communications, mining, finances, energy, industry and trade. According to the report prepared by Fraser Institute of Vancouver city, in Canada, in accordance with the "Annual Survey of Mining Companies 2002-2003" (according to high executives and representatives of some of the main mining companies of the world), Peru holds the fifth position in the ranking order (or regions) with better mining potential for the investments, after Chile, the province of Quebec in Canada, Australia and the State of Nevada in the United States.

Peru is a democratic country, sovereign and independent, organized in accordance with the principle of division of powers and based on the absolute respect for the Law. On international level it adheres to the principles of the International Law, the Charter of United Nations and the Inter-American System and in that context it promotes peace, security and international stability, respecting the human rights and the values universally accepted. Internally, Peru is a country with political and social stability, with government offices and tribunals that act within the framework of the established laws and procedures, which guarantees equality of treatment to national and foreign nationals, in its goods, capitals, business and activities that carry out in accordance

# Integration of the Chilean economy to the world markets

**C**hile has reduced distance with the rest of the world, thus not looking so far away as it used to look. Chile has not only advanced politically, economically and socially in the last twelve years but also has been a front runner in the process of international integration.

For investors that are looking for a safe and reliable country for their capital and technologies, Chile has become their destination. It's political and macroeconomic stability are one of it's main assets. In this respect, Commissioner for External Relations of the European Union, Christopher Patten mentioned Chile, in a recent meeting in Athens, Greece, as an example of political and economic stability in Latin America, in a continent in which some countries have been going by difficult situations. He said "Chile has learned to confront, thanks to the social and economic policies that have been applied by the Government".

Allow me to refer to Chile's Trade Policy, because its development expresses very well the process of integration with the world economy which has taken place.

Because of its openness and relatively smaller size, Chile is linked more directly to economic developments than many other countries around the world. However, rather than viewing this fact with fear, Chile has embraced it as an opportunity, specially during these last years of economic turbulence.

Indeed, we recognize that globalization represents a fundamental feature of modern development and we

are hence prepared to both meet the challenges and take advantages of the opportunities that it offers.

Chile's option for economic and financial openness is based on the acceptance of two fundamental facts:



## First Fact:

That in a developing economy, persistent and strong economic growth is not only a requirement but a fundamental - although not a sufficient-condition- for attaining social equity, and

## Second Fact:

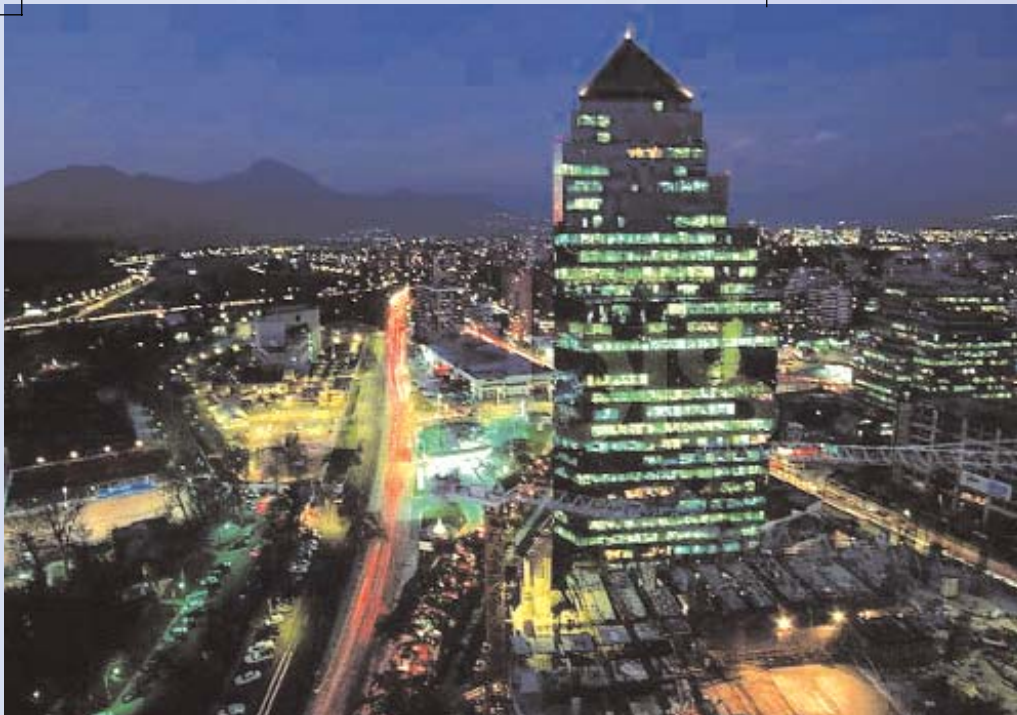
that in a small economy, like in the case of Chile, sustained and rapid economic growth requires a vigorous expansion of trade with the rest of the world. International Commerce now represents more than 43% of the Chilean GDP.

Thus, since the mid 1970s, Chile has pursued a policy of unilateral trade opening through the systematic and sustained lowering of import tariffs and the nearly total elimination of non-tariff barriers. As a result of this pioneering program of unilateral trade liberalization, our single flat import tariff was last year 3.9% and is due to fall to 3% in 2003.

Along with tariff reduction, in the early 90s, Chile







began implementing an active trade policy which led to economic complementarities agreements with all the Andean countries by 1995, to associate membership in Mercosur in 1996, and to comprehensive free-trade agreements (FTA) with Canada in 1997, Mexico in 1998, and Central America. They reached successful negotiations for a FTA with the EFTA in march 2003.

The 12 of February of this year, the Chile and the European Union approved a FTA which entered in force in February of this year. According to the European Trade Commissioner Mr. Pascal Lamy, "the Agreement incorporates a Free Trade Area, a political dialogue and extensive cooperation aspects".

With this act of approval, Chile began to gain access to a market of 370 million inhabitant with high level of purchasing power, 15 different countries, to become twenty fifth in the near future. Gradually this market will free most of the 8 billion Euros trade between the two countries over some years. and open services markets as part of a wider drive to boost E.U trade with Latin America.

The pact is expected to boost bilateral trade which is 1% of the E.U total trade. The E.U trade with Latin America accounts for around 5% of its total trade. The deal will gradually see import duties on most industrial products reduced to zero, with E.U cutting its tariffs over three years and Chile over seven. Agricultural products will also have zero import duties, the E.U bringing the level down gradually over 10 years.

The Agreement also includes a full-fledged agreement on opening up the service markets of each side, which will include areas such as banking, insurance and telecom. The deal encourages investment in both directions and opens up public procurement market.

After ten years of negotiations, Chile signed a Free

Trade Agreement with the U.S.A, last December, now in legislative procedures. This means that Chile will consolidate and expand its access to products in the largest and most stable as well as leading economy in the world.

And last but not least, Asia also enters in this Free Trade era with the approval, after three years of negotiations of a FTA with Korea.

With India, conversations have begun in order to negotiate a Preferential Trade Agreement (PTA).

The results of these policies of ever-closer integration into the world economy have been remarkable. Thus: between 1985 and 2001, merchandise exports increased more than four-fold and became more diversified both in terms of products and marke; since the early 80s, Chile has not experienced a single balance of payment crisis; international reserves sky-rocketed from less than \$2 billion in 1987 to over \$16 billion in 2002, and the public sector moved from being a net external debtor of nearly \$15 billion in 1987 to being a net external creditor of \$8.5 billion in 2001.

In part because of the sustained and vigorous expansion of foreign trade, Chile was able to grow at an unprecedented pace during the last 15 years. Between the mid 80s and 2000, GDP rose at an average yearly rate close to 7%, which allowed per capita income to double in real terms during that period. Indeed, in the 1990s Chile was the 4<sup>th</sup> fastest growing economy in the world, being surpassed only by China, Singapore and Ireland.

In turn, this strong and persistent economic growth, coupled with well-focused social policies, led to a sharp reduction of poverty, which fell from 45% of the total population in 1987 to 21% in 2000. At the same time, inflation declined gradually from 27% in 1990 to 2.5% at the present.

In the last 5 years (1998-2002) there was an 85% of accumulated increase in the economy of Chile. This development can be explained by the expansion of the export sector.

It is in this context that a small country like Chile which is clearly committed to an open trade policy and a successfully internationalized economy, has reaped substantial economic and social benefits from this process.

*The article is written by  
Mr. Manual Ca rdenas,  
Former Ambassador of Chile to India*



*All that glitters IS gold*

# Come with cash, Peru calls investors

Peru, the land of an ancient civilization and blessed with immense natural resources, has entered a crucial phase in its history, since its independence from Spanish rule as far back as in 1821. In June 2001 Peru elected a democratic government with Alejandro Toledo as its President after being subjected to authoritarian rule for close to two centuries. In fact, Toledo's victory is considered a second chance in history to end an exploitative system that existed since independence and left more than half the population of the country impoverished. Peru wants to seize the opportunity and President Toledo's government is making every effort to put the country on the world map as a window of opportunity and investors' paradise.

## Break with the Past

Peru is a country that has broken loose from its turbulent past. In the context of the change in the political scenario, one needs to remember the country's immediate past. President Alberto Fujimori's election in 1990 ushered in a decade that saw a dramatic turnaround in the economy and significant progress in curtailing guerrilla activity. Nevertheless, the President's increasing reliance on authoritarian measures and an economic slump in the late 1990s generated mounting dissatisfaction with his regime. Fujimori won reelection to a third term in the spring of 2000, but international pressure and corruption scandals led to his ouster by Congress in November of that year. A caretaker government oversaw new elections in the spring of 2001, which ushered in Toledo as the new head of government.

## A New Beginning

When the world as a whole is passing through the far-reaching process of globalization and countries are fighting for foreign capital, Peru does not lag behind. In fact, it is pitching for global investments on the



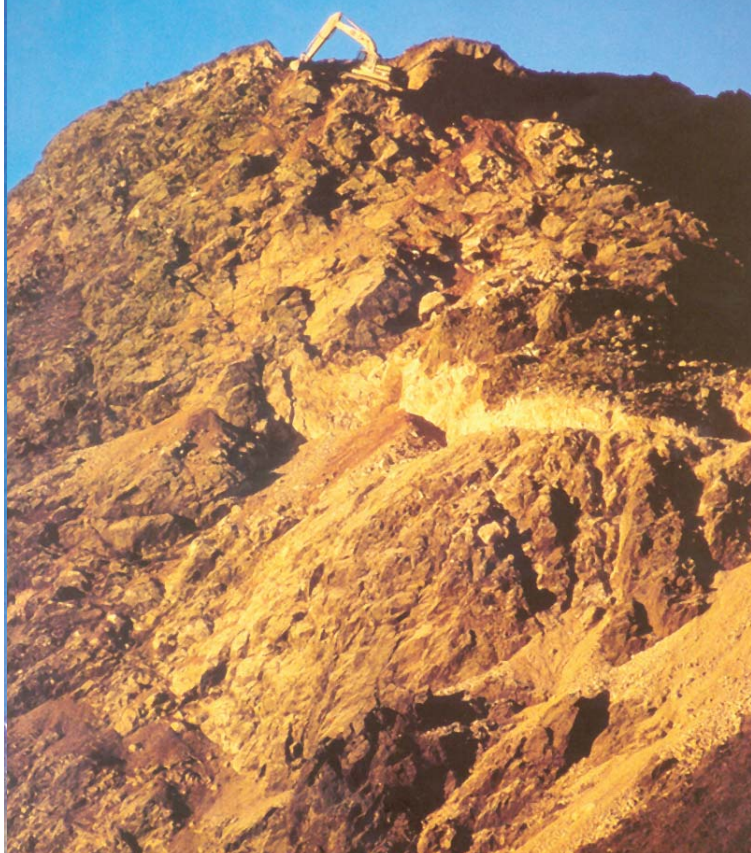
strength of its immense natural resources, especially in the mining sector. For, Toledo is a man in hurry and has made his intentions clear soon after assuming office. In newspaper interviews he is quoted as saying: "The time is now ripe to build governance and stability in the region; to invest more in the region; to invest more in nutrition, health, education, and justice for the poor, we need to have the resources to the extent that we cannot wait for another 20 years for economic growth to come." Toledo is not fantasizing. The country has been achieving a growth rate of 5.0 per cent in its GDP, comparable to the best run in South America.

## Three Key Sectors

While soliciting foreign investment Peru offers its three most important selling points - mining, agriculture and tourism. Of course, of late, it has also added political stability as the fourth point. More important, Peru enjoys the advantage of being strategically located as the Gateway to and from Latin America.

Mining is a very important economic activity in Peru, which is blessed with a huge diversity of mineral wealth. The picturesque Andes mountains, apart from lending a spectacular scenic beauty to the country, also contain, deep within their innards, precious minerals of gold, silver, zinc, copper. In terms of geological potential of mineral wealth, Peru is ranked third in the world. The most prestigious of all mining projects of the country is the \$2.5 billion Antamina copper and zinc project. Operated in a remote area, more than 4,500 metres above the sea level, Antamina is the world's seventh largest copper and the third largest zinc mine in the world. Antamina's contribution to the economic and social development of the country is





very significant. In 2002, exports from Antamina amounted to 1.6 million tonnes of copper and zinc concentrates. The project helped Peru to step up mining exports by 30 per cent and contributed about 0.8 per cent to the country's GDP. Another project that makes the Peruvians proud is the Pierina gold mine, which boasts of the second lowest production cost in the world. This project has invoked interest among the mining players from South Africa and Australia who arrived in Peru to explore gold. The Alto Chicama gold project is another one that interests foreign investors.

Agriculture is also Peru's strength. Peru's competitive advantage is that it has as many as 180 micro-climates, suitable to grow a vast variety of agricultural products. "We can almost grow anything all year round," Toledo has said, "grapes, mangoes and asparagus."

Then comes tourism, which offers Peru's ancient civilization, tracing back to the times of Inca and pre-Inca times. Its archeological sites include the ancient Inca capital of Cusco, the lost city of Machupicchu and a host of other wonders from Peru's past. Vice President Raul Diez Canseco Terry, who is also in charge of tourism says that Peru is making efforts to promote archeological, eco and adventure travel, especially to those from the U.S. The source of the mighty river Amazon is in Peru, Terry adds.

### Key Investors

At present, Spain is the biggest investor of foreign capital, followed by Britain and the United States. With the country slowly gaining global respectability for its stability, especially from businessmen and bankers, Peru is hopeful of receiving substantial foreign investment. An estimated \$6 billion is required to take up some 270 feasible mining projects in Peru. With investments expected to arrive from across the globe, the Peruvian authorities are hoping that the lot of the people will be improved considerably. The previous authoritarian regimes have left nearly 54 per cent of the population of 27 million at a wage level of \$2 per day and one in every two adults unemployed.

*Following are the latest available economic indicators of Peru.*

### Real Gross Domestic Product

In 2001 real GDP grew by 0.2 per cent due to the 1.9 per cent increase in the primary sectors, reflecting mainly the initial operations of the mining mega-project, Antamina. The slowdown in economic activity that started in the second half of 2000 (0.8 percent after growing 5.5 percent during the first half of 2000) continued into the first half of 2001, with output falling 1.6 per cent due to political uncertainty. During the second half of 2001 GDP grew by 2.1 per cent as uncertainty diminished following the election of the new President and the government.

During the year, the positive impulse of 1.9 percent of the primary sectors with mining growing 11.2 per cent and fishing falling by 13.3 percent was partially offset by a decrease of 0.2 in the non-primary sectors, where services grew by 0.4 percent, while construction and manufacturing declined 6.0 and 1.1 per cent, respectively.

Over the year, overall demand rose 0.4 per cent based on export growth of 7.2 per cent (traditional and non-traditional) while domestic demand decreased 0.7 percent, mainly explained by the contraction of 8.5 percent in gross domestic investment. The latter was the result of a reduction of 9.8 percent during the first half of 2001 and a lower reduction of 7.0 per cent in the second half as a consequence of an improved investment climate, in large part reflecting a more stable political environment.

### Inflation

The -0.13 percent rate of inflation registered in 2001 was the lowest since 1939. This rate fell below the inflation target range (2.5-3.5 per cent) established in the Monetary Program for 2001 due to supply shocks in foodstuff and oil prices, as well as the reduction in



public service rates, mainly in electricity. Currency appreciation and the decrease in domestic demand also contributed to that outcome.

### Employment

The rate of unemployment in 2001 in the urban areas (7.9 percent) was higher than in the previous year (7.4 percent). This higher unemployment rate is explained by the greater number of the population being of working age (PET). The increase was partly compensated by an increase in the employed labor force.

### Current Account

The current account deficit amounted to US\$1,102 million (2.0 percent of GDP), down from US\$1,568 million in 2000 (2.9 percent of GDP). The smaller current account deficit reflected a US\$226 million drop in the trade balance deficit due to the reduction of imports (2.0 percent) and a slight increase of exports (1.0 percent).

The expansion of exports was mainly due to the increase in non-traditional exports (6.7 percent) that offset the reduction of traditional exports (1.6 percent) which were affected by the significant reduction of commodities prices including copper, gold, zinc, silver and coffee, and the reduction of volume exports of fishmeal. Among the non-traditional products, the higher growth was due to fabricated metal products and machinery, agriculture and livestock, fishing, and chemicals. The decrease in the value of imports was mainly related to lower acquisitions of capital goods and oil, the latter mainly due to the effect of lower prices of oil imports.

### Capital Inflows

Net capital inflows in 2001 amounted to US\$1,051 million (1.9 percent of GDP), up 0.2 percent of GDP from 2000. Net inflows to the private sector were US\$1,149 million (US\$267

million corresponding to privatization external receipts), net inflows to the public sector were US\$394 million and net short-run capital outflows amounted to US\$492 million. There was US\$32 million of exceptional financing. Direct investment without privatization and net long-term loans to the private sector were US\$1,156 million, that represented about 100 percent of the current account deficit.

### Exchange Rate

Peru maintained a floating exchange rate regime. In 2001, the average depreciation of the Peruvian currency (Nuevo Sol) was 0.5 percent in nominal terms which was a 4.2 percent average appreciation in real

Annex I  
Peru: Overall Economic Performance

	1996	1997	1998	1999	2000	2001
<b>GDP and Major Components (percent change, year over year - earlier period, except as noted)</b>						
Nominal GDP (level in billion US\$)	55.8	58.9	56.9	51.6	53.5	54.0
Real GDP	2.5	6.7	-0.5	0.9	3.1	0.2
Consumption	3.2	4.7	-0.5	0.1	4.0	1.1
Private Consumption	3.1	4.3	-0.8	-0.4	3.9	1.3
Government Consumption	4.4	7.6	2.5	3.5	5.1	-0.3
Investment	-4.9	14.9	-2.0	-13.4	-3.7	-8.5
Private Investment	-2.2	16.3	-2.4	-15.3	-2.0	-5.6
Government Investment	-5.7	10.9	3.0	7.2	-15.4	-18.7
Exports of Goods and Services	8.9	13.1	5.6	7.6	7.9	7.2
Imports of Goods and Services	0.1	12.2	2.3	-15.2	3.6	1.5
<b>Fiscal and External Balances (percent of GDP)</b>						
Budget Balance	-1.0	0.2	-0.8	-3.1	-3.2	-2.5
Merchandise Trade Balance	-3.6	-2.9	-4.3	-1.2	-0.6	-0.2
Current Account Balance	-6.6	-5.8	-5.9	-2.9	-2.9	-2.0
Capital Account Balance	6.7	10.4	3.0	1.1	1.7	1.9
<b>Economic Indicator (percent change, year over year - earlier period, except as noted)</b>						
GDP Deflator	10.54	7.60	6.44	3.94	3.67	1.25
CPI (end of period)	11.84	6.46	6.01	3.73	3.73	-0.13
M2 1	24.7	19.1	15.3	1.7	5.9	6.8
Short-term Interest Rate (percent) 2	13.1	12.8	18.7	14.9	12.7	8.6
Real Effective Exchange Rate (level, 1994=100)	-1.9	-1.0	0.5	10.7	-1.1	-4.2
Unemployment Rate in the Urban Area (percent)	n.a.	7.7	7.8	8.0	7.4	7.9
Population (millions)	23.9	24.4	24.8	25.2	25.7	26.1

Notes 1 Average percentage change of banking sector's liquidity in domestic currency.

2 Average interbank interest rate in domestic currency.



**Peru: Forecast Summary**  
(percent change from previous year)

	<b>2002</b>				
	<b>Official</b>	<b>IMF</b>	<b>Link</b>	<b>ADB</b>	<b>OECD</b>
Real GDP	3.5	3.7	N.A.	N.A.	N.A.
Exports	8.8	11	N.A.	N.A.	N.A.
Imports	3.3	6.3	N.A.	N.A.	N.A.
CPI	2.5	2.5	N.A.	N.A.	N.A.

	<b>2003</b>				
	<b>Official</b>	<b>IMF</b>	<b>Link</b>	<b>ADB</b>	<b>OECD</b>
Real GDP	4.0	5.0	N.A.	N.A.	N.A.
Exports	8.4	7.7	N.A.	N.A.	N.A.
Imports	7.5	8.0	N.A.	N.A.	N.A.
CPI	2.5	2.0	N.A.	N.A.	N.A.

**Peru: Medium Term Trend Forecast (percent)**

	<b>2003-2005</b>
Real GDP	4.8
CPI	2.5

terms.

### Fiscal Policy

In 2001 the non-financial public sector deficit was 2.5 percent of GDP, down 0.7 percent from 2000. This change resulted from the rationalization of central government non-financial expenditure--accomplished mainly in the first six months--but also from the improvement in the accounts of state-owned enterprises.

Non-financial expenditures of the central government dropped 0.6 percent of GDP in 2001, mainly in capital expenditures. Current revenues fell 0.6 percent of GDP due to economic recession and lower transfers from the state-owned enterprises. Nevertheless, the trade balance of the state-owned enterprises improved by 0.7 percent of GDP, as a result of the better performance of Petroperu (oil company), and Sedapal (water supply) as well as lower transfers to the central government (0.3 percent of GDP).

Privatization and concessions processes implied total revenues of US\$327 million. Transmission Lines La Oroya-Paragsha-Antamina and Aguaytia-Pucallpa concessions were granted for the government; these contracts involved US\$65 million in investment commitments for building and maintenance during a 30-year period. The electric generation enterprise Electroandes was sold for US\$226 millions and it is involved in US\$18 million in investment commitments. Also, there were other important investments in agriculture (US\$9 million) and mining (US\$3 million) in the privatization process.

### Monetary Policy

The Annual Monetary Program for 2001 was published in January, aiming at reinforcing the transparency of monetary policy. It included the inflation target for the year, the intermediate target and

the operational target. Other macro-economic projections were also included to share the bank's view of the economy with the public.

For 2001, the central bank announced an end-of-year inflation target range of 2.5-3.5 percent, while the final outcome was a consumer price index decline of 0.1 percent. It is worth mentioning that monetary policy was loosened last year, with the bank increasing the operational target (commercial banks' deposits at the central bank). This loosening was temporarily halted during the second quarter because of the high uncertainty in financial markets, due to political elections at that time. As a result, interest rates have sharply declined since July.

In order to enhance transparency, since February 2001 an Informative Note has been published on the first Thursday of each month. This document provides information concerning monthly monetary targets and benchmark interest rates for the central bank's monetary operations. The targets are set by the board of directors of the bank.

In 2001, total banking system credit to the private sector declined 4.5 percent in nominal terms because commercial banks have maintained the cautious behavior seen in 2000, associated with the delay in the recovery of economic activity. However, the trend changed during the second half of the year and credit has been growing during the last months of 2001, especially soles-denominated credit to the private sector.

Net international reserves increased by US\$433 million, from US\$8,180 to US\$8,613 million. This stock of international reserves is equivalent to five times the monetary base, twice the domestic currency liquidity, 60 percent of total liquidity and 1.5 times the amortization of the public and the private sector coming due in the next 12 months.

### Medium Term Outlook

In January 2002, the central bank adopted an Explicit Inflation Targeting Framework for monetary policy. The inflation target for the year was set at 2.5 percent, with a maximum deviation allowed of one percentage point above or below the target. At the same time, and continuing with the increased transparency of monetary policy, an inflation report with the latest developments and outlook on monetary policy will be released every four months (in January, May, and September).

Real GDP is expected to grow 3.7 percent due to the recovery of the primary sectors (6.9 percent) and the non primary sectors (2.9 percent).

The current account deficit is expected to remain steady around 2.0 percent of GDP and will continue to be financed mainly by long-term capital inflows. Central bank international reserves are expected to grow around US\$300 million in 2002. ♦



# PERU'S Exports

## *possibilities for the*

## Indian Market

By **Mr. Atul Kumar**

(President, Indian Importers' Association)

In the past 10 years, trade between India & Latin American countries is growing very fast. Indo-peruvian trade has registered a significant growth. From 20 Million USD (Approx.) in 1991 to more than 80 Million Dollars in year 2002, it has posted a 300% growth rate in the last 10 years. A number of Delegations have visited Peru & India & both the governments have signed many M.O.U.'s but the recent visit of our Foreign Minister, Mr. Yashwant Sinha this year has given new hopes and dimensions to mutual cooperation for a long term relationship. Lack of information, distance and language difficulties are hindering the growth and relationship between India & Peru. Invitation and the Hospitality extended to Indian Importers Association by PROMPEX (Commission for the Promotion of Exports from Peru),



Atul Kumar

peruvian government through peruvian Embassy in India and the pre visit detailed discussions with Embassy's staff and visiting the exhibition Peru Xport 2003 in Lima, which was well attended by more than 400 foreign companies from all over the world, was an eye opener and gave an opportunity to explore new untapped trade opportunities and developed the country, as a whole.

India is a vast country with more than a billion of population. According to the World Bank, India is the 4th biggest market of the world importing thousands of items for its different segments of economy & also industrial zones.

India is importing Metals, Minerals, Copper, Silver, Tin, Zinc, Fishmeals, oils, and Fish products from Peru and incidentally Peru is the largest producer of fishmeal in the world. But, the exhibition in Lima showcased the peruvian value added industry. Their food process industry is more developed than India's. Most of the processed food products (FISH; MEAT, VEGETABLES, FRUITS) are exported to USA where as 14.6% share in Asia. Peru also has very good quality of Cigars and India is emerging as a good market for Cigars. Same is for wines. The Quality of peruvian wines is excellent and needs good

promotion in the indian markets. There is a scope of enlarging share in Asia and developing India as a destination & a trade opportunity for Peru in Handicrafts, decorative, gift-items, jewellerys, agro-products, footwear, chemicals, plastics, non-metallic, mining, herbal Products.

Peru, from pre hispanic times, is a largest producer and major player in the international metals market and ranked second in world for production of silver and tin, fourth in Zinc and lead, fifth in copper and eight in gold. Indian companies can collaborate with peruvian companies for value addition products for exports to India and other far east markets. CAMUSSO, which is traditional, and family run business have made their name for themselves in quality silver ware, with sales show rooms in US, Brazil, Ecuador, etc. In the exhibition I had an opportunity to meet TECHNOFIL Company. This company manufactures value added copper products and similarly visited the factory of ZINCA which is a company that makes value added ZINC products.

Our Prime Minister is targeting 8 % growth rate for the country, which is one of the five fastest growing economies. We have fully emphasized trade relations with Latin American countries, especially Peru, which is the mines of the minerals and the basic raw materials of our needs. It needs to be competitive & of world standard.

### Herbal and Pharma

Peru has one of the biggest germ plasma banks of native flora and fauna world wide, ranking among top twelve countries with the highest mega diversity. Peru has approximately 50,000 vegetal species; this number stands for about 20% of the total species of the plant.







Currently 1,100 of these plants are being used by indigenous people for healing purposes. No other country in the world possesses the variety, originality and productivity of wild flora Peru has.

PROMPEX had invited more than 20 Laboratories in Peru Xport 2003 at Lima, which are exclusively dealing in the herbs, herbal products, herbal extracts. This industry is well developed in Peru. Peru exports more than \$ 300million of these products to China. India has more than 500 companies which are manufacturing herbal products in India .It is a great opportunity for Indian Companies to source herbal products from Peru. 50% of the world population, as per the data available, still depends on the traditional system of medicine where India has contributed a lot and still to learn many modern ways to heal & cure by exchanging the know-how and the secrets of traditional items from all over the world. Similarly to other countries, like Cuba for example, which has shown a very significant presence in pharma market in India, peruvian herbal industry has a big scope to stablish it's presence in India. Therefore, a win-win relation could be work out in this area. India is a major manufacturer of Drugs & Pharma items of modern medicines and offers affordable price for common man to counter the high cost market of the branded items from multi-nationals and exporting to all over the world.

#### **A rich and worldclass cuisine**

Peruvian cuisine is among the worlds most exquisite and diverse. It is a complement to all special celebrations and adds zest to every day life in Peru. Contemporary and traditional peruvian cooking blends produce adapted since remote times, a wide diversity of local ingredients, and willingness to adopt foreign influences to create truly millenary flavours and scents.

#### **The road ahead**

Bringing down the import tariff is the key feature of our economy. Economic policies of India afford us to down the tax rates and reducing the government

control and making the whole economy and country market friendly. Our government has abolished import licenses for the vast majority of products. The new tariff structure is very much simplified. Custom regulations are eased but specific standards are required for imports. Peru has become full member of the Asia - Pacific Economic Council-APEC in Nov. 1998. This is a clear indication of peruvian interest in Asia.

Our Prime Minister has shown his key interest in developing the relationship with ASEAN countries & I had an opportunity to visit Vietnam with him in a delegation. Peruvian products in India will give an opportunity to access to other Asian markets also. Our export - import policy of this year is focusing special interest in the Latin American countries. Our millions of consumers / buyers may have interest in importing peruvian products for their needs if they are competitive, because we have many segments of the consumers / buyers. India has great potential, which needs to be tapped with this type of efforts.

I had detailed discussions with Mr. Jose Gonzalez Garcia, President of PROMPEX and was given detailed information on peruvian industry and from the exposition and discussion there exists a great potential for peruvian products in India. Also, Peru has salient potential attraction for investment: -

- Strategic Location in Latin America; Regional hub for trade.
- Equal Treatment for local and foreign investment
- Positive view towards India.
- Easy place to do business
- Nuevo Sol, local currency, is 100% convertible.

Since industrialization, after independence in 1947, industries were based on 3-4 big cities and there were importer associations for local-regional commodity based items. Then the need was felt for a national body to take up the matters to strengthen the importers cause at all levels. From direct consumer to those who are using product for their industrial use are now scattered all over the country. After the globalization wave, it is being felt that there should be some dialogue between country to country through Indian Importers Association and then percolate it to individual importers all over. This visit to Peru Xport 2003 in Lima take the opportunity to understand and evaluate the products, which can be cost effective and of standard for Indian market. Further, it needs the constant interaction between Indian Importers and peruvian exporters for mutual Benefits .

Uruguay round to Cancun Conference is a long journey of historical importance of new world economic order. Indian Importers hope that such events may eliminate the oceanic distance and geographical locations in developing long distance trade relations with Latin American Market. ♦

## Sixth International Gold Symposium

## LIMA - PERU

**S**ixth International Gold Symposium will take place in Lima, Peru, on May 4-7, 2004. This event will gather leaders, entrepreneurs, executives, investors, authorities, analysts and professionals related to this productive activity, from more than 20 countries. Gold ranks first as regards Peru's export products and investment in mining exploration.

Organized by the Gold Committee of the National Society of Mining, Oil and Energy, the Sixth International Gold Symposium will offer an updated overview of the gold market, the most recent geologic discoveries, new technologies, environmental care and safety advances, and the relationship between gold mining and regional and social development.

The Chairman of the Gold Committee, Mr. Carlos Gálvez, stated that thanks to the International Gold Symposiums, Peru has become a meeting point for debate and exchange of experiences, as well as for business opportunities and strategic alliances, which have definitely contributed to the country ranking seventh among world gold producers.

Mr. Gálvez highlighted that Peruvian gold mining maintains its growing trend owing to the expansion of several production operations. He also underscored the fact that this activity has been benefited by the recovery of the international gold quotation, which now borders US\$ 340 per ounce.

According to his estimates, this year's gold production will be approximately 165 tons; that is, about US\$ 1.8 billion in terms of the country's export

**An international symposium on gold, to be held on May 4 -7, 2004 in Lima, the capital of Peru, will be of great significance not only to the producer-countries, global dealers and analysts but also the consumers of the precious metal. India, the world's largest consumer of the Yellow Metal, will be keenly awaiting the outcome of the symposium.**

revenues. In 2002, gold output reached 157 tons and export revenues amounted to US\$ 1,478 million.

With the Sixth Gold Symposium we seek to continue promoting opportunities that will contribute to increasing

gold production and sustaining a balanced and decentralizing country's growth, added Mr. Gálvez.

The Symposium Organizing Committee is presided over by Mr. Igor Gonzales, Vice president and General Manager of Minera Barrick Misquichilca and supported by a top level International Advisory Council, which is made up of Gregory C. Wilkins, President and CEO of Barrick Gold Corp; Alberto Benavides de la Quintana, Chairman of the Board of Cia. de Minas Buenaventura S.A.A.; James E. Burton, CEO of the World Gold Council; Eduardo Hochschild, member of the Board of Cia. Minera Ares S.A. and Wayne Murdy, Chairman of the Board and CEO of Newmont Mining Corp.

The Sixth Symposium will be held at the premises of the Nation's Museum and a Mining Exhibition will take place at the same time and location. Domestic and foreign suppliers of machinery, equipment and services for mining in general and particularly for gold mining, as well as mining exploration will participate in this exhibition.

For further information, please contact Embassy of Peru in India at [consul@embaperuindia.com](mailto:consul@embaperuindia.com) or directly to the organizers at [cmendoza@snmpe.org.pe](mailto:cmendoza@snmpe.org.pe); [Vlsimposium@stimulus.com.pe](mailto:Vlsimposium@stimulus.com.pe) (information and registration). ♦



# Peru

*where the Amazon is born...  
An Ancient Land With  
A Modern Face Beckons*

Llanguanuco Tagoon

**P**eru, an ancient land with a modern face, is one of the most fascinating countries of South America. Located on the west-central coast, it shares its borders with Ecuador, Colombia, Brazil, Bolivia and Chile. There are four major regions with distinct characteristics - about 200 sq miles of Peruvian Sea, a narrow coastal strip, the high Andes mountains and the plain Amazon basin. Peru is the third largest country in south America with an area of 1,285,216 km and a population of .....

Peru is one of the most important tourist destinations of the world. It boasts of "Macchu Picchu", the icon of world tourism business. Historical and cultural richness, architectural beauty, diverse gastronomy and, of course, the warmth of the people constitute what is a unique combination to make the country a great tourist attraction.

**CUSCO:** Cusco was the cradle of the Incan Empire; center of a powerful civilization that once formed the Kingdom Quito covering great parts of Chile and Bolivia.

Cusco is known by its Quechua name "Qosqo" which means "Navel of the World" and is located at a distance of 1200 km from Lima, the capital city. A Visit to Cusco visit is recommended from April to September when the climate is dry and sunny.

Cusco represents one of the most important cities for cultural tourism because it contains the Inca

Citadel of Macchu Picchu, besides the famous Sacred Valley of the Incas through which flows the Vilcanota river, which offers great scope for adventure sports and rafting.

It has been declared a protected historic National Sanctuary. The effort is to conserve the geological formations and archaeological remains inside the Sanctuary, besides protecting its flora, fauna and the beauty of the landscape. The Sanctuary is spread over 80,535 acres. Macchu Picchu is located 70 miles from the train station known as "Puente Ruinas" which lies at an altitude of 6560 ft. From that station there are buses in order to get to South-America's most famous Archaeological Group that is found at an average altitude of 8038 ft. The climate in that sector has also some characteristics that are found all over the region; thus, only two well defined seasons are distinguished: the rainy season between September and April, and the dry season from May to August.

Nevertheless, Machupicchu is found by the commencement of the Cusquenian Amazonian Jungle, so the chance of having rains or showers is latent by any time of the year. In the hottest days it is possible to get even about 26° Celsius (78.8° Fahrenheit), while that in the coldest early mornings in June and July the temperature may drop to -2° C. (28.4° F); the average annual temperature is 16 degrees Celsius.

Annually, there is an average of rains from 1571

**Tourism**

**INDO-LAC Business**





mm. (61 in.) to 2381 millimeters (93 in.). It is obvious that the monthly relative humidity is in direct relationship to rains, so the humidity average is from 77% during the dry months to 91% in the rainy months.

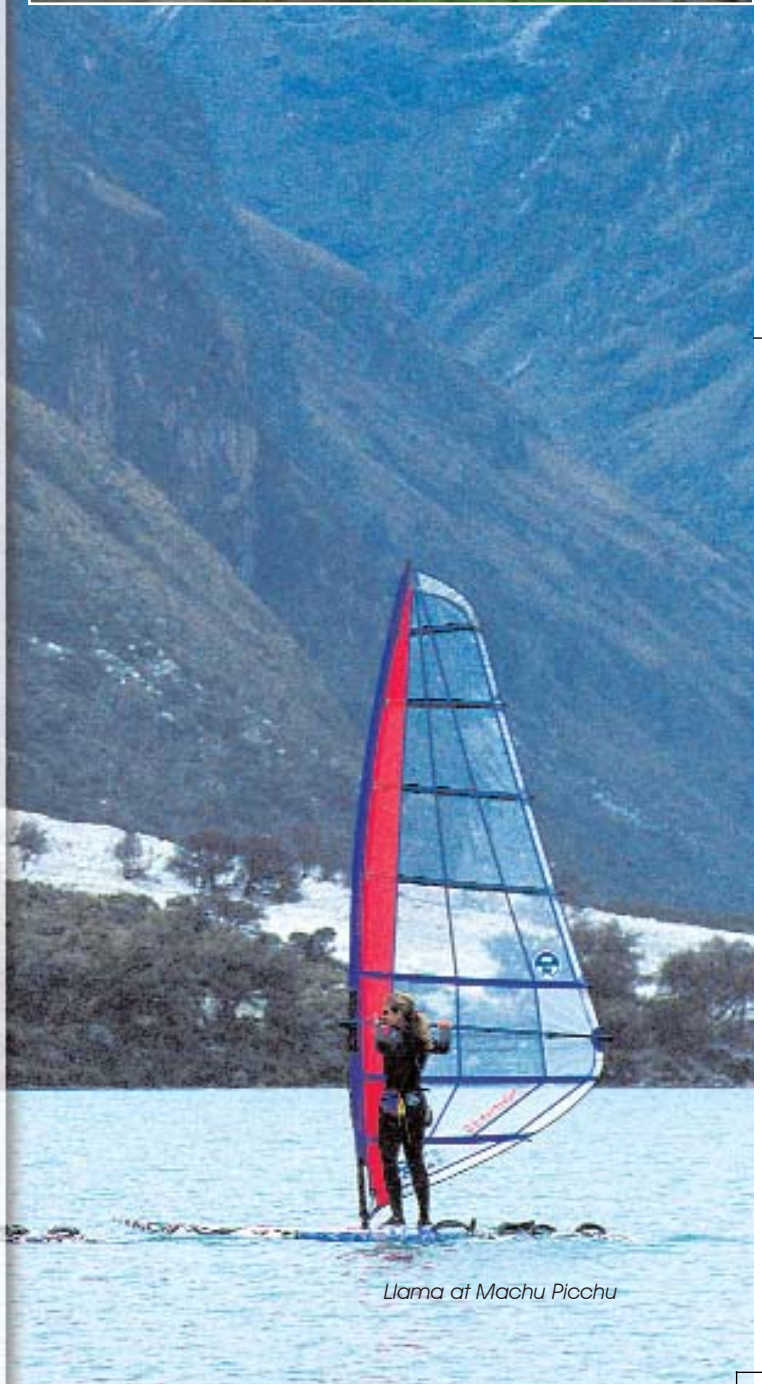
The Machupicchu Historic National Sanctuary is found over a great granite orogenic structure baptized by Dr. Isaiah Bowman as the "Vilcapampa Batholith" that outcrops over about 400 km<sup>2</sup>

(154 mile<sup>2</sup>). Its formation belongs in the scale of geological time to the Paleozoic or Inferior Primary and may have an approximate age of 250 million years. The Vilcapampa Batholith's white-gray granite is an intrusive igneous rock (magma cooled off in great profundities inside the earth); it is mainly compound in average by 60% of feldspar, 30% of quartz, and a 10% of mica. That granite has interlaced equigranular texture and possesses from 6° to 7° of hardness in the MOHS scale with a resistance of 1200 Kg/cm<sup>2</sup>. Likewise, in this region there are some other rocks corresponding to the Inferior Paleozoic; such as schist, quartzite and metamorphic conglomerations that might have an age from 350 to 450 million years.

Machupicchu (like most of the Quechua names of towns and different sites in the region) is a compound word that comes from machu = old or ancient, and picchu = peak or mountain; therefore, Machupicchu is translated as "Old Mountain". The famous mountain that is seen in front, and appears in most of the classical views of the site is named Waynapicchu (Young Mountain). Unfortunately the original names of the mentioned sectors are lost, Machupicchu, Waynapicchu and some other proper names used today are contemporary ones; ascribed probably by farmers living in the region before Bingham's arrival. However, according to studies about



Machu Picchu



Llama at Machu Picchu

## Tourism



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some XVI century documents, the original name of the whole area might be "Picchu".

It is known that Hiram Bingham, a descendant of missionaries, was the man who found Machupicchu for the contemporary world and modern science. He was a North-American historian born in Honolulu, Hawaii; who in 1907 taught the South-American History and Geography course in Yale University. Later he was chosen as delegate of his country to the First Pan-American Scientific Congress carried out in Chile in 1908. By that epoch he began his activities as explorer taking a horseback journey from Caracas to Bogota, following the Simon Bolivar's way. Then he followed the old colonial trade way from Buenos Aires to Lima, arriving to this Andean zone in 1909; it is in that year when from Abancay he started with his first exploration towards Choquekirau, trying to find the last Inkan Capital. By that time many myths had been created about the possibility of finding the "Inkas' treasures" that according to tradition had been taken by Manko Inka in his retreat to Willkapanpa (willka = sacred, panpa = plain; its Spanish form is "Vilcabamba"); thus it was so common by that epoch to find treasure hunters willing to get to this last Inkas' dwelling. That same intention moved Bingham to study chronicles and even to visit Spanish archives, and subsequently in 1911 to come back to Peru with the aim of performing studies of geology and botany, and for sure, also in order to try finding Willkapanpa.

In Qosqo, Albert Giesecke, a compatriot of his and



rector of the local University had put him in touch with Braulio Polo y la Borda, owner of Mandor. That local landlord told Bingham that on the hill in front of his property there were ancient constructions covered by vegetation where cattle were frequently lost; and moreover, he introduced Bingham to Eduardo Lizarraga, a farmland renter living in the area since the 70s of the 19th century, who had seen the buildings. On July 23, 1911 Bingham showed up in Mandor along with a policeman, Sergeant Carrasco, who escorted him by order of Qosqo's Prefect

Juan Jose Nuñez. They found in his hut the peasant Melchor Arteaga who told Bingham about the existence of two Inkan sites named Machupicchu and Waynapicchu; that same peasant was hired by Bingham to be the guide in order to get to the Inkan City.

The next day, after examining the field they decided to climb up by the sector where nowadays is the zigzagging road. By afternoon they arrived at another hut where they found Anacleto Alvarez and Toribio Recharte; who were two humble peasants who along with their families lived in the area and cultivated the pre-Hispanic farming terraces. After a short break, they provided a boy as the guide for Bingham in order to have a first look of the Inkan buildings that were completely covered with entangled vegetation. That was how Bingham, at 35 years of age, stumbled onto Machupicchu; a fortuitous happening that made manifest a great "discovery". Later he continued with

**Tourism**



Llama at Machu Picchu

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For its colorful and festive culture

## Tourism

his trip arriving even as far as Rosaspata, Ñust'a Hisp'ana, Pampaconas and Espiritu Pampa; places that apparently did not attract the explorer so much.

Almost immediately after his first exploration, he went back to the US looking for economic support that was granted to him by the Yale University and the National Geographic Society. Subsequently, the Peruvian government in Lima facing Bingham's request in order to execute works in Machupicchu, by means of law given on October 31, 1912, authorized him to carry out his projected works. Besides, according to the fourth article of that authorization Bingham could freely take out of the country all the obtained pieces during his explorations, but with commitment of giving them back to Peru's simple petition. Authorization in the name of "international etiquette" that infringed some legal rules

and caused irreparable damage to Peru's cultural heritage.

According to history, in 1536 Manko Inka or Manko II fought against Spanish invaders, carrying out the famous siege of the city in which Manko was on the point of getting his final victory. But, after eight 8 months of bloody war he was defeated by the Spaniards and their allied tribes (old enemies of the Inkas).

The retreat was unavoidable and Manko dissolved the gross of his army so that soldiers could take care of their families and devote their time to agriculture. Manko Inka beat a retreat towards Vilcabamba (Willkapanpa) following the Chinchero way and passing through Ollantaytambo where he won a victorious battle over the Spaniards; and finally he went deeply into the jungle, establishing thus his new operations center. The bloody war between Inkas and Spaniards continued. Manko was murdered in 1545 by some Diego de Almagro (a partner of Pizarro and the conquest) followers that were fugitives to whom the Inka had heathenly welcomed after their defeat and sentence to death for having assassinated Francisco Pizarro in Lima and for having rebelled against the established colonial order. Manko was succeeded by his son Sayri Tupaq who was persuaded by some of his relatives from Qosqo (faithful to the Spanish crown) to agree upon with the vice royal authority. He traveled to Lima and had a meeting with the Viceroy that conceded him some privileges and the Oropesa Marquisate that comprised lands in the present-day districts of Yucay, Urubamba, Maras and Chinchero. Apparently satisfied, he constructed his adobe palace in Yucay but died in 1560, perhaps poisoned by Quechuas opposing the agreement with the invaders. After Sayri Tupaq's death, his brother Titu Kusi Yupanki assumed the power. The new Inka dwelling in Vilcabamba also admitted political and religious committees from Qosqo and Lima in order to get an agreement with the Viceroy. In 1568 he was baptized in the Christian way and named Diego de Castro; by that time he died because of a sickness being then succeeded by his step brother Tupaq Amaru. Tupaq

Llama



## INDO-LAC Business





Amaru was too young and inexperienced and was advised by a group of veterans that saw in the conquerors their relentless enemy and continued their war. The viceroy ordered the Inka's capture sending an army of almost 300 soldiers, led by Martin Hurtado de Arbieta and captain Martin Garcia Oñaz de Loyola; they arrived to Vilcabamba giving different battles but the Inka and his family had quit even farther inside the forest. But finally the last Quechua Monarch was captured and taken to Qosqo along with his followers by the same Garcia Oñaz de Loyola (who later married Beatriz Coya, Tupaq Amaru's niece and heiress of the

Oropesa Marquisate). After a quick judgment he was sentenced to death and subsequently decapitated in the great city's plaza before the cold glance of Viceroy Toledo on September 24, 1572. His remains were kept in the Santo Domingo Church; thus the last man of the Inkan dynasty was murdered, after 36 years of war willing to recover their Quechua nation.

In 1911, Hiram Bingham believed that he had found Manko Inka's Vilcabamba in Machupicchu; that is demonstrated wrong today because the exact location of that city and some other sites stated in chronicles are already known. On the other hand, today it is frequently asked how 150 or 180 Spaniards, the first ones who arrived here, could conquer so easily the Inkan Civilization that had from 12 to 16 million people; what is true, is that it was not a consequence of their physical power neither of their privileged wisdom, but simply because when the invaders arrived here there was a bloody civil war. Qosqo was always Tawantinsuyo's capital, its legitimate monarch was Thupa Kusi Wallpaq, whom history knows as Waskar Inka who had a step brother named Atawallpa that wanted to usurp power moving himself to Tumipanpa in present day Cuenca, Ecuador, where he crowned himself as the new Inka. Atawallpa was willing to overthrow his step brother, who after some battles was seized in October, 1532; subsequently, the Spaniards arrived to the Peruvian coasts and in November entered into the city of Cajamarca. Spaniards seized Atawallpa who from his imprisonment ordered to murder Waskar and all the Cusquenian "orejones" ("big eared people" = the Inkan nobility). ♦



Machu Picchu



# Distilling quality tech for LAC

**PRAJ**, an Indian technology company specialized in providing cutting edge solutions to the distillery industry. The company, set up in 1985, rightly identified India as the starting point, not only because, the sugar industry in India is the backbone of the rural economy its future lay in value addition by way of co-products like alcohol. So, the Quality of Alcohol was the keyword. Praj focused on the quality of spirit with the introduction of fermentation technologies. **Pramod Chaudhari**, Chairman & Managing Director, **Praj Industries Limited**, in an interview with Indo-LAC Business talks about the positive response that his company has received from Latin American customers.

includes services for modernization, up-gradation and expansion of current installations as well as green-field plants. We provide solutions right up to wastewater treatment and recycling.



Our technology can take a range of feed stocks, right from cane molasses to grains and tubers. We also offer multiple feedstock plants which can operate round the year. Under licence from Delta T, Praj is also supplying Fuel Ethanol Plants.

**Your company is the only one to supply molasses based distillery technology. Could you please elaborate on this technology and its functionalities?**



Our Company is not the only one, but the single largest supplier of Cane Molasses Distilleries worldwide. Cane molasses is a very challenging feedstock for alcohol production as the composition of molasses can vary from sugar mill to sugar mill. Hence, our solutions involve a lot of customization. Our Hiferm Fermentation System is acclaimed as the most efficient system for even the most difficult molasses composition. Our Ecofine Distillation Plants offer steam efficiency and good quality spirit. We have incorporated high performance tray internals for effective separation of impurities. Our Multi-Pressure Distillation System requires the least energy inputs. We also provide requisite instrumentation for ease of operations.

**What kind of support had you got from both the governments of India and LAC while expanding your business there?**

Under the Focus LAC programme, Government of India has initiated several business promotion exercises. They have helped to enhance the visibility of India. The Ministry of Commerce, Department of Economic Affairs has particularly been very helpful. As mentioned earlier, the lines of credit show a very positive stand on trade promotion and are very effective marketing tools. Also, Exim and EEPC have been conducting trade exhibition, both in India and in LAC through buyer seller meets etc. which has definitely helped.

**Could you tell us briefly about the Matrix, your R & D center?**

Praj established an R & D center dedicated to Alcohol Technology in 1992. In 2002, the center was expanded and named Matrix - the innovation center. Matrix is the only R & D center in the private sector in

**Since your business is in 25 countries, how successful have been your operations in LAC and your experience of operating in this region?**

We have been operating in the LAC region for the past five years. Initially, for two years we were operating from India. In 2001-02, we set up an office in Bogota, Colombia. We have found the experience very rewarding. Customers are very learned and their decision making process is very scientific. They thoroughly evaluate technology and they have found PRAJ's distillery technology very competent and competitive. The Indian Missions have always been very supportive of our efforts.

Initially there was the challenge of creating awareness about India, Indian goods, Indian engineering. After we displayed our abilities and the knowledge base to the customers in the LAC region, they have responded very positively. We have some well known names amongst our client list.

There is an issue of visa though. Due to lack of Indian Missions in some of countries of the region as well as the lack of presence of missions of some of the

LAC countries in India, an undue delay is there in getting visas.

Exim Bank, EEPC and the Indian Missions have made a lot of efforts to promote Indian business.

**What is the range of products, which Praj Industries has targeted for the LAC market?**

Praj is primarily focusing on Alcohol Technology, Engineering, Plant & Equipment. This







India which is dedicated to alcohol technology. It is equipped with state of the art facilities, which include automated bioreactors, latest instrumentation like HPLC (High Performance Liquid Chromatography), GC (Gas Chromatograph), and Carl Fisher for moisture estimation, UV spectrophotometer and pilot facility for conducting extensive trials and a dedicated brewing laboratory as per EBC (European Brewing Convention).

Some of the programmes, which have been undertaken by Matrix-the innovation center, include "power crops for ethanol production". Power crops are those identified sugar/starch bearing crops which, when processed, will yield fuel grade alcohol to be utilized as fuel. Matrix has been successful in establishing processes for tropical sugar beet and sweet sorghum into ethanol. Both the processes are under commercialization. The first plant in India to



run on secondary juice as was conceptualized and commercialized by Matrix.

Praj's innovation center is also working with different waste streams and biomass to process ethanol. With the prospect of ethanol being blended not only with petrol but also with diesel, there is a need to expand the spectrum of crops, which can be converted into ethanol. This will also ensure a stable price for ethanol and its consistent supply.

**Innovation is the buzzword today. Could you tell us briefly about the 'spirit of innovation'?**

The spirit of Innovation drives new ideas and thoughts into existing businesses and processes. This is the only way to create value for not only ourselves but also for our customers. One way is to cut cost and another is to create a new technology or service to drive value. It automatically makes the solution cost-effective. PRAJ prefers to work in this manner, so that, quality, cost and value are protected at the same time. ♦



**PRAMOD CHAUDHARI**, CMD, Praj Industries Limited, India and Chairman, Praj Far East, Singapore.

Pramod Chaudhari did his engineering from The Indian Institute of Technology, Mumbai (IIT). His career spans over 30 years of professional and entrepreneurial endeavour.

He established PRAJ in 1985. Praj is a technology, engineering and plant and equipment Company focused upon Ethanol Plants, Breweries and Effluent Treatment Systems. Praj introduced continuous fermentation process to the Indian Distillery industry and today, Praj is a world leader in molasses based ethanol plant and technology with business that extends not only in India but also to South East Asia, Africa and South America. A position it has reached through continuous research and development. Its dedicated R & D Center in India, called Matrix, the Innovation Center, plays a vital role in enhancement of technology features. The Company has representation in India, Singapore, Thailand and in Bogota, Colombia and very soon in South Africa. Its manufacturing base in India has been accredited with ISO 9002 and ASME H & U stamps for heating boilers and pressure vessels.

Today, Pramod is intensifying the Company's activities into the knowledge domain of biotech processes and systems in the global arena. The focus is on clean technologies coupled with alternate feedstock like cane juice, tropical sugarbeet and cassava, which will provide renewable energy source. Again innovation will play a key role in achieving the above and Pramod is an active proponent of the spirit of innovation.

He is an alumni of Harvard Business School where he attended the Advanced Management Programme. He is also an ardent promoter of alternate fuels. He is on various committees including the Committee on Development of BioFuels, Planning Commission, as also the Committee on Project Exports constituted by the Government, CII and the Exim Bank.

He has been profiled in a recently published book called 'Thought Leaders' by a leading Indian Author, which focuses on visionary entrepreneurs.



# Providing IT Solutions to Global Corporate Giants

## Satyam on a fast-growth track

"A phenomenal growth", is the right phrase that sums up the progress Satyam Computers has made in a span of just 15 years. Since its inception in 1987, Satyam has grown from its humble beginnings as a software service provider based in the cyber city of Hyderabad to a gigantic global Information Technology (IT) consultant with its presence in 45 countries. Today, Satyam has on its payroll a strong workforce of 11,000 professionals, offering IT solutions to a growing number of customers, 82 of whom are among the world's best, figuring in the famous list of Fortune's 500 companies.

### Profile

In short, Satyam is a one-stop solution for consulting, design, implementation and management of IT operations for its customers. The combined expertise of its professionals makes it possible for Satyam, a SEI CMM Level 5 company, to service the complex IT needs of its customers, through a seamless organizational mechanism.

Satyam is a public limited company listed in the New York Stock Exchange (NYSE:SAY) and the Mumbai and Hyderabad stock exchanges in India. It achieved a turnover of over USD 423.76 million for the year ended March 2003, with a CAGR of over 54 per cent in the last five years. Satyam has an active customer base of over 289 customers, 82 of which, as mentioned earlier, are Fortune 500 companies. With a strong quality focus, a presence in 45 countries, state-of-the-art solution centers across the world backed by highly specialized professionals, Satyam strives to provide products and services of the highest quality to its customers.

Satyam is one of the youngest and fastest growing companies not only in India, but also in the world, providing a complete range of IT related services globally. It has been awarded the "Golden Peacock Award" for Corporate Governance instituted by IOD for the year 2002.

Satyam's range of consulting and IT skills have helped businesses re-engineer and re-invent their products, services and processes to compete successfully in an ever-changing marketplace.

Satyam's state-of-the-art software development centers in India, the United States, the UK, the Middle East, Singapore, Malaysia, Japan and Australia work with a variety of business and technology partners to design and implement projects onsite, offshore and offsite.



Ramalinga Raju

### Satyam's range of expertise

- Software Development Services
- Engineering Services
- Systems Integration
- ERP Solutions
- Customer Relationship Management
- Supply Chain Management
- Product Development
- Electronic Commerce
- Consulting
- Managed IT Services

### Industry Verticals

- Automotive
- Banking & Financial Services
- Energy & Utility
- Government and Public Services
- Healthcare, Insurance and Pharmaceuticals
- Manufacturing
- Retail
- Telecom
- Infrastructure
- Media and Entertainment
- Semi-Conductor
- Travel, Transportation and Logistics

Satyam has strategic technology and marketing alliances with over 70 top-notch companies. This need-driven deployment of domain and technology expertise brings to customers a range of solutions and products that enhance performance and competitiveness.

### Our Global Delivery Model

Satyam has taken the next step in the evolution of software engineering by creating a delivery model based on the world's highest quality standards-RightSourcingTM. RightSourcing is the only customer-centric software engineering and delivery process that can guarantee the highest probability of success while maximizing return on investment. Using the RightSourcing





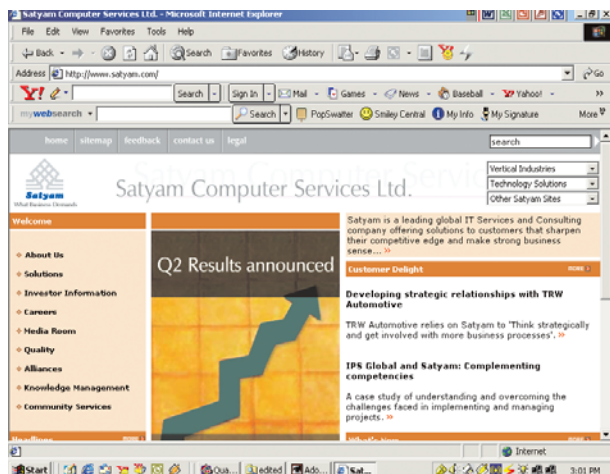
delivery model, our client's IT initiatives are executed where it is most feasible be it at the client site, one of our solution centers around the world, or a combination of both.

### Quality Journey

At Satyam, quality is a culture. This is expressed in the way we interact with and address our customers' needs and in the products and services we deliver to them. So while we have met several external quality parameters, we are even more stringent about setting and meeting our own exacting standards. As a result, our customers are assured of timely, effective solutions that meet their objectives and beyond, with Satyam's proven methodology, expertise and quality certifications.

### IMC Bajaj National Quality Trophy for 2001

This award represents one of the highest business excellence achievements in India. Similar to the renowned "Malcolm Baldrige National Quality award" for US companies, this award recognizes its recipients for understanding the requirements of business excellence and sharing information on successful



performance strategies.

### First ISO 9001:2000 certified organization in the world

Satyam was the first organization in the world to be assessed by Bureau Veritas Quality International (BVQI Limited) and has been found to be operating in accordance with the requirements of the ISO 9001:2000 International standards, under the Tick IT scheme.

### SEI CMM Level 5 assessment

In its first attempt, Satyam achieved one of the most sought after quality standards in the world- Level 5 of the Software Engineering Institutes' (SEI) Capability

Maturity Model (CMM), instituted by the Carnegie Mellon University. Satyam was one of the first 10 companies in the world to be assessed at an organization-wide SEI CMM level 5.

### BS 7799

Satyam is the first IT services company in the country to obtain certification under the internationally recognized BS 7799 International Information Security board.

Our consulting and IT solutions have resulted in technology-intensive transformations that have met the most stringent of international quality standards. eSCM, is a unique quality hallmark developed in collaboration with the Carnegie Mellon University and Accenture for IT Enabled Service (ITES) companies.

### Our People make the difference

The key to Satyam's success is its people. This is reflected in our credo, "Our people make the difference". Satyam's employees are referred to as "associates", partners of the enterprise who contribute to its growth and success. Satyam strives to continually raise the levels of competency and capabilities of its associates by providing multiple learning channels and a stimulating work environment designed to promote both professional and personal growth. That's why Satyam attracts and retains the best talent available in India and around the world and has the lowest employee-turnover rate in the Indian IT industry.

The Satyam learning center is committed to providing its associates with unlimited access to knowledge and latest technology advancements. At Satyam's learning center, technologists, academicians and behavioral researchers provide high quality training to its work force. State-of-the-art multimedia laboratories and a panel of distinguished in-house and visiting faculty from reputed educational institutions across the world, make for a rich educational resource base.

### Satyam's Community Outreach Program

Satyam believes that wealth creation is incomplete unless it contributes to the well-being of society. It believes that creators of business value must constantly look for ways to use this value to fulfill a larger social responsibility.

As a larger expression of its mission and core values, Satyam is actively involved in a variety of public service projects serving underprivileged groups in urban, semi-urban and rural areas. Satyam works through Alambana, an umbrella organization that brings together committed Satyam Associates, their spouses and other family members as volunteers. Alambana works in the areas of education, environment and healthcare. ♦

# A to Z about Brazilian Visas

Indo-LAC Business recognizes the different categories of VISAS issued by Brazil - Business VISAS, Working VISAS and Permanent VISAS. We also take note of the fact that the issuance of these three types of VISAS are governed by the Brazilian legislation. We are pleased to present an article by **Mr. Luiz Gudttherme de Moraes**, *Minister-Counsellor* at the Embassy of Brazil, New Delhi, which explains in detail the requirements to be fulfilled for obtaining different VISAS from Brazil.

**B**usiness visas, valid for five years, may be issued to Indian citizens at the discretion of the head of Mission in any Embassy of Brazil throughout the world. This is one of the provisions of the agreement entered into in 1997, which is forseen on a reciprocal basis. Agreements of this sort have been signed with a few selected countries.

Any visa for a period of above 3 months will allow the passport bearer to stay for 90 days that can be extended in the Federal Police for another equal period. This is considered enough time for business contacts to be made.

I would like to highlight that, as per the duration of stay business visas, the Brazilian legislation is applied "erga omnis", i.e., for all foreign nationals, regardless of the country that issues the passport. So, it is not India-specific.

There is no "trend to issue short term visas of up to 90 days for even bonafide Indian businessmen". The number of five year visa has not decreased from 1997 to 2003; on the contrary, this number has been in sharp increase during the last few years. Up to August 2003, the Consular Section of the Embassy of Brazil has almost doubled the number of five year visas given in the whole year of 2002.

As far as **working visas** are concerned, the Brazilian legislation states that a professional who is going to render services in Brazil, with or without a working contract, has to obtain prior approval from the Ministry of Labour - sole legal authority competent to consider the issuance of a working visa. The application has to be made by the inviting company. Businessmen and other professionals that approach the Consular Section of the Embassy in Delhi are guided on how to channel their requests.

**Permanent visas** may be granted to individuals intending to establish residence in Brazil. Prospective applicants must fit (besides special cases of professionals and investors - referred to elsewhere in this text) into one of the following categories: retired person, sixty (60) years of age or older, accompanied by up to two dependents, and able to transfer monthly, in accordance with the laws of the country of origin, the amount equivalent to US\$ 2,000.00; spouse, companion or minor dependent of Brazilian citizen or of a permanent resident of Brazil; ascendants of a Brazilian national or of a permanent resident of Brazil; siblings of a Brazilian citizen or of a permanent resident of Brazil, if orphan, single and under 18 years of age; minor children, grandchildren or great-grandchildren of a Brazilian citizen or of a permanent resident of Brazil.

I take this opportunity to clarify the issuance of **investors visa**, a matter that was referred to in volume I, issue 1 of that publication. A foreign investor with an initial transfer - and not deposit, as stated in the article - of foreign capital of US\$ 200,000 under an investment plan approved by the Brazilian authorities is eligible for a permanent visa.

The fruitful visit of the Secretary EAA in August 2002 was made in the context of a Consultation Meeting on Matters of Common Interest, that included consular matters. Mutual complaints on the issuance of business visas were transparently discussed. That meeting created an opportunity to clarify mutual practices and legislation on business/working/ permanent visas. It also served to demonstrate that the number of five year business visas issued by the consular section of the Brazilian Embassy was considerably higher than the number of business visas given to Brazilian nationals. This assessment did not take into account the number of business visas given to Indian nationals in other countries where they reside.

Further clarifications on the legal issues have taken place during meetings held in 2002, including in the course of the visit of the Minister of External Affairs.

The business community that form your prime readership has to be aware that the Embassy of Brazil is giving its best contribution to increase trade and economic relations between Brazil and India. While doing this, it has to abide by the Brazilian legislation in all respects, including visa matters, so that the business person going to Brazil does not have his/her activity jeopardized by unwanted legal impediments. ♦



# Sourcing Management Office

## - A Process Approach for Sourcing Excellence



Prabhu Sinha

Organizations are realizing value from the dramatic improvements in information and communication technologies by sourcing their IT-intensive business processes to external service providers. Such IT-enabled sourcing, which includes both IT service sourcing and Business Process Sourcing (BPO), is expected to grow to around US\$ 348 billion by 2007<sup>1</sup>.

However, according to Dataquest<sup>2</sup> "between 20 per cent and 25 per cent of all sourcing relationships fail in a two-year period and almost 2/3 of them fail within 5 years". And over each of the four years in Dun & Bradstreet's Global Barometer of Sourcing, 20 to 25 per cent of all sourcing relationships fail in a 2-year period and 50 per cent fail within 5 years<sup>3</sup>.

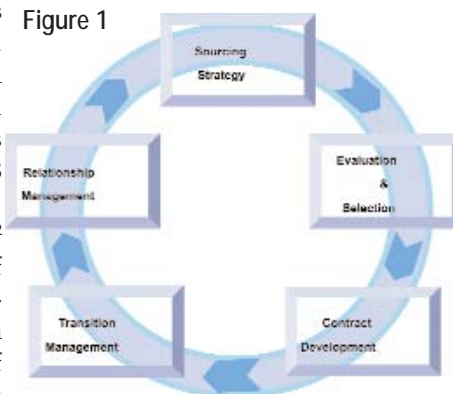
The reasons attributed for such failures include higher costs than anticipated, lower level of service than expected. Moreover, in some instances the service provider 'simply did not understand what they were supposed to do'. When sourcing relationships fail, it is most often due to disconnect between the client's expectations, the

service provider's understanding of these expectations, and the perceived results. However, as in any relationship, the success depends on effort put forth by both the client and the service provider, during the entire sourcing life cycle. The focus of this paper is to present an approach to manage the entire sourcing life cycle, from a client's perspective.

### Sourcing Life-cycle: A Client Perspective

Activities that an organization undertakes while sourcing can be depicted across a life cycle comprising of specific phases. While each phase has distinct activities by itself, there are significant linkages to subsequent phases, as depicted in Figure 1 below.

Figure 1



**Sourcing Strategy:** Deciding on what, why, how to source, what engagement model to follow and what vendor class to do business with

**Evaluation and Selection:** Establishing relationships with capable and compatible service providers

**Transition Management:** Effective Transitioning of services and resources (technology, people and processes)

**Contract Development:** Defining effective contracts and service levels with service providers

**Relationship Management:** Managing ongoing relationships with service providers

### Critical Success Factors for Sourcing Clients

In order to ensure that their sourcing relationships meet expectations, sourcing clients need to address the following critical success factors across the sourcing life cycle:

#### Sourcing Strategy:

- Developing sourcing strategy that is aligned with Business Strategy
- Analyzing risks and benefits to optimize risk-benefit equation
- Identifying applications / projects / processes that are most suitable for sourcing
- Baselining current performance and costs
- Managing the involvement of stakeholders in decision making; obtaining necessary buy-in
- Identifying the value proposition
  - ◆ Estimating costs and benefits across the life-cycle; determining ROI
  - ◆ Assessing risks and evolving mitigation strategies

#### Evaluation and Selection:

- Developing accurate and comprehensive requirements
- Determining selection criteria that are aligned with sourcing objectives
- Structuring the evaluation and selection process
  - ◆ Improving management control and visibility
  - ◆ Reducing cycle time
- Performing effective due-diligence
  - ◆ Addressing critical provider capabilities
  - ◆ Arriving at a common understanding of risks

#### Contract Development:

- Preparing for effective negotiations
  - ◆ Involving multiple stakeholders
  - ◆ Managing the flow of information
- Developing SLAs that address
  - ◆ Key performance requirements and risks
- Building the right governance mechanisms into contracts
  - ◆ Balancing control and flexibility

#### Transition Management:

- Unambiguously defining the roles and responsibilities of both parties during transition
- Building and executing effective transition plans
- Managing expectations during transition

#### Relationship Management:

- Managing sourcing from multiple vendors
- Managing changes to ongoing relationships including interdependencies among multiple vendors
- Establishing an engagement Governance Structure
  - ◆ Establishing reporting, escalation and relationship management mechanisms
- Ensuring vendor relationships stay aligned to
  - ◆ Performance objectives
  - ◆ Financial objectives
- Building mechanisms to effectively
  - ◆ Monitor vendor performance
  - ◆ Manage changes to vendor relationships





The above CSFs apply to each sourcing relationship. This gets multiplied several fold when sourcing clients need to manage a multi-sourcing environment that includes several service providers across geographies and services.

## Processes - Key to Effective Sourcing

The above critical success factors have certain commonalities. Understanding these commonalities enables organizations to effectively address these factors. Some of the key commonalities include:

- Need for planning activities in each phase of the life-cycle
- Managing involvement of multiple stakeholders
- Standardizing activities to ensure consistency, especially in vendor selection and vendor management
- Need for measurement throughout the life cycle. For example, in the Sourcing Strategy phase measurement enables effective base lining of internal capabilities and accurate definition of the value proposition of sourcing. And in the Contract Development phase measurement enables effective definition of service levels. Further, in the Relationship Management phase, having effective vendor performance scoring and tracking mechanisms is critical.

It is well known that wherever there is a need for coordination of stakeholders, repeatability / consistency and measurement, a process approach is called for. This is evidenced by the value delivered by quality / process models e.g. Capability Maturity Model (CMM®)<sup>4</sup> family of models in software development and the eSourcing Capability Model (eSCSM)<sup>5</sup> in the IT-enabled sourcing space. These models have enabled organizations to both standardize and continuously improve their capabilities.

Therefore, a process approach could also add significant value to sourcing clients in forming,

managing and enhancing their sourcing relationships. Sourcing clients have begun to realize this, and are beginning to take a process-centric approach to sourcing management. This includes creation of distinct organizational entities like "Sourcing Management Office" that facilitates and coordinates end-to-end sourcing activities in the organization.

The authors have successfully implemented Sourcing Management Office (SMO) processes in several organizations. The following section gives an overview of the SMO and also enumerates the key lessons learnt by the authors while supporting SMO implementation.

## Sourcing Management Office - A Process Approach

"... in a multi-sourced environment, an enterprise must have a central body to guide and direct the performance of multiple sources toward their common business objectives. Gartner advocates the formation of a sourcing office to establish the strategy, processes and standards an enterprise must use, to deploy the necessary ... resources, services and processes".<sup>6</sup>

In an increasingly globalized and sourcing intensive world, organizations need to adopt structures and process solutions that ensure IT alignment, innovation, flexibility and speed so that sourcing initiatives are effective. The SMO is one such organizational entity increasingly gaining currency in several global organizations. The SMO:

- Is a distinct organizational unit that is agile and responsive to market forces
- Manages sourcing relationships with internal and external entities
- Is typically responsible for centralizing the acquisition, integration and coordination of needed resources.

Figure 2 below provides an overview of the Sourcing Management Office. The SMO

provides four distinct categories of processes, which address the entire sourcing life cycle. While the Strategic processes provide workflow, templates and guidelines for developing a Sourcing Strategy and a Sourcing Plan, the Operational processes do likewise for the 'Evaluation and Selection' and 'Contract Development' phases. Further, the Enabling processes and Developmental processes address the ongoing 'Relationship Management' phase and provide capabilities for managing and continuously improving sourcing relationships.

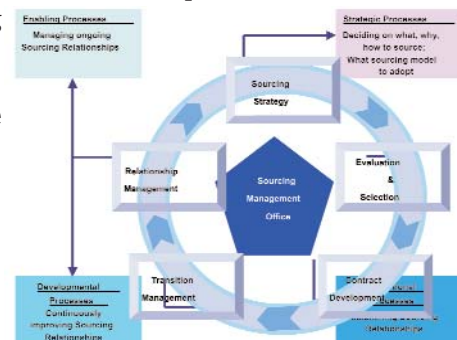


Figure 2 © Satyam Computer Services Ltd, 2003

### Key Benefits of SMO

- Aligns sourcing activities at an enterprise level
- Enables increased management visibility and control over sourcing
- Through its sourcing governance structure establishes clarity in roles and responsibilities for sourcing
- Lays out well defined procedures, guidelines, tools and templates that provide guidance for executing all sourcing related activities

While the SMO does provide organizations with the above capabilities, it also presents new challenges for its successful implementation. Effective implementation of SMO processes requires cross-functional and cross-departmental teamwork and coordination.

Further, since the SMO takes over some of the major sourcing related activities, which had





hitherto belonged to project managers and operations managers, it may cause some shifts in organizational dynamics that need to be managed by the organization.

Hence, all stakeholders need to have a sense of common purpose towards the SMO. Therefore, organizations need to manage soft issues relating to people, expectations, roles and responsibilities, in the changed environment, through a comprehensive "Change Management" strategy and plan.

The authors present the following lessons that they have learnt while supporting several leading global organizations in the SMO journey. Utilizing these

lessons, organizations could potentially effectively implement SMOs that are effective and add value to their sourcing initiatives.

## Sourcing Management Office - A continuous journey towards sourcing excellence

There is no real destination for the SMO journey. The SMO may initially be implemented for any service where it has a greater immediate need. As the organization realizes the benefits of SMO implementation, it will eventually be extended to manage any other kind of sourcing. And, in order to continue to enable sourcing excellence for the enterprise the SMO needs to continually evolve its processes to be in step with, or more desirably a step ahead of, the ever-changing market realities facing the enterprise. ♦

### Implementing a Sourcing Management Office - Key Lessons Learnt

- **Obtain executive sponsorship and mandate** - Top management commitment is essential since the creation of the SMO affects the organizational structure and dynamics, and results in re-distribution of roles and responsibilities. A mandate is also essential since, like all process improvement initiatives, visible management support is critical for effective implementation of SMO processes
- **Create a dedicated team** - Implementing an SMO requires focused and full time involvement of personnel who have both an in-depth understanding of sourcing as well as demonstrate aptitude for process definition and improvement. These personnel need to have credibility, and should necessarily include a senior level executive as the leader (some organizations have even re-designated a senior executive as Chief Sourcing Officer)
- **Involve and communicate** - It is critical that organizations approach the SMO initiative in a manner that is planned, which involves all stakeholders in the journey and is also effectively communicated to all affected entities. Lack of adequate attention to this aspect may almost surely ensure that the SMO does not fructify
- **Build on existing processes** - Sourcing is not a new phenomenon; every organization has at least some exposure to sourcing. The SMO initiative should effectively harvest this organizational knowledge while developing its processes, so that it avoids re-inventing the wheel and also optimally utilizes organizational resources
- **Learn from the experts** - Organizations that have involved external consultants in their SMO initiative have often had a greater degree of success. This could be attributed to a) an external entity can take a dispassionate and objective view, b) can bring to the table similar experience and industry best practices that more often than not result in greater value.

- <sup>1</sup> BPO Market to Grow to US\$ 173 Billion, Gartner Focus Report and Worldwide IT Services Marketplace 2Q03 Review, Gartner 2003
- <sup>2</sup> Dataquest's 1999-2004 Market Forecast for Business Process Sourcing (BPO)
- <sup>3</sup> Dun & Bradstreet 2000
- <sup>4</sup> CMM® is registered in the US Patent and Trademark Office by Carnegie Mellon University
- <sup>5</sup> SM eSCM is a service mark of Carnegie Mellon University
- <sup>6</sup> Aggregate Multiple Delivery Sources, Gartner 2002

### About the Authors

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# Earnest John Technologies Ltd

## Riding the Crest of BPO Wave

**EARNEST JOHN TECHNOLOGIES LTD (EJTL)**, a wholly-owned subsidiary of the **Earnest John Group**, has been in existence since 1925. EJTL's core competency lies in its strategic business of providing an end-to-end e-business applications and solutions. All its clients are empowered with e-business models that are robust, agile and fully scalable. Primarily an integrated IT solution provider, EJTL has quickly diversified into Business Process Outsourcing. **Tripti Chakravorty** looks at the prospects of the company that has successfully seized the BPO opportunity.



Dr. Earnest Joseph John II

The dynamic and growth-oriented group is headed by the charismatic Chairman, Mr. CHRISTOPHER JOHN, who has been the guiding force behind the organization. Group Vice Chairman and Managing Director Dr. Earnest Joseph John II looks after the day-to-day activities, ably assisted by a highly-motivated and cohesive team of professionals headed by EJTL President and CEO Shreeram Iyer. The quality control department is looked after by a manager and supported by sixth sigma level accreditations, assisted by a team auditors and experts.

### Business Process Outsourcing

Having diversified into BPO, EJTL has set up back-office operation capabilities for financial services. The success of its outsourced process and the significance of working as an extended enterprise for its global clients has all been made possible by deploying stringent quality and process management systems.

The company's strength lies in its outsourcing model with a structured client-engagement and delivery framework that is quality and process-centric. Effectively, this allows EJTL to take complete control of client processes from scoping and selecting a process. Through a remote processing, it is finally set in production with the selected process at the EJTL delivery center. Quality is a vital enabling function structured to bring improvements during the time of migrating a process as well as when it is live in India.

The team is continuously striving towards successful implementation of six-sigma, COPC, PCMM and BS 7799 standards. While the ISO 9000 is in process, SLA targets are consistently met and improved. Variations are tracked and controlled to deliver stable operations. Stringent norms are in place to help assess and prioritize opportunities for improvement, map processes to record defects and improve processes continuously through disciplined problem-solving methodology.

### Following BPO services are offered:

- Accounts Receivable

- Invoicing customers
- Receiving payments
- Deposits
- Tracking delinquent accounts
- Aging summary
- Banking**
- Withdrawals
- Deposits
- Transfer of funds
- Reconciliation
- Inventory**
- Maintain inventory records

### Accounts Payable

- Entering bills
- Tracking payments
- Payment of bills
- Aging summary

### Financial Statements

- Balance Sheet
- Statement of Cash Flows
- Special purpose statement
- Income Statement
- Personal financial statement

### Others

- Financial planning
- Budgets
- Financial graphs

### Payroll processing

- Maintaining database of employees in accordance with their pay structure and job status.
- Timesheet consolidation
- Timely payment & deposit of payroll liabilities
- Processing of payroll forms
- Payment to employees

### Client Billing

- Invoices
- Reminders, statements

### Book Keeping

- Purchase Journal
- Check Register
- Payroll Register
- General Ledger
- Sales journal
- Check Processing
- General Journal



Shreeram Iyer

### Value-Added Services

- Conversion to Quick Books from any other software.
- Preparation of various schedules such as: investments made, personal drawings, payments made to a particular party etc.

### Taxation

- Individual federal and state tax returns.
- Partnership federal and state tax returns.
- Payroll tax returns.
- Employee benefit plan tax returns.
- Corporate federal and state tax returns.
- Sales tax returns.

### MIS: Services

- Monthly MIS reporting.
- Budgeting and Forecasting.
- Fund Flow Analysis.
- Aging Analysis.
- Cash Flow Analysis.
- Other Tailor-made Reports





# Export potential of India's

Pharmaceutical & Chemical Products in Latin American & Caribbean Region

- Arijit Saraswati

Manager, Export-Import Bank of India



Arijit Saraswati

It is a common knowledge that India's trade with the Latin American and Caribbean (LAC) region is substantially modest compared to the volume of international trade undertaken by these two regions. In figures, India's exports to the LAC region stood at US\$ 1.28 million in 2002-03, which implies a low share of 2.45% in India's total exports in the year. Imports amounted to US\$ 1.04 million or only 1.7% of India's overall imports in the year. The figures would appear even more modest if we consider India's share in the global trade of the LAC region for the year. However, it is encouraging that in 2002-03 both India's exports and imports have increased with the LAC region, with an impressive growth of 34% in exports. Among the major contributors to the export growth are chemicals and related items including pharmaceuticals, which are also principal constituents of India's export basket to the LAC region. This is evident as their share in India's export basket to the LAC region stood at around 25% in 2002-03. Within the LAC region, Brazil and Mexico together accounted for more than half of India's exports of chemicals and related items including pharmaceuticals in 2002-03.

There lies considerable potential in further enhancing India's exports of chemicals and related items particularly pharmaceuticals to the LAC region primarily due to the following reasons:

□ Per capita pharmaceutical consumption in LAC region is relatively much higher compared to India. According to an estimate, per capita pharmaceutical consumption in Argentina is US\$ 115, while in Brazil and Chile it is US\$ 50 and US\$ 53 respectively. The same for India is US\$ 3 only.

□ The pharmaceutical market is projected for steady growth. By 2005 the market is projected to grow to US\$ 29 billion and India's share in this market is less than 1%, which indicates a significant growth potential for Indian exports.

□ Indian pharmaceutical industry has been growing at a rate better than global growth rate. India stands a comparative advantage in the sector with low cost of production. This sector is major source of foreign exchange for India and in the LAC region it comprises a major share in India's export basket. However, exports are mostly directed towards Brazil and

Mexico. Therefore, opportunities exist in not only enhancing exports in these two countries but also in catering to the demand of other countries in the LAC region as well.

The present analysis attempts to identify the potential chemicals and related items including pharmaceuticals, which can be exported to the LAC region. The analysis concentrates on pharmaceuticals, organic and inorganic chemicals and restricts itself to the twenty-two major importing countries of these products in the LAC region.

**Table 1: Imports of Chemicals and Pharmaceuticals by LAC Countries**

(in 2001, in US\$ million)

Sl. No.	Importing Country	Pharmaceuticals	Organic Chemical	Inorganic Chemical	Total
1	Argentina	638.6	1320.4	289.7	2248.7
2	Bahamas	33.7	4.7	6.3	44.7
3	Barbados	35.3	6.7	4.6	46.7
4	Bolivia	36.9	20.0	21.6	78.4
5	Brazil	1556.8	3491.3	729.2	5777.3
6	Chile	278.5	270.4	215.5	764.3
7	Colombia	420.3	869.0	154.3	1443.6
8	Costa Rica	240.4	78.6	45.1	364.1
9	Dominica	1.6	0.6	2.1	4.3
10	Ecuador	238.7	110.3	51.3	400.3
11	El Salvador	138.8	41.9	38.0	218.7
12	Grenada	11.3	0.2	0.7	12.2
13	Guatemala	220.1	113.7	53.6	387.4
14	Mexico	1285.9	3683.4	890.6	5859.9
15	Nicaragua	121.1	6.7	10.0	137.8
16	Panama	128.0	17.3	10.6	155.9
17	Paraguay	54.4	24.9	8.5	87.7
18	Peru	197.5	133.2	67.0	397.8
19	Saint Kitts and Nevis	2.0	0.2	0.4	2.5
20	Trinidad and Tobago	47.5	17.3	27.1	91.9
21	Uruguay	116.4	77.5	21.5	215.4
22	Venezuela	527.2	527.0	190.2	1244.4
<b>Total</b>	<b>6331.0</b>	<b>10815.1</b>	<b>2837.6</b>	<b>19983.8</b>	

Source: International Trade Centre, UN

Brazil is the biggest importer of pharmaceuticals in the LAC region followed by Mexico and Argentina (ref. Table 1). Among the Andean Community





members, Venezuela, Colombia and Ecuador are major importers compared to Peru and Bolivia. Costa Rica and Guatemala are the two Central American nations who have a high demand for pharmaceutical products. In case of chemicals, Mexico has the highest imports in the LAC region, followed by Argentina, Colombia and Venezuela. In general, import demand for organic chemicals are more than inorganic chemicals. This is particularly true for the major markets like Brazil, Argentina, Colombia, Mexico and Venezuela. However, for Chile, Bolivia, El Salvador, the demand for both is quite similar.

**Table 2: India's Exports of Pharmaceuticals & Chemicals to Select LAC Countries**  
(in 2002-03; in US\$ millions)

Sl.No.	Impoter	Pharma- ceutials	Inorganic & Organic Chemical	Total
1	Argentina	12.41	25.79	38.20
2	Bahamas	0.16	0.00	0.16
3	Barbados	0.04	0.00	0.04
4	Bolivia	1.28	0.09	1.37
5	Brazil	71.29	20.74	92.03
6	Chile	5.22	2.07	7.29
7	Colombia	10.76	2.60	13.36
8	Costa Rica	2.53	0.91	3.44
9	Dominica	0.49	0.00	0.49
10	Ecuador	0.70	0.52	1.22
11	El Salvador	0.24	0.13	0.37
12	Grenada	0.00	0.02	0.02
13	Guatemala	2.47	2.28	4.75
14	Mexico	51.44	14.31	65.75
15	Nicaragua	0.10	0.06	0.16
16	Panama	1.34	0.14	1.48
17	Paraguay	2.99	0.46	3.45
18	Peru	5.85	0.65	6.50
19	Saint Kitts and Nevis	0.01	0.00	0.01
20	Trinidad and Tobago	3.44	0.09	3.53
21	Uruguay	10.62	0.94	11.56
22	Venezuela	4.26	0.85	5.11
	Total	187.64	72.65	260.29

Source: DGCI&S, MOC&I, Govt. of India

Considering India's exports of pharmaceuticals to the LAC countries (ref. Table 2), Brazil and Mexico together accounted for over 65% of total exports in 2002-03. Argentina, Colombia and Uruguay being the other major destinations. The rest among the major importers of pharmaceuticals in the LAC region together accounted for a low share of 15-16%. This clearly implies that India's exports lacks diversification across the LAC region. It is understandable that Brazil, Mexico, Argentina being major importers of pharmaceuticals, Indian exporters primarily target these markets. However, there lies a considerable degree of



demand for pharmaceuticals in other countries in the LAC region as well. As for example, import demand of pharmaceuticals of Chile, Venezuela, Peru, Ecuador are of the tune of US\$ 278.5 million, US\$ 527.2 million, US\$ 197.5 million and US\$ 238.7 million. However, our exports of pharmaceuticals to any of these countries are less than US\$ 6 million. Therefore, there is an inherent need to diversify the export destinations as far as export of pharmaceuticals are concerned.

In case of organic and inorganic chemicals, the three main destinations of India's export are Argentina, Brazil and Mexico. In 2002-03, these three countries had a share of 84% in India's exports of organic and inorganic chemicals to the LAC region, which clearly indicates at the extreme concentration of India's exports in these markets. Applying a logic similar to the earlier one, it can be stated that apart from taking initiatives in increasing exports to the major markets like Brazil, Argentina and Mexico, India needs to look at other markets as well in the LAC region where considerable demand for chemical products exist. Particularly, organic chemicals are of high demand in the LAC region. India's global exports of organic and inorganic chemicals amounted to US\$ 980 million in 2002-03, of which only 7.4% were directed to the top-22 importers in the LAC region and even a much lower share to the countries apart from Argentina, Brazil and Mexico. Countries like Chile, Colombia, Peru, Ecuador, Venezuela can be considered as potential markets for increasing India's exports of chemical products.

However, pharmaceuticals and chemicals form a broad category of items and constitute several sub-items. It is important to identify appropriate sub-





**Table 3: Potential Inorganic Chemical Items for Export to LAC Countries**

Code	Commodity	Country
2803	Carbon	Brazil, Costa Rica, Ecuador, Guatemala, Peru
2809	Diphosphorus pentoxide	Brazil, Mexico, Peru
2811	Other inorganic acids and other inorganic oxygen compounds of non-metals	Brazil, Colombia, Grenada, Guatemala, Mexico, Peru, St. Kitts & Nevis, Uruguay, Venezuela
2818	Artificial corundum	Argentina, Mexico, Venezuela
2827	Chlorides, bromides and iodides	Trinidad & Tobago
2828	Hypochlorites; commercial calcium hypochlorite, chlorites, hypobromites	Nicaragua
2833	Sulphates, alums, peroxosulphates	Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Peru, Trinidad & Tobago, Venezuela
2835	Phosphinates, phosphonates, phosphatides and polyphosphates	Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Ecuador, El Salvador, Guatemala, Panama, Peru, Trinidad & Tobago, Uruguay, Venezuela
2836	Carbonates, peroxocarbonates, commercial ammonium carbonate	Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Peru, Trinidad & Tobago, Uruguay, Venezuela
2843	Colloidal precious metals	Argentina, Mexico
2851	Other inorganic compounds	Bahamas

Source: DGCI&S, MOC&I, Govt. of India and International Trade Centre, UN

items, which contribute to a country's overall demand for chemicals and pharmaceuticals. The major constituents within chemicals and pharmaceuticals, identified in terms of their higher import values over the rest, could be the focus or potential items, which can be exported from India. However, it is also important to simultaneously consider India's export capability of these items. Therefore, the potential lists of items are arrived at by matching the demand for these items by the LAC countries and supply or export capability of the same by India. The following tables represent the identified commodities, which are of significant demand in the corresponding LAC countries and are important constituents of India's export basket for each category. These are therefore, potential items of export to the target set of countries. Though the degree of demand varies across these identified items in the corresponding select countries, however, it is beyond the scope of this note to focus on the individual import demand for these items and India's present level of exports of these items to each of the corresponding select countries. The objective is therefore, to give an overview of the potential items of pharmaceuticals and chemicals, which can be exported to the LAC region, thereby, diversifying India's export

basket and realising higher exports eventually.

Eleven items under the 4-digit HS-code classification have been identified as the potential inorganic chemical items that can be exported to the LAC countries. Of these, carbonates, peroxocarbonates, commercial ammonium carbonate (Code-2836) and phosphinates, phosphonates, phosphatides and polyphosphates (Code-2835) have large demand horizons. However,

**Table 4: Potential Organic Chemical Items for Export to LAC Countries**

Code	Commodity	Country
2902	Cyclic hydrocarbons	Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Peru, Trinidad & Tobago, Venezuela
2903	Halogenated derivatives of hydrocarbons	Brazil, Colombia, Costa Rica, Grenada, Mexico, Panama, Trinidad & Tobago, Venezuela
2904	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons	Chile, Dominica, Paraguay, Trinidad & Tobago
2905	Acyclic alcohols and their derivatives	Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Peru, Trinidad & Tobago, Venezuela
2915	Saturated acyclic monocarboxylic acids and their anhydrides	Brazil, Chile, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay, Peru, Uruguay, Venezuela
2916	Unsaturated acyclic monocarboxylic acids	Brazil, Peru, Uruguay, Venezuela
2917	Polycarboxylic acids, their anhydrides, halides, peroxides, and peroxyacids	Argentina, Colombia, Costa Rica, Ecuador, Peru, Venezuela
2918	Carboxylic acids with additional oxygen function and their anhydrides	Chile, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru, Venezuela
2921	Amine-function compounds	Argentina, Brazil
2922	Oxygen-function amion-compounds	Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Peru, Trinidad & Tobago, Venezuela
2931	Other organo-inorganic compounds	Argentina, Brazil, Venezuela
2933	Heterocyclic compounds	Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Paraguay, Peru, Uruguay, Venezuela
2935	Sulphonamides	Uruguay
2936	Provitamins and vitamins & derivatives thereof	Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Nicaragua, Peru, Venezuela
2941	Antibiotics	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Peru, Uruguay, Venezuela
2942	Other organic compounds	Bahamas, Barbados, Costa Rica

Source: DGCI&S, MOC&I, Govt. of India and International Trade Centre, UN



**Table 5: Potential Pharmaceutical Items for Export to LAC Countries**

Code	Commodity	Country
300220	Vaccines for human medicine	Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Peru, Trinidad & Tobago, Uruguay, Venezuela
300310	Medicaments containing pnclns/their derivatives	Venezuela
300320	Medicaments containing other anti-biotics	Mexico
300390	Other Medicaments under heading 3009	Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama, Uruguay, Venezuela
300410	Medicaments containing penicillins or derivatives thereof	Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, Venezuela
300420	Medicaments containing other anti-biotics	Argentina, Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, Venezuela
300439	Other Medicaments under heading 3004	Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, Venezuela
300440	Medicaments containing Alkaloids or derivatives thereof but not hormones	Ecuador, Panama, Paraguay, Peru, Uruguay, Venezuela
300450	Other medicaments containing vitamins or other products of heading no. 29.36	Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Grenada, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts & Nevis, Trinidad & Tobago, Uruguay, Venezuela
300490	Other medicaments consisting of mixed or unmixed products for therapeutic or prophylactic use	Argentina, Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Ecuador, El Salvador, Grenada, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts & Nevis, Trinidad & Tobago, Uruguay, Venezuela
300510	Adhesive dressings and other articles having an adhesive layer	Chile, Mexico, Venezuela
300590	Others under heading 3005	Chile, Mexico, Peru, Venezuela
300660	Chemical contraceptive prpns based on hormones/spermicides	Brazil, Chile, Colombia, Costa Rica, Guatemala, Peru, Uruguay, Venezuela

Source: DGCI&S, MOC&I, Govt. of India and International Trade Centre, UN

some items can be targeted for specific countries. As for example, chorides, bromides and iodides (Code-2827) form the most important import item under

inorganic chemicals for Trinidad & Tobago with a share of around 25% in the import basket. It can be stated that the analysis has brought out target export items even for small countries like Grenada, St. Kitts and Nevis and Bahamas.

As far as organic chemical items are concerned, sixteen items under the 4-digit HS-code classification have export prospect in the LAC region. Unlike inorganic products, these items have a wider demand horizon.

For pharmaceuticals, the identified items are under the 6-digit HS-code classification. The item that has the maximum export potential is "medicaments consisting of mixed or unmixed products for therapeutic or prophylactic use" (Code-300490). Most of the select items are of high demand across the LAC countries and this implies that Indian pharmaceutical items have the prospect of being exported to diverse destinations in the LAC region rather than being confined to major markets of Brazil, Argentina and Mexico.

The above analysis thus has attempted to identify pharmaceutical and chemical items that can be exported from India to various LAC countries. Apart from these select items, there has been an increasing demand for Indian Ayurvedic products by Latin American firms. At a recent Indo-Latin Health summit in India, several firms from the LAC countries have expressed their interest in outsourcing herbal products from India. Given India's stand in Ayurvedic products, LAC could emerge as a major export destination.

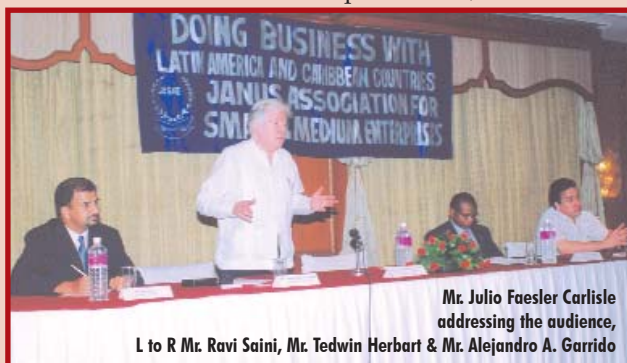
Particularly, considering the export potential for Chile and Peru, the above analysis has taken into consideration both these countries of the LAC region, which need not be repeated. Chile has a more or less even import demand for pharmaceutical and organic and inorganic chemicals. While for Peru the demand is more for pharmaceutical products. However, Indian pharmaceutical and chemical products assume a share of 1% and 1.5% respectively, in these markets at present and there is a significant opportunity to grow in these markets. Particularly, it is true for Chile as the health sector assumes an important role in the economy receiving a significant percentage of the Government expenditure. Apart from pharmaceuticals and chemical items there is a scope for exporting medical equipment to Chile. At present, USA, Japan and Germany are the major sources for Chile's demand for medical equipment. In Peru, health expenditure is around 6% of its GDP and per capita expenditure of pharmaceuticals is approximately US\$ 31. Peru mainly imports retail medicaments primarily from other LAC countries, leading suppliers being Colombia and Mexico. Europe is another important source for medicaments for Peru. As far as raw materials are concerned, EU is the major source, followed by USA. India should look into these markets critically and consider initiatives to enhance exports. ♦



## DOING BUSINESS WITH LATIN AMERICA AND CARIBBEAN REGION

# Top envoys invite Indian exporters

**H**.E. the Ambassador of Mexico, Mr. Julio Faesler Carlisle, H.E. the Ambassador of Panama, Mr. Alejandro A Garrido A and H.E. the Acting High Commissioner of Trinidad & Tobago, Mr. Tedwin Herbart gave a brief presentations about the business environment in their respective countries and the scope of bilateral trade between India and LAC at a seminar in New Delhi on September 24, 2003.



Mr. Julio Faesler Carlisle addressing the audience, L to R Mr. Ravi Saini, Mr. Tedwin Herbart & Mr. Alejandro A. Garrido

There were 22 Exporters and Importers from different fields such as Readymade Garments, Automobiles, Pharmaceuticals, Handicrafts, Herbal Medicines and Cosmetics, Engineering Goods etc. All were mainly from the SME sector which has a great potential to boost the Indian Economy which is now constantly on an upsurge.

Mr. Ravi Saini, President - Janus Association for Small & Medium Enterprises (JASME) gave a brief talk about India and LAC, opportunities and scope for bilateral trade between these regions.

H.E. the Ambassador of Panama Mr. Alejandro A. Garrido along with other Excellencies specifically complimented Mr. Ravi Saini, President - JASME for taking an initiative in organizing such a seminar. They observed that small and medium/tiny sector exporters were invited for an interactive seminar where they got an opportunity to directly ask questions and got replies to their satisfaction. H.E. Mr. Garrido made special remarks about Colon Free Zone and the opportunities existed for Indian Exporters.

His Excellency, the Ambassador of Mexico - Mr. Julio Faesler Carlisle complimented the efforts of the participants and advised them to showcase their ability to the different Chamber of Commerce/EPCs and get their support for one of the biggest NTB (Non Tariff Barrier) visa related issues. "There is no problem for the genuine visa seekers", he said. He also invited the participants to visit Mexico, explore possibilities of joint ventures, mergers etc. to be able to get better mileage for their efforts.

He specifically mentioned the LOC - Line of Credit

scheme for LAC region by Export Import Bank of India. LOC scheme needs to be worked-out in due consultation with the different Chamber of Commerce/EPC/NGOs and the Indian Missions in these LAC region for the proper implementation which has not gained momentum in spite of strong efforts of the EXIM Bank.

H.E. the Acting High Commissioner of Trinidad & Tobago was very optimistic about the opportunities existing between the two countries and mentioned that since seeing is believing, Indian Exporters must visit this part of world - The Caribbean Region which is known for Tourism, Rich Mineral Resources and Speciality Hot Peppers etc. The Indian exporters are welcome to explore possibilities in most of the areas India is looking forward to.

Many of the exporters showed keen interest in setting up warehouses in Panama, Trinidad & Tobago and Mexico.

Janus Association for SMEs, with this seminar, initiated the process of providing the Launching Pad for the Indian Exporters/Importers who had the ideas



Mr. Tedwin Herbart & Mr. Alejandro A. Garrido

but are stuck on the Launching Pad by providing facilitation services on foreign trade.

These interactive seminars would be the regular features of JASME in an effort to promote Indian SME sector towards globalization process and would be complementing the efforts of the government to achieve its goal of making India a self reliant world in itself, according to Mr. Ravi Saini.

The MDA ( Market Development Assistance) scheme of Ministry of Commerce, Govt. of India is an excellent tool for the small exporters to take up the challenge of reaching out by participation in the overseas exhibitions being regularly organized by ITPO/CII and various EPCs etc. ♦





# Stable & Mature After Decades of Turmoil Chile seeks a place in the Sun

Chile has over the decades suffered severely at the hands of authoritarian regimes despite being highly evolved politically. Since the exit of the military junta some 12 years back, Chile has moved towards stability and consequently, economic progress. Today, it is a model country, pursuing an efficient monetary policy and managing its affairs admirably. Liberalization and privatization have been the hallmarks of Chile's economic growth in the last decade. Chile has adopted a market-oriented economy characterized by a high level of foreign trade.

Chile is one of the oldest democracies of both North and South Americas. A Spanish colony till 1810, its first election of representatives took place in 1811. It had its first constitution as far back as in 1825, which bestowed unlimited powers in the office of the President. In 1925 another constitution was drafted under President Jorge Alessandria, which provided for sharing of powers between the executive and legislature. Chile's economic problems, however, continued under different presidents, until 1973 when Salvador Allende's socialist government was overthrown in a coup by a military junta, headed by Augusto Pinochet. Chile started to operate an open market economy. A new constitution was adopted in 1980 and after the defeat of Pinochet in a referendum in 1988, several amendments were made and further reforms are being discussed as of now. At present, Chile is governed by the executive, legislature and judiciary each being completely independent of each other. President Ricardo Lagos was elected on January 16, 2000 for a six-year term that will last till March 11, 2006.

Since restoration of democracy in 1990, Chile has enjoyed political stability, with centre-left coalition in power while a conservative alliance sits in opposition.

## Following are the latest economic indicators of CHILE Economic Resurgence & GDP Fluctuations

After passing through decades of instability, Chile's economy is now on a path of robust growth. In the last three decades, the economy has been transformed from one that was controlled by the state to one that is free and competitive. Liberalization and privatization have been the hallmarks of Chile's economic growth in the last decade. Chile has adopted a market-oriented economy characterized by a high level of foreign trade. During the early 1990s, Chile's reputation as a role model for economic reform was strengthened when the democratic government of Patricio Aylwin, which took over from the military in 1990 widened the economic reform initiated by the military government.

The country witnessed a GDP growth of 7.0 per cent from 1990 to 1997. It, however, fell in 1998 to half. The fall in growth rate that began in 1998 was the result of tight monetary policies implemented to keep the

## Chile: Overall Economic Performance

	1996	1997	1998	1999 <sup>1</sup>	2000 <sup>1</sup>	2001 <sup>2</sup>
<b>GDP and Major Components (percent change, year over year, except as noted)</b>						
Nominal GDP (million US\$)	75,769	82,809	79,274	73,046	74,953	66,450
Real GDP	7.4	7.4	3.9	-1.1	5.4	2.8
Consumption (Real *)	8.8	6.5	4.3	-0.5	3.4	1.6
Private Consumption (Real *)	9.4	6.6	4.7	-1	3.5	1.4
Government Consumption (Real *)	4	5.8	2.2	2.5	2.8	2.7
Investment (Real)	8.9	9.4	2.2	-19.6	14	-7.6
Exports of Goods and Services	11.8	11.2	5.9	6.9	7.5	-4
Imports of Goods and Services	11.8	12.9	5.4	-14.6	10.1	-4.7
<b>Fiscal and External Balances (percent of GDP)</b>						
Budget Balance	2.3	2	0.4	-1.5	0.1	-0.3
Merchandise Trade Balance	-2.3	-2.7	-4.2	1.8	1.1	2.4
Current Account Balance	5.1	-5	-5.7	-0.1	-1.4	-1.6
Capital Account Balance	7.8	9.8	4.5	-1.1	1.7	1.6
<b>Economic Indicators (percent change, year over year, except as noted)</b>						
GDP Deflator	1.7	4	2.5	3.5	4.1	na
CPI	6.6	6	4.7	2.3	3.8	2.6
M2 (end of period) <sup>3</sup>	25.2	22.2	12.1	10.6	8.4	7.7
Short-term Interest Rate <sup>4</sup>	7.3	6.8	9.6	6	5.4	4.5
Real Effective Exchange Rate	-4.8	-7.7	-0.2	5.5	4.5	12.5
Unemployment Rate (percent)	6.5	6.1	6.2	9.7	9.2	8.7
Population (millions)	14.4	14.6	14.8	15	15.2	15.4

Notes : \* Constant prices of 1996, except for 1996 figures

1 Provisional figures

2 Preliminary figures

3 M2=M2A=Currency+demand deposits in checking accounts of the nonfinancial private sector net of float + demand deposits not included in checking accounts + demand saving deposits + time deposits of the private sector

4 Short-term interest rate is 90 days "Pagre Reajutable del Banco Central" (PRBC)

### Chile: Forecast Summary (percent change from previous year)

	2002			2003		
	Official	IMF	Link	Official	IMF	Link
Real GDP	3.3	3.5	N.A.	4.5	6.0	N.A.
Exports (goods & services)	4.9	N.A.	N.A.	14.9	N.A.	N.A.
Imports	5.7	N.A.	N.A.	12.9	N.A.	N.A.
CPI	3.0	N.A.	N.A.	3.0	N.A.	N.A.

current account deficit in check and also due to lower export earnings, the latter a product of the global financial crisis. A severe drought exacerbated the recession in 1999, reducing crop yields and causing hydroelectric shortfalls and electricity rationing, and Chile experienced negative economic growth for the



first time in more than 15 years.

### Financial sector growing stronger, faster

Despite the effects of the recession, Chile maintained its reputation for strong financial institutions and sound policy that have given it the strongest sovereign bond rating in South America. By the end of 1999, exports and economic activity had begun to recover, and growth rebounded to 4.4 per cent in 2000. Growth fell back to 2.8 per cent in 2001 and 1.8 per cent in 2002, largely due to lackluster global growth and the devaluation of the Argentine peso. Unemployment remains stubbornly high, putting pressure on President Lagos to improve living standards. One bright spot was the signing of a free trade agreement with the U.S on 11 December 2002. According to International Monetary Fund (IMF), Chile's overall growth rate, however, averaged at 5.9 per cent from 1990 to 2001.

Both the Chilean government and its Central Bank have projected a growth rate of 3.0-3.5 per cent in 2003, if the global economic scenario is favourable. The prospect of rising oil prices and the negative impact of the Iraq situation can alter the projections.

A banking law approved in 1997 broadened the permissible foreign activity of Chilean banks. In 2001, the government also liberalized the capital market. Chileans have started enjoying the financial tools of convenience such as credit and debit cards, home equity loans, currency futures and options, etc. Chile's private pension system, with assets totaling US\$35





billion at the end of February 2003, has provided an important source of investment capital for the stock market.

### Current Economic Situation

Chile's fiscal parameters continue to be excellent. For the last two years, the budget deficit has been under one per cent of GDP. The overall foreign debt of the Chilean state at US\$39 billion and foreign debt US\$7 billion is of no cause for concern. The Central Bank has larger and lasting reserves of foreign currency. Since the end of 2001, which marked the beginning of the crisis in Argentina, the Chilean peso has experienced a sharp fall against the dollar and the Euro.

### Foreign Exchange

Chile's foreign currency holdings at the end of July 2003 totalled US\$15.418 billion, US\$72 million less than at the end of June largely because the treasury reduced its operational deposits held in the Central Bank and because of parity and price changes.

### Inflation

Inflation in 2001, according to the consumer price index, was 2.6 percent, which was 0.4 below the middle of the range that the central bank had fixed as a target and continued the declining trend of previous years. This was explained mainly by the sharp drop of imported commodities such as fuel, and by depressed domestic demand.

### Employment

Unemployment has hovered stubbornly at around 9.0 percent for some time with some seasonal fluctuations.

### Trade Balance

Chile's trade balance at the end of June 2003 showed a surplus of US\$292 million as a result of exports worth US\$1,623 million and imports worth US\$1,331 million. The total value of exports was 1.2 per cent lower than in June 2002.

### Exchange Rate

The nominal exchange rate in July 2003 averaged 701.14 pesos to the dollar, which represents a 1.1 per cent appreciation. The multi-lateral Exchange Rate (MER) and MER-5 (based on the US dollar, Canadian dollar, yen, pound sterling and Euro) depreciated 1.6 per cent and 2.1 per cent respectively. In June 2003, the Real Exchange Rate (RER) and RER-5 were 1.4 per cent higher than in May 2003.

### Fiscal Policy

Fiscal policy was counter-cyclical but prudent for 2001. The fiscal accounts registered a 0.3 percent



deficit, including income from privatization and concessions as current revenue, along with a transfer of US\$420 million in funds from the Copper Stabilization Fund. Total expenditure of the public sector rose at a rate of 5.0 percent during the year offsetting the contraction in private domestic demand.

### Medium Term Outlook

The rate of economic growth in 2003 is expected to be around 5.3 percent is forecast, based on the assumption of a recovery of the international economy, a steady rate of monetary policy of 6.0 percent and a nominal depreciation of the local currency around 2.0 percent. In this context, the forecast of the annual growth of internal demand is 4.8 percent for 2002 and 2003, and the deficit in current account is expected to reach 1.0 percent of the GDP. Inflation for both years should be around 3.0 percent. ♦

## The Chilean Wine Story

One man's loss is another man's gain. This adage applies to countries as well. When a dreaded pest called phylloxera devastated famed French vineyards some time during the 18th century, it turned out to be a blessing for Chile. Wine soon became an important export commodity for Chile and it laid a strong foundation for the country's modern-day wine business. Besides, Chile has also been blessed with a climate where phylloxera never thrived. The land cost being low compared to wine-regions in other countries, Chilean wine business has seen a steady growth over the years. Today, Chile produces 40 million cases of wine, 50 per cent of which are exported. It is the world's fifth largest exporter of wine. Though grapevines were first brought to Chile in the 16th century by Spanish explorers and missionaries, it was the French crop damage that helped open up wine business in Chile. The Chileans will forever be grateful to the French and even more to the pest. ♦



# chile

*-Where nature plays  
the perfect host*

Cuernos del Paine

**Tourism**

Chile offers different climates and varied geographical characteristics at the same time. Deserts and high mountains, dark-deep rain forests and fertile valleys, islands and glaciers. Chile has them all. The Andes cordillera that runs along provides spectacular scenic beauty and a sporting challenge to skiers in winters. For the rest of

the year, it is the eco-tourism for the visitors. Trekking, climbing, horse-back riding and rafting are among the options for nature lovers. There are hidden lakes and glaciers and volcanoes, the rivers flowing into the Pacific Ocean and sport-fishing in those waters. The central zone of Chile enjoys the Mediterranean climate of the moderate kind throughout the year. Several golf clubs allow their greens to be used by the tourists. For those who love good food and top class wines, Chile is the paradise. Hotels are of world class and convention centres are of international standard.

Chile is a long, narrow strip of land, stretching along the coast of southern South America, squeezed in-between the imposing Andes mountains and the endless Pacific Ocean. You would be amazed at what the narrow strip is packed with.

For administrative convenience, Chile is divided into 12 regions, including the Antarctic territory, plus the metropolitan region. The official language of Chile is Spanish, and its currency the Chilean peso. Chile is



Moai on Easter Island

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"mestizo" country, of mixed European and indigenous extraction, and the indigenous tradition is still visible in several parts of the country. Chile's literacy rate is one of Latin America's highest. Nearly 90 per cent of the Chileans are Roman Catholic, but there exists a freedom of religious expression here.

You'd be amazed, though. Its 4,300km-long, 180km-wide territory harbors some of the finest scenery in the Americas, a bewildering variety of climates -only the humid, hot tropical ones are absent and landscapes ranging from the world's most arid desert to the rainiest spot on the planet, including a Sahara in the north, a California in the center, an Alpine district in the midsouth and a Norway in the deep south, plus some places that bear no comparison, such as Easter Island, Patagonia, Tierra del Fuego, Antarctica and the Atacama Desert.

Add to this a prosperous economy, some of the best telecommunications anywhere, good infrastructure and health services, friendly people, excellent tourist services and a total absence of poisonous plants or insects, and you have a destination that is hard to outclass.

#### The great north and Atakama desert

This zone has an extension from the borders of Chile, Peru and Bolivia to the area of La Serena. 500 Km north of Santiago, we find the beautiful and exotic north of Chile. The zone is known for having the most interesting geographic cultural and nature tours in the country. The most famous are the Ojos del

Salado and Licancabur Volcano can be appreciated, seen and surely dazzle even the most sceptic. You will visit areas as high as 4,000 meters (13,000 feet) above sea level to admire the turquoise waters of Chungara Lake, Cotacotani lagoon and Surire salt lake.

It is important to arrive at right time for the Tatio geysers eruptions. There are many excursions to national parks at Lauca and Isluga. These are the natural habitat of the Andean flora and fauna, the camel-like families of vicuñas, a protected colony now estimated at 25,000, llamas and alpacas, condors, hawks and flamingos can be seen in the Atacama salt lake, foxes and the ostrich-like ñandu.

On the historical side, the reminders of the Teotihuacan civilization of the days of the Inca Empire which dominated the Atacamani culture and the Aymara population right up to the arrival of the Spanish conquerors in 1541 are a vivid testimony of the great development these native cultures reached. Also there are important museums such as San Miguel de Azapa in Arica and Padre Le Paige in San Pedro de Atacama.

The Andean or near-Andean villages of Parinacota, Putre, Colchane, Caspana, San Pedro de Atacama, Toconao, Chiu chiu and Ayquina, have a very particular architecture with some the earliest churches built in the times of the conquerors. There are impressive images of these early native cultures shown in buildings such as the huge fortresses called Pukaras that can be spotted throughout the area, also the route of gigantic geoglyphs at Pintados, near Iquique.

The late 19th century presence of old nitrate and saltpetre mining activities can be appreciated at





Torres del Paine National Park, Chile

Humberstone and Baquedano, now ghost towns converted into protected historical museums, which shows the time when Iquique was the main port of all the northern cities. Maria Elena is the last salt petre town.

Today mining activities continue at Chuquicamata, the biggest open-pit copper mine in the world, located near Calama, considered one of the main resources for copper mining in Chile, being the main source of income for the Country.

#### **Santiago & the Andes**

The central region has the most populated cities, including Santiago, the nation's capital, with a population of nearly six million. The beauty of Santiago is that from every corner of this magnificent city, you can look at the Andes Mountains and appreciate their beauty, especially in winter when the snowy peaks glitter in the sunlight to brighten Santiago's daily moods.

Very close to Santiago on the eastern mountain side we find several ski resorts, considered to be among the

best in the world. These are Valle Nevado, La Parva, El Colorado, Farellones and, to the north, Portillo, only an hour from the international airport of Santiago, this gives an extra incentive to visit Chile, especially since they are fully operational in what is summer in the Northern Hemisphere.

To the south of Santiago, we have an important ski resort and all-year hot springs area at the Termas de Chillan, next to Chillan volcano.

The seaside area, very near Santiago is full of attractive cities and towns, beginning with Viña del Mar, considered the garden city because of its precious gardens, like the Botanico located in the middle of the city. Small and perhaps more charming are Zapallar, Cachagua, Maitencillo, Santo Domingo and Algarrobo, Isla Negra, site of the home/museum of world-famous poet, Pablo Neruda, and farther north, Las Tacas and Tongoy Resorts.

Further north you'll find La Serena, a booming center of year-round coastal residential condominiums and hotels, and also an important agricultural and mining (lapizlazuli and gold) spot. The Cerro Tololo Astronomical Observatory, up on the mountains offers spectacular blue sky favouring varied observations, actually these skies are considered the cleanest and most appropriate for astronomical observation in the entire world.

#### **Fruit & Wine**

Once you find yourself visiting this area, you may well head north inland from the coastline via the new "Fruit Road" to the elegant Hacienda Los Lingues and the Central Valley, a prime agricultural center of



Patagonia





Patagonia

and Vicente Perez Rosales the last one with a stand of our Araucaria pine trees, very tall and stately. The fruit of the pines called piñones was well appreciated by the native Araucanos. The larch trees, Alerces, now protected, have long been used in construction.

Lakes of emerald colored waters including Caburga and Todos Los Santos are perfect for water sports and fishing. On Lake Llanquihue a controversial aquaculture salmon industry has been developed in the last 10 years.

expanding export activity in both fruit and wine. The cities of Rancagua, San Fernando and Curicó are among those of this "huaso" or farmer area. If you decide to carry on going south, you'll find the big city of Concepción, where the Bio-Bio River ends its long and historic route, and the port of Talcahuano. This is an industrial and timber area of interest.

This area has superb examples of unspoiled nature, beauty and sights of historical interest.

Temuco is the center of the Araucanian ethnic group, which resisted the Spanish Conquerors for more than a hundred years. Their silver and wood handicraft work is quite interesting and very pretty. Worth seeing are the Spanish fortresses near Valdivia and the presence of the Jesuits is shown in the many beautiful churches on the Island of Chiloe. The German immigration to this area in the late 17th century produced an important effect the Chilean society. There are lovely tours covering the Lake District, with cute little villages such as Pucon, Frutillar and Puerto Varas. There are spectacular waterfalls near Pucon, Riñihue, Huilo Huilo and Petrohue. Also the snow-capped volcano of Villarica, Llaima and Osorno, the last on the edge of the big Lake Llanquihue.

In this area we can also find some of the most visited national parks, like Conguillio, Villarica, Nahuelbuta

### Island of Mystery

Chiloe is an island of beauty and mystery. There is a unique typical cuisine, where oysters are a must, and a rich history in magic traditions, with folklore, typical dances and music. Castro, in Chiloe, is a beautiful little city where old houses on stilts still exist to remind of the past. The harbour is lovely in the afternoon. Visitors can also see the strong and beautiful Mechuque and the Tenaunn church with black tulips in the back yard.

The Aysen district, with the austral highway. Coihaique and the San Rafael glacier, with green forests and unspoiled lakes and rivers is the latest area developed for tourism. The rapids are as wild as any in the Rockies. These are excellent conditions for fly-fishing. National parks and protected areas, Port Chacabuco is the gateway to our most spectacular compound of glaciers at the San Rafael Lagoon.

Andes on one side, canals and fjords of the pacific on the other, offers many places to visit and a great deal of activities to be done.

In the protected area of Tamango one can see the Huemul, of the deer family, nearly extinct and featured in the National Coat of Arms. Also must be seen, is the natural cave formation called the Marble Cathedral. The towns here are like those of the old frontier.

## Tourism

## INDO-LAC Business



Grey Lake





*Licancabur & Juriques Volcano*

Coihaique, Balmaceda and Puyuhuapi, the last famous for its artesanal rugs. Also very important in this particular area are the Termas de Puyuhuapi with its hot springs.

These cities are surrounded by a very special and unique natural environment, filled with exotic plants and impressive trees. This particular landscape is very much appreciated by a large number of tourists as well as scientists, and not long ago, by prince William of Britain himself. ♦



*Chilean Coast*

### *The Chilean Forest*

Under the volcanoes, beside the snow-capped mountains, among the huge lakes, the fragrant, the silent, the tangled Chilean forest... My feet sink down into the dead leaves, a fragile twig crackles, the giant rauli trees rise in all their bristling height, a bird from the cold jungle passes over, flaps its wings, and stops in the sunless branches. And then, from its hideaway, it sings like an oboe... The wild scent of the laurel, the dark scent of the boldo herb, enter my nostrils and flood my whole being... The cypress of the Guaitecas blocks my way... This is a vertical world: a nation of birds, a plentitude of leaves ... I stumble over a rock, dig up the uncovered hollow, an enormous spider covered with red hair stares up at me, motionless, as huge as a crab... A golden carabus beetle blows its mephitic breath at me, as its brilliant rainbow disappears like lightning... Going on, I pass through a forest of ferns much taller than I am: from their cold green eyes sixty tears splash down on my face and, behind me, their fans go on quivering for a long time... A decaying tree trunk: what a treasure!... Black and white mushrooms have given it ears, red parasite plants have covered it with rubies, other lazy plants have let it borrow their beards, and a snake springs out of the rotted body like a sudden breath, as if the spirit of the dead trunk were slipping away from it... Farther along, each tree stands away from its fellows... They soar up over the carpet of the secretive forest, and the foliage of each has its own style, linear, bristling, ramulose, lanceolate, as if cut by shears moving in infinite ways... A butterfly goes past, bright as a lemon, dancing between the water and the sunlight... Close by, innumerable calceolarias nod their little heads in greeting... high up, red copihues (*Lapegaria rosea*) dangle like drops from the magic forest's arteries... The red copihue is the blood flower, the white copihue is the snow flower... A fox cuts through the silence like a flash, sending a shiver through the leaves, but silence is the law of the plant kingdom... The barely audible cry of some bewildered animal far off... The piercing interruption of a hidden bird... The vegetable world keeps up its low rustle until a storm churns up all the music of the earth.

Anyone who hasn't been in the Chilean forest doesn't know this planet. I have come out of that landscape, that mud, the silence, to roam, to go singing through the world.

-Chilean poet & Nobel laureate Pablo Neruda's opening lines to his famous autobiography, *Memoirs*.





# The Best Managed Market Economy



**R. Viswanathan**  
Joint Secretary-ITP

R. Viswanathan, a veteran diplomat and former Indian Ambassador to Venezuela, pays a glorious tribute to the Chilean economic achievements in recent years. Viswanathan had a ringside view of the happenings in Latin America and he produced an authoritative treatise titled "Business with Latin America". We reproduce an excerpt from the book, which we think will be very valuable because of the author's insight into the affairs of Latin America.

**C**hile continues to be the best-managed market and the role model for the rest of Latin America with strong fundamentals. Chile took off in the free-market path in 1984. Chile has earned international recognition and respect for its macro economic policies, fiscal discipline, transparency and predictability. It had consistent annual growth of 7% in the period 1986-1997.

According to a market study, there are 3.9 million Chilean households with an average income of US\$ 11800 per year.

Chile is the world's largest producer and exporter of copper, which accounts for 40% of the total exports of the country. 'Codelco', the State Copper company has an annual revenue of \$ 1 billion.

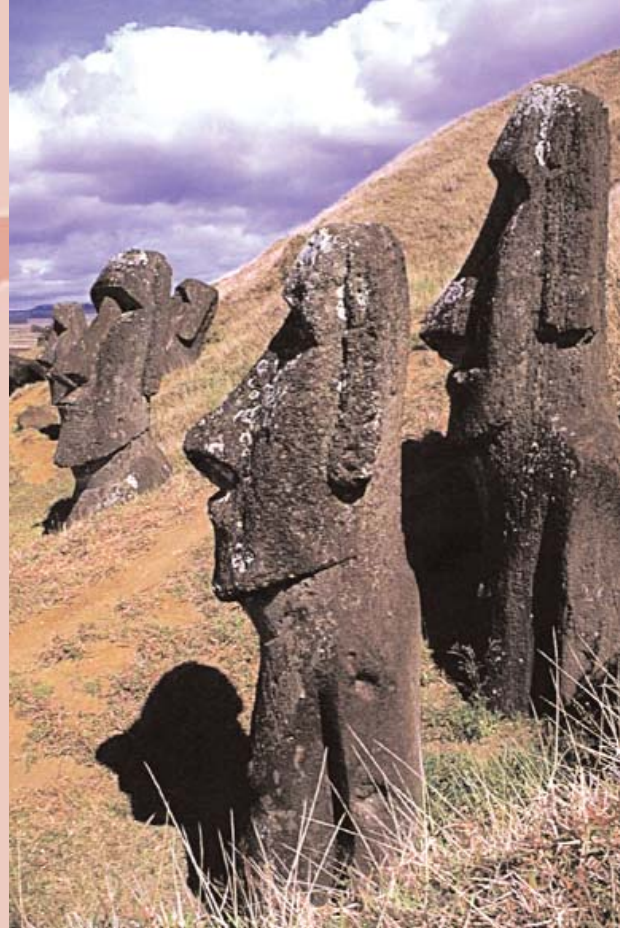
Chile has a single uniform tariff of six percent for imports, irrespective of the items. This makes it an efficient and transparent system and is the lowest tariff among the important Latin American countries.

Chile has successfully diversified its basket of export items and reduced its dependence on copper. The new exports are fruits and vegetables (exports over one billion dollars in **Roman Catholic Cathedral, Santiago** 2001), wine (exports over 500 million dollars) and salmon.

After the decline of its exports to Mercosur, Chile has intensified its diversification of export markets in Asia.

Besides the large investment it has attracted, Chile has also become an important investor in the rest of Latin America.

## Trade Agreements



Easter Island

Although Chile is not a full-fledged member of any regional trade bloc, it is an associate member of Mercosur and has signed a number of Free Trade Agreements with other countries and trade blocs. In 2000-01, Chile was interested in becoming a full member of Mercosur. But it did not pursue it seriously after (2002) the Americans gave the green signal for FTA, which was pending for 12 years.

The Free Trade Agreements signed by Chile with USA and EU in 2002 are milestone events for the region. Chile is the second country in the region (Mexico was the first) to sign such FT agreements with the major western economies.

The US-Chile FTA negotiations were successfully concluded on 11 December 2002. It will be signed in

2003 after Congressional approvals on both the sides. The bilateral trade in goods and services totaled US\$ 8.8 bn in 2001, of which trade in goods was US\$ 6.6 bn. Under the FTA more than 85% of the consumer and industrial products will be tariff-free within four years and

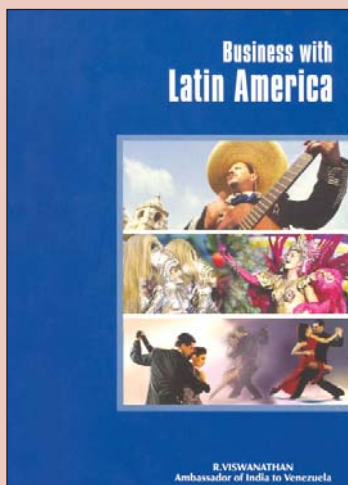


all tariffs and quotas will be phased out in 12 years.

Chile completed its negotiations (which lasted for two years) with the European Union and signed in May 2002 a political and economic association agreement. Under the Agreement, 85% of Chilean exports to the EU will enjoy tariff-free treatment starting from early 2003. The rest of the exports will get annual reductions in tariff progressively. Zero tariff will be reached for 96% of items in four years and in ten years all exports will be duty-free. The

agreement includes a clause on agriculture providing for liberalizing of access to the markets for 98% of trade over ten years. However, quotas will apply to sensitive products. The pact also includes compromise on intellectual property issues. The Agreement has established a dispute-settling mechanism.

Chile's exports to EU amounted to 4.59 bn dollars (27% of total exports) in 2001. The EU exported US\$ 3.1 billion worth of products to Chile in 2001 consisting mainly of machinery, transport equipment, chemical products and manufactures. Chilean negotiators were particularly pleased with the "asymmetric" liberalization process that has been agreed, which is a recognition of differing levels of economic development between the two sides. To quote an example, almost all Chilean industrial sector exports will enter the European Union tariff free immediately with the remaining due to achieve tariff-free status on a three-year time scale basis. Whereas, only a few European manufactures entering Chile are scheduled for immediate tariff liberalization, with the rest due on five to seven-year time scale.



However, the Chilean fishing industry is unhappy with the decision to allow the EU up to 100% ownership of local commercial fishing fleets, which as of now is limited to 49% only.

The EU-Chile Agreement is perceived as a model for other Agreements. EU is planning to sign with Mercosur,



Andean Community, Central America and the Caribbean.

Chile has signed a FTA agreement with South Korea, under which immediate tariff-free access is given to 77.5% of Chilean exports and 66.7% of South Korean Exports (540 mn US\$ in 2001). All other items will get tariff-free access in five, seven and ten years. The Agreement was to become effective by mid-2003 safter ratification by the parliaments.

Chile has already signed FT agreements with Mexico, Canada, Bolivia, Colombia, Cuba, Ecuador, Peru,

Venezuela, Central American countries and CARICOM.

Chile has started Free Trade negotiations with Singapore and New Zealand.

Chile is also negotiating a Free Trade Agreement with Bolivia to come into effect in end-2003. It may be remembered that both are associate members of Mercosur.

The objective of Chile is to get duty-free exports for 90% of its products by 2010.

#### Recent Developments

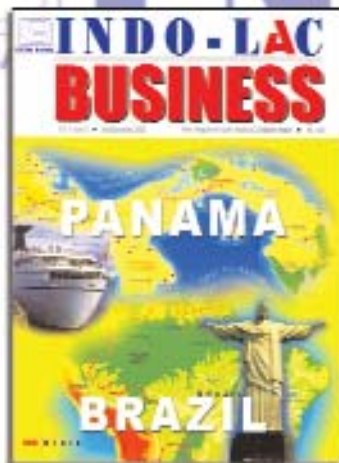
Chilean Peso depreciated to 774 for a dollar in end 2002 from 656 in 2001. It is expected to strengthen to 710 for a dollar in 2003. It maintained a growth of 3% in 2002 despite the upheavals in the neighbourhood. Growth estimate for 2003 is 5.8%. Inflation in 2002 was around 2.7% and it might go up marginally to 3% in 2003.

Exports declined marginally to 18.1 bn \$ in 2002 from 18.5 bn in 2001. They are projected to reach 23 bn \$ in 2003. The imports which declined from 16.4 bn in 2001 to 15.4 bn in 2002, are also projected to increase to 20 bn \$. After the decline of its exports to Mercosur in recent years, Chile has started intensification of its export promotion to Asia. ♦



Supreme Court of Chile, Santiago





# INDO-LAC BUSINESS

## FEED FORWARD

September 2003

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

### Office of the President of The Republic of Panama

**O**n behalf of the government of the Republic of Panama we wish to thank you for the magnificent coverage of the opportunities of our country in your Vol. 1 Issue 2 of INDO-LAC Business.

Panama, as presented, can be a destination of choice, with great offerings in eco-tourism and cruises. For investors Panama has unique offerings in the maritime sector through the Panama Canal, in the Free Zone for distribution of goods for the whole continent and is a logistic centre for transportation. A special feature of Panama for investors is in the ARI, in charge of all the reverted areas next to the Canal.

President Mireya Moscoso was pleased to read your articles, which help promote our country for both tourism and investment.



**Mireya Moscoso Rodriguez**  
President

#### Mario A. Rognoni

*Information and Press Secretary  
Presidency of The Republic of Panama*

### Mr. Alejandro A. Garrido A., Ambassador of Panama in India

Dear Mr. Swaroop,

**I** have the honour to present my greetings to you and express my most heartfelt thanks for the special issue of Indo-LAC Business on Panama and Brazil.

I take this opportunity to congratulate New Media Communication and its personnel on this special publication, which is outstanding in its cover and content.

Looking forward to meeting you in near future and thanking you once again, please accept, Mr. Swaroop, the assurances of my highest consideration.

**Alejandro A. Garrido A.**



**Response**

**INDO-LAC Business**



# INDO - LAC BUSINESS

**S J Patil**

**Director - Trade Fairs**

**Representative of Hannover Fairs in India  
Indo-German Chamber of Commerce**

The INDO -LAC Business is a magnificent publication covering diverse aspects of this region. I am sure a lot of efforts must have gone in compiling such diverse information. I congratulate and compliment you for focusing on the new opportunities for the business communities in Panama and India . Wishing you best of luck in your future endeavors.

**Response**

**R. Badrinathan**

**Vice President  
AFL Infotech**

The magazine itself looks very sleek and well presented. Needless to say that this would grow in a long way with various governments and can become a bridge between various governments and the business organizations.

You got a very focused magazine and I am sure that all your publications would become a reference book for each country.

**Ashok M. Kadakia**

Kindly accept our heartiest congratulation for the publication which has given me a real insight of Latin American countries. There are many similarities of Latin America and India in common.

**INDO-LAC Business**

