

# INDO - LAC BUSINESS

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## IBSA Trilateral Trade to Touch \$15 bn by 2010



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IBSA Trilateral Trade to Touch \$15 bn by 2010



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**Dear Reader,**

Greetings. It is an understatement to say that the 21st century belongs to developing countries which have been on a fast economic growth track. These countries include China, India, Brazil and South Africa, to mention a few names. The cover story of the latest issue of Indo-LAC Business takes a look at the new alliance that has developed among the three nations, namely, India, Brazil and South Africa, or IBSA. The Second Summit of IBSA was held recently in South Africa, where the heads of state as well as business leaders from respective countries had pledged to reiterate their commitment to boost the trilateral trade to \$15 billion by 2015. Bilateral trade relations between India and Mexico received a shot in the arm with the recent visit to India of Mexican President Felipe Calderon Hinojosa. He is confident the two-way trade between India and Mexico will double in the next three years to \$3.5 billion from \$1.8 billion in 2006. Hinojosa has promised to the Indian companies that Mexico can offer preferential access to one billion customers through its trade agreements with 44 countries including the United States. We carry a write-up. If there is one man in the Indian government hierarchy, who is truly passionate about Latin America, he is R. Viswanathan, whose understanding of Latin America is deep. Viswanathan has just been designated as India's Ambassador to Argentina. In an exclusive interview he talks about the potential that exists between India and Latin America to forge their synergies to great mutual advantage. Export Import Bank of India (Exim Bank) is one of the country's premier financial institutions committed to promote foreign trade, with focus on exports of projects and services. It has made two studies, one on biotechnology and the other on outsourcing. In both the studies, Exim Bank has highlighted India's advantages, competitive edge, challenges and strategies. We carry both the reports. Then there is a report on British property developer Gazeley which has opened an office near Delhi to assist the entry into India of its parent company Wal-Mart Stores, the world's biggest retailer. Wal-Mart is planning to build industrial space in India and Brazil. The issue also highlights an International Festival of Films on Tribal Art and culture (IFFTAC), to be held shortly at Indore in Madhya Pradesh. The festival, organized by Vanya, the state's Department of Tribal Welfare is expected to be a great success. We carry an interview with O.P. Rawat, Principal Secretary, Department of Tribal Welfare, in which he talks about IFFTAC and related issues. We take this opportunity to wish the readers a happy and prosperous New Year.

Wish you happy reading,



**Satya Swaroop**

Managing Editor

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# IBSA Trilateral Trade to Touch \$15 bn by 2010

IBSA Strategy for T-FTA on Anvil India, Brazil and South Africa, constituting a powerful alliance of developing economies across three continents, recently held their second summit in the South African city of Tshwane. Known as IBSA (India-Brazil- South-Africa), the alliance issued a declaration at the end of the Summit, road-mapping the joint action proposed to be taken by the three countries in the near future. The key features of the declaration include the commitment to evolve a strategy for a Trilateral Free Trade Agreement (T-FTA) and to boost the trilateral Intra-IBSA trade to \$15 billion by 2010.



## Following are the salient features of the joint declaration of the Summit, announced on 17 October 2007.

Prime Minister of India Manmohan Singh, Brazilian President Luiz Inácio Lula da Silva, and South African President Thabo Mbeki (thereafter referred as “the leaders”) met in Tshwane, South Africa, on 17 October 2007, for the 2nd Summit of the India-Brazil-South Africa (IBSA) Dialogue Forum.

The leaders recognised that since its inception in 2003, the IBSA Dialogue Forum provided a strong framework for trilateral cooperation in several key sectoral areas amongst IBSA partners. They noted that IBSA also provides them an important instrument for cooperation on regional and international issues and promoting the interests of the developing countries, thus contributing to the strengthening and deepening of South-South cooperation.

The leaders adopted the outcome of the 4th Ministerial Commission held in New Delhi on 17 July 2007. They recommitted themselves to vigorously pursue the deepening of South-South cooperation for sustainable development. They reaffirmed their shared commitment

to the eradication of poverty through sustained and inclusive economic growth. They highlighted the importance of implementing the principles adopted in the Rio Declaration, Agenda 21 and the Johannesburg Plan of Implementation of the World Summit on Sustainable Development, particularly the principle of common but differentiated responsibilities and emphasized that capacity and institution building is a key to global sustainable development.

The leaders acknowledged with appreciation the continued participation by academia and business leaders. They welcomed and applauded the coming together of parliamentarians from India, Brazil and South Africa and the fruitful talks they had as an important contribution to people to people relations and strengthening of the IBSA Dialogue.

The leaders welcomed and fully supported the launch of the Women’s Forum which strengthens participation of women in IBSA and recognised the fundamental contribution of women in the social, cultural and economic development of India, Brazil and South Africa. They reaffirmed their commitment to the promotion of gender equality and women’s rights.

The leaders reiterated the importance of strengthening



the global governance system as it forms a critical ingredient for promoting peace, security and sustainable socio-economic development. They reaffirmed their abiding commitment and faith in multilateralism, with the United Nations playing the pre-eminent role.

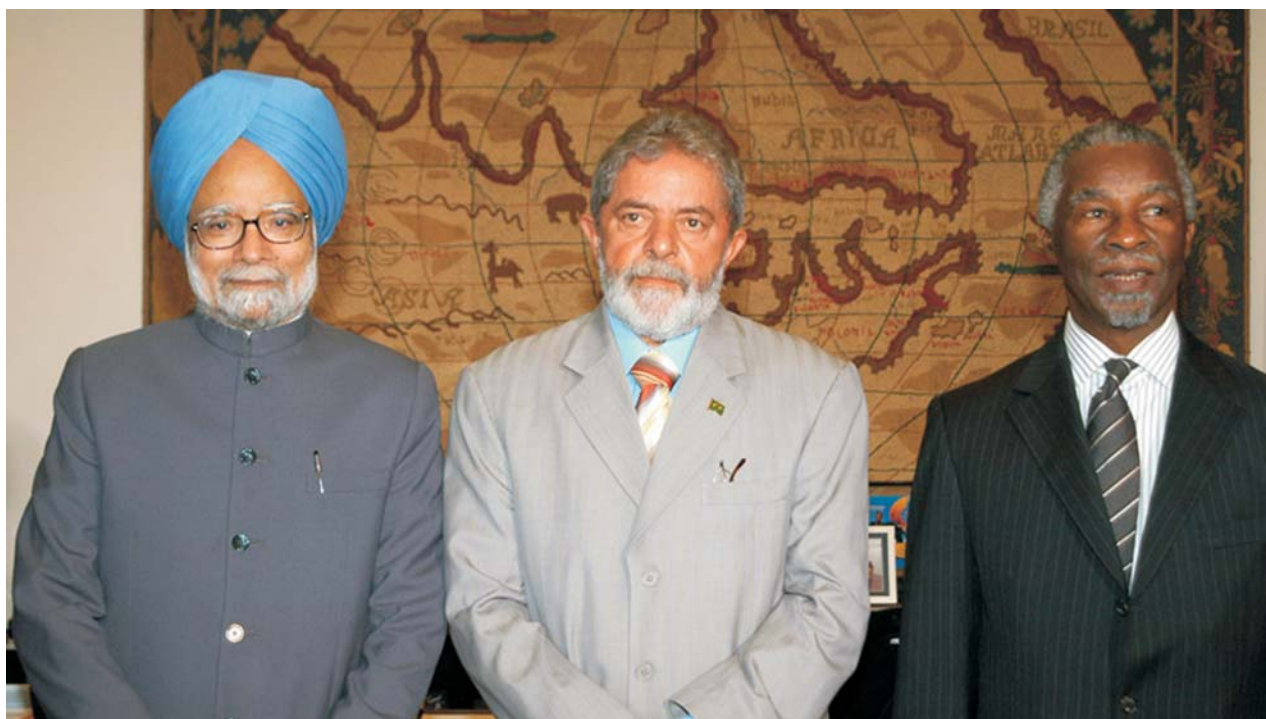
They reiterated that the international system cannot be reordered meaningfully without a comprehensive reform of the United Nations. The leaders emphasized that the reform of the Security Council is central to this process to ensure that the UN system reflects contemporary realities. They expressed their full support for a genuine reform and expansion of the Security Council, in permanent and non permanent categories of membership, with greater representation for developing countries in both. They reiterated that inter-governmental negotiations on the issue of Security Council reform must commence forthwith. They agreed to further strengthen cooperation amongst their countries and with other member states interested in a genuine reform of the Security Council. They also reaffirmed the need for concerted efforts by member states towards revitalisation of the General Assembly.

The leaders strongly emphasized the need for ensuring the supply of safe, sustainable and non-polluting sources of energy to meet the rising global demand for energy, particularly in developing countries. In this context, they agreed to explore approaches to cooperation in the peaceful uses of nuclear energy under appropriate International Atomic Energy

Association (IAEA) safeguards.

They further agreed that international civilian nuclear cooperation, under appropriate IAEA safeguards, amongst countries committed to nuclear disarmament and non-proliferation objectives, could be enhanced through acceptable forward-looking approaches, consistent with their respective national and international obligations. They also reiterated the importance of ensuring that any multilateral decisions related to the nuclear fuel cycle do not undermine the inalienable right of States to pursue nuclear energy for peaceful purposes in conformity with their international legal obligations.

The leaders called for the international community to work together on Climate Change under the United Nations Framework Convention on Climate Change in accordance with the principle of common but differentiated responsibilities and respective capabilities. They urged all developed countries to take more ambitious and quantifiable GHG emission reduction targets in the post 2012 period under the Kyoto Protocol. Moreover they stressed the imperative of addressing unsustainable patterns of production and consumption. This would also spur the Carbon market and significantly enhance the Clean Development Mechanism's contribution to sustainable development, financial flows and transfer of clean technologies to developing countries. They urged that significant progress is needed in Bali in December 2007.





The leaders stressed the disproportionately high impact of Climate Change on developing countries with their greater vulnerability, inadequate means and limited capacities to adapt to its effects. They emphasised the importance for adequate, new and additional financing for the adaptation efforts of developing countries without diverting resources for development. There should be no foreclosure of opportunities for developing countries to secure the technological and financial resources required for adaptation through development.

The leaders urged an agreement on innovative modalities for the development, transfer and commercialization of technologies, including clean coal technologies, at affordable costs to developing countries noting that rewards for innovators need to be balanced with common good for humankind. They also urged the international community to work in a collaborative manner for the development and deployment of renewables, biofuels and biomass, and advanced clean technologies. In this connection they welcomed the work done by the International Forum on Biofuels and underlined the importance of the International Conference on Biofuels, to be held in 2008.

The leaders noted the progress being made on the African continent towards the achievement of peace, security, stability and development. They reaffirmed their determination to support these efforts while noting the inextricable link between peace and security on the one hand, and development on the other. They commended the efforts of the African Union and noted the ongoing work to strengthen its structures. The leaders reiterated their firm belief in the New Partnership for Africa's Development (NEPAD) a key framework for socio-economic development in Africa.

They acknowledged that the Pan-African Infrastructure Development Fund will, as it evolves, help accelerate Africa's growth and development to meet the objectives as set out in the NEPAD. In this regard, the IBSA partners agreed to associate with the development of the fund in accordance

with their respective rules and regulations. The leaders reaffirmed their long-term commitment for a democratic, prosperous and stable Afghanistan.

They reiterated that a coherent and united international effort, in its military, political and developmental aspects, to assist the Government of Afghanistan remained vital. They underlined their centrality of the regional aspect in the reconstruction and development process. They strongly condemned the continued terrorist attacks by the Taliban on aid-workers, civilians, Afghan and international forces. They agreed that the international community needed to act resolutely and with determination, in coordination with the Government of Afghanistan, in facing the challenge of the resurgence of the Taliban and Al Qaeda.

The leaders, in recognition of the many commonalities in the three countries in the socio-economic areas, welcomed the preparation of an integrated IBSA Social Development Strategy which will build on the best practices of the three countries for serving as a blue print for South-South Cooperation. The leaders noted that WTO Doha Round of trade negotiations is entering a critical stage. These negotiations are now in a genuine multilateral process, with draft modalities texts for agriculture and industrial goods that provide a good basis for negotiations. They reaffirmed their commitment to carry out negotiations towards an







outcome that is fair and acceptable to all. The leaders reiterated the importance of the development dimension of the Round and welcomed the strengthened engagement, solidarity, and cooperation among developing countries in that process.

### Stress on Agriculture

The leaders underlined that agriculture remains the key to the conclusion of the Round. To truly deliver on the development benefits of the Round, they called for the removal of long-standing distortions and restrictions in international agricultural trade, such as subsidies and trade barriers that affect the agricultural exports of and domestic production in developing countries. They also asserted that developed countries must agree to substantial and effective cuts in the latter's trade distorting support, with new disciplines that prevent box shifting and commit to real and new trade flows in agriculture. They underscored that meaningful and operable special and differential treatment, which includes development instruments of Special Products and the Special Safeguard Mechanism are vital to address the concerns of developing countries with subsistence and low-income farmers.

The leaders emphasized that any progress towards achieving the above goals is a development imperative and should not be linked with meeting the disproportionate demands by developed countries in the NAMA and services negotiations. The leaders asserted that developing countries have been constructive and willing to negotiate in all areas.

They urged others to act with the same disposition. The leaders recalled their commitment to making a contribution to market opening in the Doha Round in agriculture, NAMA, and services that will create new trade flows. They also committed to ensure that the process of the negotiations is not held hostage to "who goes first". They reaffirmed their conviction that all members must "move together" to arrive at a balanced and fair outcome of the negotiations.

The leaders stated that through constant dialogue, reciprocal flexibility, non-dogmatic approach and good faith efforts, full modalities in the agriculture and industrial goods negotiations could be achieved before the year-end, together with equivalent results in other areas. They reaffirmed their commitment to achieving such a positive outcome within this framework.

The leaders underscored the importance of incorporating the development dimension in international discussions concerning intellectual property. They reaffirmed that intellectual property is not an end in itself, but one of the instruments to encourage innovation for technological, industrial and economic and social development. They also recalled that it is fundamental to preserve policy spaces necessary for ensuring access to knowledge, promoting public goals in the fields of health and culture, and a sustainable environment. In this context, they welcomed the adoption of 45 recommendations of concrete actions regarding the "Development Agenda" by this year's WIPO General Assembly, as well as the establishment of the WIPO Permanent Committee on Development and Intellectual Property.

The leaders reaffirmed the need to reach a solution for the problem raised by the granting of intellectual property rights on biological resources and/or associated traditional knowledge, without due compliance with relevant provisions of the



Convention on Biological Diversity, such as the granting of erroneous patents or the registration of undue trademarks. In this regard, they recalled the presentation in the WTO of the proposal co-sponsored, among others, by the three IBSA countries to amend the TRIPS Agreement by introducing a mandatory requirement for the disclosure of origin, prior informed consent, and also fair and equitable benefit sharing of biological resources and/or associated traditional knowledge used in inventions for which applications for intellectual property rights are filed.

The leaders welcomed the ongoing discussion in the Inter-Governmental Working Group (IGWG) on Intellectual Property and Public Health of the World Health Organization. They stated the important role of WHO in the discussion of the impacts of intellectual property protection on public health and on the access to medicines.

The leaders agreed to work towards a trilateral initiative on cooperation in the field of Intellectual Property Rights (IPR) concerning capacity building activities, human resource development and public awareness programmes.

The leaders reaffirmed their commitment to the envisaged India-MERCOSUR-SACU Trilateral Free Trade Agreement (T-FTA), and welcomed the initial meeting amongst the representatives



of SACU, MERCOSUR and India on a possible T-FTA during the exploratory discussions held in Pretoria on 6 October 2007. They also noted with satisfaction that all sides agreed to continue discussions on the trilateral trade arrangement. They urged the need for sustained efforts to realize early an India-MERCOSUR-SACU FTA. In this regard, the leaders supported the proposal to hold a Trilateral Ministerial meeting in 2008.

They also welcomed the significant progress made in MERCOSUR-SACU negotiations in Pretoria, on the 8-9 October 2007, as well as the launching of the SACU-India negotiations in the meeting held in Pretoria on 5 - 6 October 2007. MERCOSUR-SACU, MERCOSUR-India and India-SACU negotiations laid the basis for achieving the goal of a T-FTA.

The leaders expressed the importance of regular interaction among business persons of the three countries, with Government authorities playing a facilitating role in the process, for sharply enhancing the momentum of trade and investment with a view to fully utilizing the large and growing opportunities in their markets. For the continued expansion of trade, investment and economic ties, the leaders encouraged the implementation of further initiatives amongst IBSA countries on standards, customs procedures, intellectual property rights, small and medium enterprise development, business-to-business linkages and participation in trade exhibitions.

The leaders underlined the need to provide a greater voice for and participation by developing countries in the Bretton Woods Institutions and expressed concern at the slow rate of progress that has been achieved so far. They acknowledged the role of the G20 as a key forum on global economic development and governance, and looked forward to its contribution to accelerating governance reforms in the Bretton Woods Institutions. The leaders expressed their concern that many developing countries are still far from achieving the Millennium Development Goals (MDGs).

They expressed their determination to mobilize support in this regard, with the specific objective to intensify common efforts towards achieving the MDGs and other internationally agreed





development goals embodied in the Monterrey Consensus. They particularly stressed the need to address the problem of developing countries debt, increase the Official Development Assistance (ODA) flows and reduce the inequalities in the international trading system.

They committed to close cooperation amongst IBSA partner countries while preparing for the "Financing for Development" Review conference that will take place in Doha, Qatar, in the second half of 2008. In this regard, they emphasized the importance of enhancing international efforts to develop innovative financial mechanisms to fight poverty and hunger.

The leaders reiterated the importance and uniqueness of the IBSA Fund Facility for South-South Cooperation for the benefit of other developing countries. They noted with satisfaction the South-South Partnership Award received by the Fund from the UN. They also agreed for a more effective mechanism for the utilization of the Fund. The leaders underscored the importance of vibrant sectoral cooperation for providing a firm foundation of the IBSA Forum.

The leaders stressed the need for improved air and maritime connectivity among IBSA countries for expanding trade, investment and tourism. In this regard, they encouraged the concerned authorities to work towards achieving this important goal on a priority basis. They expressed the hope that by the time of the Third Summit in India, effective and innovative solutions would have been put in place to mitigate this problem.

The leaders called for the establishment of joint projects and collaboration for the increased usage of alternative sources of energy such as biofuels, synthetic fuels, wind and solar energy to help achieve the objective of energy security which can bring significant reduction in GHG emissions. The leaders expressed the need to promote

and enhance cooperation among the IBSA partners in the ICT infrastructure development, including for the Soccer World Cup being hosted by South Africa and the Commonwealth Games by India in 2010,

The leaders welcomed the progress made in the sector of Education with the identification of areas of cooperation. In pursuance of this, they encouraged holding of workshops and seminars, exchange of information, and joint projects. They also welcomed avenues of cooperation among the diplomatic institutes of IBSA countries. The leaders also called for an early implementation of the Action Plan in the sector of Health and called upon the IBSA Health Ministers to meet within the next three months. Cooperation in this area is of particular importance and needs to be energized.

The leaders appreciated the initiative being taken with regard to formulation of joint projects in the sector of Agriculture and expressed the need for their expeditious implementation, for the purpose of inclusive growth and benefits to farmers. They further expressed the need to explore cooperation in the field of food processing.

While underlining the importance of cooperation in the S&T sector, they emphasized the need for immediate action to start implementation of joint research projects. They welcomed the creation of a seed fund of US\$ 1 million in each country for collaborative activities.

The leaders welcomed the signing of MoUs and Agreements on cooperation in areas of Wind Resources, Health and Medicines, Culture, Social Issues, Public Administration, Higher Education and on Customs and Tax Administration Cooperation, which will help further deepen trilateral cooperation among IBSA partners.

The leaders supported the establishment of two additional Working Groups on "Human Settlement Development" and "Environment and Climate Change" to further enhance the scope of trilateral sectoral cooperation.

The leaders called for an intra-IBSA trade target of US\$ 15 billion by 2010 and urged business and industry to be even more ambitious and exceed this target.

South Africa and Brazil welcomed the offer by India to host the 3rd IBSA Summit in 2008.

The President of Brazil and the Prime Minister of India expressed their deep gratitude to the President and the people of South Africa for successfully convening the 2nd IBSA Summit which represented a new milestone in the progressive development of IBSA. ■



# 'India, Mexico can Double Trade in 3 Years'

- President Hinojosa



Trade between India and Mexico has been targeted to double in the next three years from \$1.8 billion in 2006, said Mexican President Felipe Calderon Hinojosa recently in New Delhi.

Addressing a meeting on "India-Mexico: Opportunities for Business", organized jointly by the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Federation of Indian Chambers of Commerce and Industry (FICCI), Hinojosa said that Mexico can offer to the Indian companies, preferential access to one billion customers through the trade agreements with 44 countries including the US.

The Mexican President said that Pro-Mexico (The investment promotion organisation of Mexico) will be opening a special office in Mumbai in early 2008 to promote bi-lateral trade between the two

countries and facilitate trade enquiries.

Hinojosa said that Mexico and India are one of the fastest growing economies but the bi-lateral trade represents only 2.6 percent of Asia-Mexico trade. He said that industries of both the countries should look at the available opportunity and structural reforms in Mexico will assist Indian investors to set up manufacturing bases in Mexico.

Mexico's policies are directed towards economic stability, public safety and increasing competitiveness. This should make the country a natural platform for investment by 2012, Hinojosa said, adding that Mexico invites Private sector investment in the Infrastructure sector.

Referring to the Goldman Sachs report, he said that India and Mexico are going to be the 3rd and 5th largest economies of the world respectively. Mexico has to learn from India the process of growth and achieve targets for the overall economic growth of the country.

Union Minister of Commerce and Industry Kamal Nath, who also addressed the meeting said the emergence of EU, ASEAN and NAFTA have created a new economic architecture where Mexico and India have a lot to contribute to each other's growth.

He said the business communities of both the countries should be aggressive to avail the opportunity and industry chambers should initiate cooperation with their Mexican counterparts for specific sectors at the micro-level.

Kamal Nath said that investor friendly policies and integration of economies provides tremendous opportunity for Mexico to do business with India. He said

## CII signs MoU with Mexican Business Council for Foreign Trade, Investment and Technology (COMCE)

On the sidelines of the visit of the President of Mexico and his accompanying business delegation, CII and the Mexican Business Council for Foreign Trade, Investment & Technology (COMCE) have signed a MoU to further increase their efforts to increase mutual trade, technical and industrial cooperation between the Mexican and Indian Industry. The MoU aims to strengthen the already growing business relations between the two major emerging economies of India and Mexico.

The MoU also aims to promote cultural growth between India and Mexico and provide information and support to businesses on both sides in investment and trade opportunities so as to facilitate access to each other markets. With signing of this MoU, CII further reiterates its commitment to promote and further Indian Industry in Latin American region.

The agreement was signed on the Mexican side by Luis Wertman, Chairman, Mexico-India Business Community (COMCE) and Ms Supriya Banerji, Deputy Director General on behalf of CII.



that besides being a preferred investment destination, India is also investing overseas and the growing trade volume reflects the same.

India and Mexico share a special place in their respective regions as well as in the world with high capability in manufacturing, abundant natural resources and highly skilled human resources in the service sector, said Anand Sharma, Minister of State for External Affairs.

He said that both the countries should focus on education and development of youth and derive mutual benefit out of the constant interaction between the youth of the two nations.

Eduardo Sojo, Minister of Economy, Mexico said that India and Mexico had signed an agreement to promote and protect bi-lateral trade and investment earlier this year and have formed a Bilateral

High Level Group (HLG) to facilitate trade and economic cooperation.

The first meeting of the group took place recently in New Delhi and will focus on improved trade relations and increased bi-lateral trade volume, Sojo said.

He said that India and Mexico can cooperate in the areas of automobile, aerospace and electronics industry. Information technology, bio-technology and pharmaceuticals can be the other areas of cooperation between India and Mexico.

Rajkumar Dhoot, Member of Parliament and Senior Managing Committee Member, ASSOCHAM said that India appreciates the policy of the Mexican Government to raise the income of the masses at a faster pace than the average income of other sections of society.

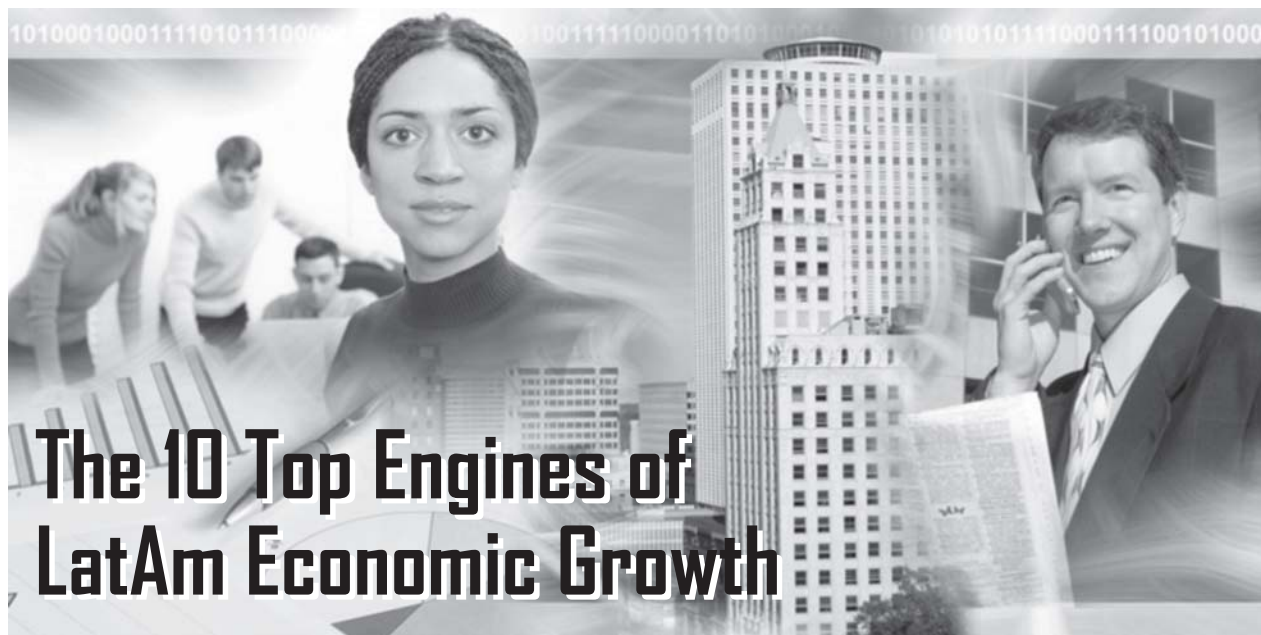
He said that Indian economy has also gone through a paradigm shift by growing into a knowledge based - economy, more receptive, and open. As such It is considered a preferred destination for foreign investors.

Investments made by Indian companies in Mexico are around \$ 3.0 billion with a potential of manifold growth in the years ahead, said Habil Khorakiwala, President, FICCI and Chairman, Wockhardt Ltd. Indian companies are now taking keen interest in Mexico as a gateway to Latin America and North America, he said. Mexican companies are looking at India as a hub to expand their business in Asia and to take advantage of the large consumer base of India and vast pool of skilled human resources available in India, he added.

Indian industry has institutionalized good relations with Latin America, especially Mexico, said Subodh Bhargava, CII's former President. India can serve as a gateway to Asia for Mexico and both the countries should identify and focus on sectors for opportunities, he said. India and Mexico have their strengths in the manufacturing sector and should create a strong and long-term partnership to explore opportunities in this sector. The Services Sector is another area of common interest between the two countries, he added. ■







## Business Aimed At the Bottom of the Pyramid

Despite Latin America's economic growth, the vast majority of the region's population continues to live in poverty. According to data from the Economic Commission for Latin America and the Caribbean (ECLAC), 38.5 percent of Latin America's population -- 205 million people -- are considered poor. Designing products and services to better serve this segment of the population can have a dual positive effect: As new business opportunities open, they generate a "virtuous circle" of development. Just look at the boom in micro-credit and prepaid cell phones and their impacts on low-income people and micro-business. For resource extraction enterprises such as mining and oil companies, this tendency is manifested through the development of business clusters in zones of influence near their operations, which help sustain over time the economic benefits generated by mining or petroleum exploitation.

## Renewable Energy

For reasons that have as much to do with cost as they do with the environment, the world is moving towards low carbon emissions



development model, in which renewable energy sources will play an increasingly important role. This also means new business opportunities. According to the Latin American Energy Organization (Olade), Latin America is only taking advantage of 26 percent of its hydroelectric and 4.0 percent of its renewable energy potential. Last year, the state of São Paulo commissioned a study to identify the chief sources of greenhouse gas emissions in its territory, which, among other things, will assist in the development of business around carbon credits. In addition to hydroelectric energy, biofuels, wind and geothermal power will dominate the energy picture in the coming years.

## Water Management

The scarcity of fresh water is another issue that will be prominent on a global level in the years to come and will have a major impact on the business landscape. A number of projects --from real estate development to mining and energy-- could remain on paper only due to the scarcity of this key resource. The development of technologies for more efficient use of water, whether through recycling, decreasing water losses or desalinization of sea

water, will be one of the most promising business opportunities in the next decade. Process Automation

The rapid development of information and telecommunications technologies indicates that process automation will be one of the keys to cost reduction and greater efficiency in company operations, whether in a bank or a mine. This phenomenon will create a gradual yet significant change in how business is conceived and managed in the coming years.

## Process Integration

Closely related to the process automation trend, process integration will significantly transform company organizational charts. In the financial sector, bank tellers are no longer simply processing transactions but selling solutions, equipped with on-screen access to all kinds of information about their clients. For resource extraction companies, assignment of tasks in the field will no longer be a purely engineering decision, but will become part of commercial and customer support processes.'

## The New Metamorphosis of IT and Telecommunications

We move in an IP world, in which every day more communication occurs through the now-famous Internet protocol. The phenomenon has brought about important changes, starting with voice over IP or experiments with photonic technology for remote operations of heavy equipment, initiated by Chilean copper company Codelco in conjunction with NTT of Japan. But this is just the beginning. "We haven't seen anything in comparison with what is to come in the next 10 years," says Jose Antonio Rios, international president of Global Crossing, one of the largest fiber optic network companies in the world. Which of the systems and architectures, such as IP Multimedia Subsystem (IMS) in telecommunications or the Service

Oriented Architecture (SOA) in information systems, will predominate is not easy to guess. But what is clear is that the progress shown by information and telecommunications technologies in the next 10 years will radically change the way business is managed.

## A Multipolar World

The end of the Cold War brought an end to a geopolitical model that divided the world under the hegemony of two global powers. In recent years the world has been largely under the influence of one major power, the United States. But now, with the rise of China's economic power, this scenario is changing. Will we see a return to the bipolar world of the Cold War? No. China depends on the U.S. and European markets and has abandoned confrontational diplomacy, exercising its power in a more subtle way and promoting a multipolar world. China's geopolitical strategy will have effects on Latin America and will influence the design of foreign and trade policies in the region. The China-Brazil alliance within the World Trade Organization and the free trade agreement signed by China and Chile are early manifestations of the new Chinese diplomacy.

## New Multinational Corporations and South-South Investments

The trend began to appear in the 1990s, but in the last few years has begun to gain strength. Major multinational companies are no longer exclusively based in developed countries. A growing number of global players, such as Brazil's CVRD, Mexico's Cemex, Huawei of China and India's Tata have become industry leaders and active participants in mergers and acquisitions throughout the world. Their global presence will continue to grow and increasingly their business decisions will be made using criteria based on the global



market. At the same time, so-called "south-south" investments will continue to increase. According to figures from UNCTAD, the United Nations Conference on Trade and Development, in 2005 south-south investments represented one-third of the total foreign direct investment flow in the world.

### A Wireless World

The telecommunications revolution is progressing toward a world that is clearly wireless, at least for the last mile. We are not just talking about the ubiquitous cellular phone handset. Wireless applications are just now beginning to demonstrate their potential. For an idea of where this technology is taking us, just consider the evolution of small radio-frequency identification devices that allow you to monitor a tire from thousands

of kilometers away, or the combination of cellular phone technology with satellite technology for asset management.

### Fiscal Reform

It's one of the major tasks still pending in most Latin American countries, with extreme cases such as Mexico, where the government barely collects taxes equal to 12% of the country's GDP (excluding oil taxes), or that of Brazil, where taxes totaling 34% of the nation's GDP are collected through a tangled and irrational tax system. The rationalization of taxes is one of the major issues on the Latin American economic agenda and a key for improving the region's competitiveness and the standard of living of its people.

## Mining & Metals Dazzle in Deals of the Decade

The mining and metals sector is definitely the flavor of the decade when it comes to mergers and acquisitions. Taking a glance at the lists of deals which marked the

decade, the largest transactions were concentrated in the last two years, most notably the acquisition of Canada-based Inco by CVRD at the end of 2006.





This is not surprising. The high price of metals since 2003 a super cycle, as the analysts call it, driven by high demand from China have made the companies in this sector buoyant with liquidity.

This, in addition to an also very liquid capital market with extremely low interest rates, has motivated the most efficient players to hunt and capture the less successful ones. Unlike other industries such as retail or finance, mining companies go on shopping sprees to increase their mining reserves and ensure long-term growth, not to increase market share.

Acquisition fever in the mining sector came on the heels of a similar wave in the finance sector that was concentrated between the years 2000 and 2002, with multi-million dollar deals mostly in Mexico. This was the final stage of a reorganization process within the Mexican financial system, which required intensive care after the "tequila crisis", of December 1994. The result was a radically different financial system, in which the major global financial groups have come to control the majority of Mexican banks. The economic crisis and the previous wave of acquisitions produced a more solid and transparent financial system that is better capitalized and supervised. The process in Mexico is the most visible manifestation of one that occurred throughout Latin America and that has resulted in, for the first time in recent decades, a financial sector with reasonably low systemic risks. Of course, there is also the Argentinean crisis of 2001. But that crisis was caused by the severe breakdown of Argentina's macroeconomic fundamentals, not by structural problems with the banking system.

Along with mergers and acquisitions in the banking sector, a parallel process took place in the insurance and retirement fund sectors. Many countries eliminated regulations that restricted foreign ownership in those businesses and the major global players began arriving and consolidating what had been a fairly fragmented industry. The interest of those groups in the Latin American market is obvious: insurance penetration in the region is quite low. While in the United States the value of insurance premiums totals more than 9% of gross domestic product, in the vast majority of Latin American countries the value is less than 3% of gross domestic product, offering opportunities for growth.

Prior to the wave of takeovers in the finance sector, the telecommunications and energy sectors saw the most merger and acquisition activity. This was due to privatizations and subsequent regional consolidation in those industries, with Brazil, the region's largest market,

as the primary setting. In the ranking of the 10 largest mergers and acquisitions of the decade, the Brazilian factor because of its size conceals the expansion process of Mexico's America Movil, which is competing with Telefonica to be the largest cellular phone operation in the region. America Movil has grown through many minor acquisitions, while a group led by Telefonica has engaged in comparatively large acquisitions such as the purchase of Sao Paulo-based Telesp. One of America Movil's more significant transactions, the December 2006 takeover of Verizon Dominicana, totalled "barely" US\$2bn, leaving it out of the top 10. This last detail underscores an important point: the highest-value transactions occur in the telecommunications sector. Over the decade, the 10 biggest deals total almost US\$50bn, far more than other sectors.

Deals in the energy sector, for its part, tended to be less frequent and reflected adjustments among the various players over the last 10 years. Notable, of course, is the acquisition of Argentina's YPF by the Spanish concern Repsol, which in its two phases the purchase of the 15% of YPF owned by the government and the subsequent acquisition of the publicly traded shares totalled US\$19bn.

The mergers and acquisitions dance may continue into the next decade, especially in the mining and metals industry. But it's not likely to continue in the finance sector, where consolidation is already fairly mature. A proposed change to Mexican laws that prohibit private investment in the energy sector in that country would provoke a flurry of activity in that industry, but the issue is a political hot potato that no one wants to grab, and as a result, it is still very uncertain whether such a law will become a reality in the next decade.

One key change in the last 10 years is that Latin American companies are no longer simply prey in the global mergers and acquisitions scenario. Some of them have become "hunters" and form part of the growing number of multinational companies based in emerging economies that have significantly increased their so-called "south-south" investments. And speaking of south-south, there is one threat that up until now has been just that: a Chinese invasion. For the moment, there has only been the pioneering purchase of Peruvian iron ore producer Hierro Peru by Shougang in 1992, CNPC's acquisition of Canada-based Encana's shares in Ecuador and the recent friendly bid for London-based Monterrico Minerals, a junior mining company with projects in Peru, by Zijin Mining Group. ■

# Leveraging Synergies Between India & Latin America

**We have two areas of serious interest with Latin America – energy security and food security. We have started investing in the oil and gas sector in the region. There is also a lot of potential in non-conventional fuels.**



**R. Viswanathan,**  
Indian Ambassador  
to Argentina

'Passionate about Latin America' is how his calling card describes him. After five years as Consul-General in Sao Paulo, Brazil, three years as India's Ambassador in Venezuela, and three more as Joint Secretary, Latin American Countries, in the Ministry of External Affairs, R. Viswanathan, is perhaps the country's best resource-person for anything relating to the landmass south of Texas and down to the South pole.

Viswanathan, once an ambitious village lad who had to scrounge for school textbooks as his family could not afford to buy them, and who could not understand a word of English until he was in college, today knows Latin America like the back of his hand. He combines this knowledge with his fluency in Portuguese and Spanish that he expects will help him in his mission to bridge the

distance between India and Latin America. Before he left to take up his new assignment as India's Ambassador in Argentina on October 10, Viswanathan spoke to Business Line, a leading financial daily, about his first love – Latin America. We reproduce excerpts from the interview:

**You were Joint Secretary-Latin American Countries in the last three years. What changed during these three years?**

I was probably the only Joint Secretary in the Ministry who was desperate to become JS-LAC. Normally, people seek high-profile jobs....

**Is JS-LAC not high-profile?**

It was not. I made it one. I was desperate for the job and, at the end of three years, I find it has been rewarding and fulfilling. There has been a tremendous surge of interest within India in Latin America, and vice-versa. In the last three years, the number of visits of foreign ministers from Latin America to India was more than in the previous 20 years.

From India we have taken delegations to countries never visited before, like Guatemala, Bolivia and Ecuador. We have established a strategic partnership with Brazil, with which country we have many common interests, both at bilateral and multilateral levels. These include co-operation for permanent membership on the UN Security Council, the WTO and the G-20. Brazil is regional leader, it has a voice. It also finds alliance with India useful. So, the partnership has flourished.

Today, there is a realization across the spectrum - from political parties to business leaders, and think-tanks to chambers of commerce - that Brazil is important. Similarly, with Mexico, which we count among the





'privileged partners'. We may not see eye to eye with it on all issues, as we do with Brazil, but trade is booming and it is the second most important country.

Argentina is the third largest. It has received less attention from both sides, because the country has gone through a nerve-racking financial crisis in 2002. Now it has stabilised. Also, as the Argentine government was preoccupied with domestic affairs rather than foreign policy, it did not reach out to us.

Now there are going to be Presidential elections, the next President is expected to be more reaching-out, paying more attention to foreign policy. We are looking forward to that change. We can expect a lot to happen with Argentina in the next three years.

**In the last few years, we have seen Left-of-Centre leaders elected to head governments in the region - like President Lula of Brazil, Hugo Chavez of Venezuela and Eva Morales of Bolivia. What does this trend mean for India?**

I look at the election of Left-of-Centre Presidents as empowerment of the masses, who were excluded, neglected and marginalised by the military dictatorships and the transitional powers (that prevailed until about a decade ago.) Now people have the power to elect the person they want. They obviously go for the candidates with a clear agenda for the poor, for inclusive growth. The majority of voters are middle-class or lower-middle-class people.

**Yes, but can you give examples of where this 'empowerment of masses' has helped Indian businesses?**

There are many examples. But, first, let's see what is happening. In the olden days, Argentina would import only from Europe and the US - it was just not interested in looking at a country like India, because the importer did not care for the masses. Now the economic agenda of Argentina is driven by the lower-middle-class people. And what do they want? They want a \$10 shirt, not a \$50 shirt. Where do they get it from? Not from the US or Europe, but India.

Perhaps the best example of the way empowerment of masses has opened up markets to India is in pharmaceuticals. In the past, Latin America had not heard of generic medicines.

Prices were very high, five to 50 times costlier than in India. That is why they invited Indian pharmaceutical companies to introduce generic medicines and to put pressure on MNCs and reduce the cost of medicines. Today, we do about \$ 500 million of pharma exports to the region. Everyone has realised the benefits of buying from India.

**What are the relative complementarities between India and Latin America?**

As I said, in healthcare, Indian pharma companies are providing good value. Our IT companies add value to their human resource development.

When TCS employs 3,500 people in Latin America - the number of Indians may not be more than 35 - it provides jobs for people, but something more fundamental than that. It stimulates the imagination of the younger generation and introduces them to the age of information and the knowledge society. That is why TCS' IT centre in Guadalajara was inaugurated personally by the President of Mexico.

**What do we expect from the region?**

We have two areas of serious interest with Latin America - energy security and food security. We have started investing in the oil and gas sector in the region - ONGC Videsh has already invested a billion dollars in Brazil and Colombia; it will invest another billion dollars in Venezuela and Cuba. Reliance, Videocon and Essar are also looking for opportunities there.

There is also a lot of potential in non-conventional fuels. The region has a lot of arable land, where one can grow sugarcane, jatropha and other plants. We





can make bio-fuels and bring them here.

The second area is food security. In India we have a growing population and not enough land for agriculture.

So Latin America is attractive for us because it has large land area, less population and there is no restriction on foreign investments. Indian companies can invest in Latin America in agriculture and commercial forestry and bring the products back home.

### Are Indian companies interested?

Many have expressed interest, have earmarked funds like Bajaj Hindusthan, which has earmarked \$500 million to buy land and sugar mills and ethanol plants in Brazil. It has already established a subsidiary there. Other companies are looking at Brazil, Argentina and even Surinam. A company from Pondicherry is looking at the possibility of acquiring 100,000 acres in Surinam to grow jatropha to make bio-diesel there.

I mentioned two areas of interest - energy security and food security. Energy and food imports are India's two largest imports. Last year, our biggest import bill was crude oil - \$55 billion - and our second largest import bill was of edible oils - \$12 billion. We are already importing edible oils from Brazil, Argentina and Paraguay.

More of our companies can go there, buy farms and bring oil-seeds into India. This is likely to be done by the Solvent Extractors Association of India, whose delegation went to Brazil, Paraguay and Argentina recently. Now the Association is sending a special team to do a due diligence exercise for the purchase of 12,000 hectares of soya farm in Paraguay. The deal is likely to be concluded by the end of the year. There is plenty of scope for similar ventures.

### In the race to engage with Latin America, who's winning - India or China?

Well, China is ahead of us; it has invested far more than us, but gone mostly into extractive industries - crude oil and mining, and a bit of manufacturing. It is also a market for Latin American countries, for primary commodities. So, that is a definitely valuable partnership for both the sides.

But although we are not as big as China, the Latin Americans have a cultural empathy for India. They don't look at India with suspicion, whereas they are worried about the competition of Chinese goods. They feel more comfortable with India.

### What is your agenda for Argentina?

Economic diplomacy is my priority. Our exports last year were \$290 million, I want to see that it goes up to \$600 million in the next three years. Our imports are about \$940 million.

I want to see that trade between two countries goes to \$3 billion in the next three years.

The embassy is organising an exclusive Indian trade fair in Buenos Aires between March 26 and 29 next year. This will be the largest exclusive Indian trade fair to be organised in Argentina.

We expect over 200 Indian companies to participate. We want to send the message to the Argentines that we are not just interested in selling to you, we are keen on imports, acquisitions, joint ventures, etc., to synergise our complementarities. ■



# \$10 bn Biogenics Market up for Grabs

## India Emerging as Key Global Biopharma Player

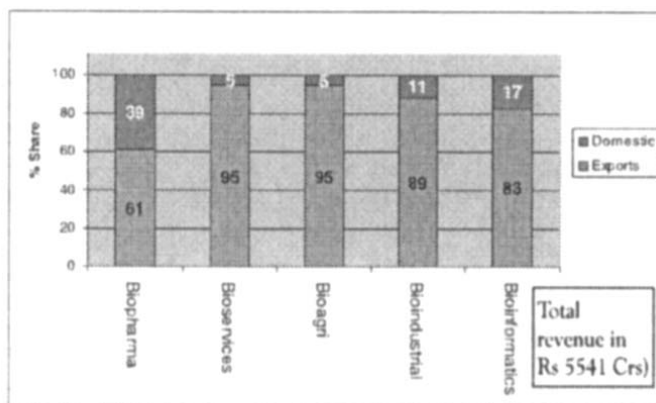
### Exports

The bio tech industry has emerged as highly export intensive. Exports accounted for almost 58% of total revenue in 2006-07. Exports increased to Rs. 4937 crores in 2006-07, from Rs 3358 crores in the previous year, posting a rise of 47%. For biopharma, exports account for 61% of the total revenue. For the bioservices and bioagri segments the share of exports is as high as 95%.

### Biopharma : Potential for India

India is being recognized as one of the important players in the biopharmaceuticals market. Many research papers have shown that chemistry based medical innovations of the previous century are receding in importance, to be replaced by advances in biopharmaceutical research that will boost the growth of revenues and profits in the years to come. Many Indian pharmaceutical firms are going for convergence with biotech industry for development of new drugs. It is estimated that by 2010, more than US\$ 10 billion worth of biopharmaceutical products are expected to lose patent protection in developed country markets. Moreover, recently, the USA has passed Food and Drug Administration (FDA) Revitalization Act to allow drug makers to sell generic version of biopharmaceuticals after 12 years of exclusive marketing rights by the innovator company. This will give ample opportunities for Indian pharmaceutical firms to tap this large biogenics market.

### Indian Biotech Industry: Export Vs Domestic Sales (2006-07)



Source: Biospectrum : ABLE Survey 2007

Biotechnology is one of the sunrise sectors of the Indian economy. The industry includes firms that use cells and biological molecules for applications in medicine (both veterinary and human medicine), agriculture and environment management. The Indian biotech industry consists of five distinct segments: biopharma, bioservices, bioagri, bioindustrial and bioinformatics. There are more than 325 companies operating in these segments, with nearly 40% of the companies operating in the biopharma sector.

The biotechnology industry in India is witnessing a vibrant growth momentum in the recent years. "The sector is getting increasingly globalized with large-scale exports and increasing mergers and acquisitions. In 2006-07, the industry recorded a revenue worth Rs. 8,541 crores. Biopharma, the largest among the different segments of biotech industry, accounts for almost 70% of the industry's total revenue. This segment has experienced a growth of 27% during 2006-07. Other segments, which have witnessed very high growth, include bioagri (59%) and bioservices (53%).

## National Biotechnology Development Strategy:

The Government of India has been playing a pro-active role in promoting the biotech industry. In order to further boost the growth of the Indian biotech sector, the Government has come up with a 'National Biotechnology Development Strategy'. The strategy seeks to address a number of challenges relating to the biotech industry viz, R&D; creation of investment capital; technology transfer, absorption and diffusion; IPR, regulatory issues; and management of human capital.

In order to strengthen the regulatory framework for the sector a 'National Biotechnology Regulatory Authority' would be set up to provide a single window mechanism for biosafety clearance of genetically modified products and processes. Besides, a high-powered 'Inter-Ministerial Coordination Committee' is to be set up to effectively coordinate the development of the sector by addressing cross-cutting issues.

In order to promote public private partnership, 30% of the Department of Biotechnology's budget will be set aside for schemes in the areas of innovation, pre-proof-of-concept research etc. One important step in this regard is Biotechnology Industry Partnership Programme for Advanced technologies (BIPP). In this particular cost-sharing scheme, the industry partner can retain intellectual property, with payment of appropriate royalty to the contributing public sector scientists.

A Biotechnology Industry Research Assistance Council (BIRAC) is being launched to act as an interface between academic and private sector, particularly SMEs and startups, and to nurture and catalyze R&D and innovation in biotechnology in the private sector

### Indian Biotech Industry in 2006-07

| Sector         | Share in Total Revenue | Revenue (Rs. Crores) |               | % Growth     |
|----------------|------------------------|----------------------|---------------|--------------|
|                |                        | 2006-07              | 2005-06       |              |
| Bio-Pharma     | 69.93                  | 5973.0               | 4708.0        | 26.87        |
| Bio-Services   | 12.90                  | 1102.0               | 720.0         | 53.06        |
| Bio-Agri       | 10.84                  | 926.0                | 598.0         | 54.85        |
| Bio-Industrial | 4.62                   | 395.0                | 375.0         | 5.33         |
| Bioinformatics | 1.71                   | 145.0                | 120.0         | 20.83        |
| <b>Total</b>   | <b>100.00</b>          | <b>8541.0</b>        | <b>6521.0</b> | <b>30.98</b> |

## Exim Bank & IFC in Global Trade Finance Scheme

Export-Import Bank of India (Exim Bank) has signed recently an Agreement with International Finance Corporation (IFC), Washington, a member of the World Bank group, under the Global Trade Finance Program (GTFP) of IFC. This arrangement will enable Exim Bank to confirm Letters of Credit (L/Cs), guarantees and other trade instruments issued by approved banks in more than forty countries of Central Asia, Central and Eastern Europe, Latin America & the Caribbean, Middle East & North Africa as also other regions of Asia and Africa.

The Agreement was signed by Exim Bank Chief General Manager Prabhakar Dalal and IFC Associate Director Mamta H. Shah.

The US\$ 1 billion Global Trade Finance Program (GTFP) of IFC has been set in place to provide trade facilitation to under-served clients and markets. Under the program, IFC issues partial or full guarantees

related to trade transactions on a per-transaction basis, covering the payment risk of local banks operating in IFC member countries. Exim Bank of India now partners IFC as 'Confirming Bank' under its GTFP. Exim Bank will be the first Indian bank to participate in the Program, apart from a few Indian branches of a few foreign banks.

The target countries, which are emerging markets from developing countries, constitute an attractive market for Indian exporters as they would be competitive in these markets. However, the higher risk profile of some of these countries and absence of a proper credit enhancement mechanism for carrying out documentary credit based trade has been a hindrance to Indian exporters. Exim Bank would be addressing a felt need of such exporters by participating in the GTFP. ■



# The Good News From Latin America

Despite the rise of Hugo Chávez and the spread of populism, the past half-decade has been a remarkably encouraging period, writes DUNCAN CURRIE.

Drug violence is escalating in Mexico. The recent Guatemalan presidential campaign was marred by bloodshed. The new leader of Panama's national assembly is a pro-Noriega radical who has been indicted in U.S. court for the 1992 murder of an American soldier. Buoyed by high oil prices, anti-American populist Hugo Chávez continues to pursue a failed economic model and unravel Venezuelan democracy. He now has acolytes in Bolivia and Ecuador, plus a budding alliance with Nicaraguan President Daniel Ortega and chummy relations with Argentina. Newspapers describe a "leftist" surge that is supposedly sweeping the region wracked by corruption, poverty, inequality, an education gap, and rampant crime.

According to the World Bank, Latin America remains one of the most difficult places on Earth to do business; it ranks "at the bottom of the list of reformers" worldwide. For that matter, as the International Monetary Fund notes in its latest World Economic Outlook, "the region continues to be at the bottom of the world growth league."

Yet amid all the doom and gloom, some perspective is needed. In many ways, the past half-decade has been a remarkably encouraging period for Latin America, both politically and economically. Most governments have upheld the institutions of democracy and embraced responsible fiscal policies. "Economic management has really never been better," says Peter Hakim, president of the Inter-American Dialogue. "Democratic politics is really very healthy in Latin America. This is a good period for the region."

Indeed, there is "definitely a lot of reason to be optimistic," says Alberto Ramos, senior Latin America economist at Goldman Sachs. In 2002, the region was just beginning to recover from a series of economic crises. Today, "It's a completely different reality," says Ramos. "The overall policy mix is definitely much stronger."

As Diana Farrell and Susan Lund of the McKinsey Global Institute observe in the latest Milken Institute Review, "Real GDP growth has averaged 5.5 percent over the last three years, compared with just 2.1 percent in 1995 to 2002. Gross domestic savings are up as well, to 21.7 percent in 2002 to 2005 from 19.8 percent in 1995 to 2002."



True, Latin America still suffers from a dearth of financial assets. But even here, the situation has improved. "Since 2002," write Farrell and Lund, "the region's stock of financial assets has grown at 18 percent annually (adjusted for exchange rate changes), up from just 5 percent in 1995 to 2002." Between 2002 and 2006, it jumped from \$1.7 trillion to over \$4 trillion. "Equity market capitalization has increased even more," note Farrell and Lund, "and the region's markets have outperformed emerging markets as a whole by 40 percent."

Ramos believes some of the most important policy reforms included anti-inflationary measures, steps to promote central bank independence, and deficit and debt reduction. He lauds Chile's "impeccable" fiscal policies, and lists Colombia, Brazil, Peru, and Mexico among the region's other top economic reformers.

In Colombia, the center-right government of Álvaro Uribe has achieved historic security gains since 2002 and created the conditions for rapid economic growth. Murders, kidnappings, and terrorist attacks are all way down. The left-wing guerrillas have been driven into the jungles and thousands of the right-wing paramilitaries have been demobilized. Last year, Colombia's GDP grew at its fastest pace (6.8 percent) since the late 1970s. Business Week now touts Colombia as an "investment hot spot."

Contrary to popular perception, the past half-decade has been a remarkably encouraging period for Latin America, both politically and economically. Most governments have upheld the institutions of democracy and embraced responsible fiscal policies.

In Brazil, President Luiz Inácio Lula da Silva has curbed inflation and slashed poverty through pragmatic, market-oriented policies. Despite his past history as a left-wing union leader, he has governed from the moderate center-left, in stark contrast to Chávez. Brazil is now experiencing low-inflation growth, which is slowly chipping away at inequality. "Recent data from the Brazilian National Statistics Institute (IBGE) brings encouraging news," the BBC reported in September, "with average incomes rising by 7.2 percent in 2006. The increase was biggest among the less well off, and in the northeast." In recent years, millions of Brazilians have entered the middle class, a trend that has also been visible in Mexico.

"Latin America's present expansion is its longest since the 1960s, and sustained growth has helped reduce external vulnerabilities," says the IMF's World Economic Outlook. "Latin American economies have allowed exchange rates to move more flexibly than in the past," and have also "liberalized restrictions on capital outflows." Meanwhile, the spike in global commodity prices has provided a boon to those countries rich in minerals.

"In some ways, Latin America has never had it better," former Clinton administration official Eric Farnsworth said in a speech last month. "Economic growth across the region is at historic highs, particularly in nations that export natural resources and primary products in

agriculture, energy, and mining. Even the so-called populists speak in the language of fiscal restraint, low inflation, and attracting foreign investment," said Farnsworth, who now serves as vice president of the Council of the Americas. "Democracy across the region requires nurturing but it is largely secure, and human rights have never been more respected."

What about the blustery Chávez? Isn't he attracting broad Latin American support? In fact, the Venezuelan gadfly has high negatives throughout the region. Of the seven Latin American nations polled in the 2007 Pew Global Attitudes Survey, majorities in Chile (75 percent), Brazil (74 percent), Peru (70 percent), Mexico (66 percent), and Bolivia (59 percent) expressed little or no confidence in Chávez "to do the right thing regarding world affairs." Even in Argentina, perhaps the most anti-American country in the region, 43 percent of respondents had little or no confidence in Chávez.

In the same poll, majorities in Venezuela (72 percent), Brazil (65 percent), Chile (60 percent), Mexico (55 percent), and Bolivia (53 percent), along with a plurality in Peru (47 percent), agreed that "most people are better off in a free-market economy, even though some people are rich and some are poor." As Pew reported, "There is broad support for free-market economic policies across Latin America, despite the election in the past decade of leftist leaders." Indeed, majorities in Venezuela (74 percent), Brazil (70 percent), Mexico (65 percent), Chile (63 percent), and Peru (61 percent), along with a plurality in Bolivia (49 percent), said that foreign companies were having a "good" impact on their countries.

In terms of the "leftist" electoral wave, it is crucially important to distinguish the market-friendly democratic left from the anti-market radical left. As foreign policy scholar Walter Russell Mead has written in *The New Republic*, "Latin America is now beginning to acquire something it has sorely lacked: a left-of-center political leadership able to combine its mission of serving the poor with a firm commitment to currency stability, the rule of law, and the development of a favorable business climate."

This has been amply demonstrated by the current center-left governments of Chile, Brazil, Peru, and Uruguay, which rank among the most pro-market regimes in the region. The leaders of these countries have become models for other left-wing politicians. After Álvaro Colom won this month's Guatemalan presidential election, Reuters reported that "Colom defines himself as a moderate social democrat and says he is inspired by leftist presidents Luiz Inácio Lula da Silva in Brazil and Michelle Bachelet in Chile. He says his government would not clash with the landowning and business elites of Guatemala, a major coffee producer."

There is no question that Latin populism has reemerged, with the aid of Venezuelan petrodollars. And if Ecuador, Bolivia, and Nicaragua follow the Chávez route, that will be bad news for their citizens. But these are three of the weakest, poorest countries in the region, without much influence or strategic value. For that matter, it's not as if free markets have failed in Venezuela,





Ecuador, Bolivia, and Nicaragua. The much-maligned "Washington consensus" (or "neoliberal") reforms were never really applied there, due to massive corruption.

Latin America remains beset by staggering

socioeconomic difficulties, which is why the siren song of populism can be so alluring. "It's still the slowest growing region in the world, and that is a concern," says Ramos. Moving forward, Farrell and Lund argue for reinforcing central bank independence (following the lead of Chile and Mexico), trimming inflation, and eliminating budget deficits. In the legal realm, they note that Latin America needs much better contract enforcement and investor protection, not to mention sweeping bankruptcy and judicial reforms.

U.S. policy is at a crossroads. Democrats routinely criticize George Bush for "alienating" allies around the world. But if the Democratic Congress kills a bilateral free trade pact with Colombia it will severely damage America's image in Latin America and deal a blow to regional cooperation. If such cooperation unravels, Chávez is ready to fill the vacuum. So are the resource-hungry Chinese.

As Farnsworth has put it, "The United States must choose, whether or not to prioritize the Americas, helping the people of the region attain their highest aspirations, supporting reformers who are politically exposed and taking a chance by working closely with the United States, while pursuing shared values and common interests with regional allies and friends. Otherwise, if we delay or choose not to decide, the choice will be made for us."

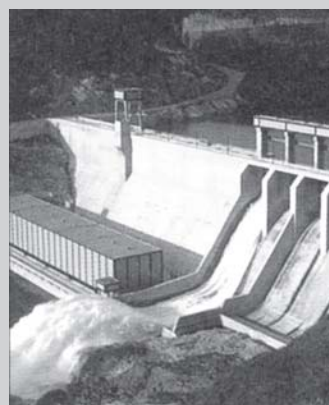
Duncan Currie is managing editor of THE AMERICAN. ■

## Brazil's Terna in Bid for Hydro Power Grid

Terna Participações, the Brazilian unit of Italian transmission company Terna SpA, is looking forward to competing in the auction to build and operate transmission lines to connect the 3.15GW Santo Antônio hydro plant to Brazil's grid, Terna Participações CEO Giovanni Giovannelli has said. "Yes, we are interested," he said about the auction. "We are currently studying this transmission line and waiting for the auction edict to come out." The 2,500-km line will connect Rondônia state capital Porto Velho to the municipality of Araraquara in São Paulo state. "It is a huge project," Giovannelli said. Brazil's Mines and Energy Ministry (MME) plans to auction the line in the first half of 2008, according to the Terna CEO. The company will team up with other power companies to bid for the project. "I doubt we'll see companies bidding without partners. But we haven't chosen a partner yet," Giovannelli said. This year was positive for Terna as it joined the level 2 trading platform on the São Paulo's stock exchange Bovespa. The trading platform offers investors higher corporate governance standards, Giovannelli said. "It was a great year, full of acquisitions, which boosted transmission lines under our management 30 percent and our revenues 20

percent," the CEO said. The Jauru consortium, made up of federal power company Eletronorte (45 percent), equipment supplier Bimetal (20 percent) and Terna (35 percent), last month won the right to build and operate two 230kV transmission lines and two

substations in Mato Grosso state. The CEO did not disclose the investment guidance for Terna in 2008. "It's hard to provide guidance because our business segment is quite different. We invest in a transmission line when we have the winning bid to explore the concession. We invest in the license, its construction and then we only do maintenance investments." Investments have a quick payback period. "The price we paid for all our transmission lines was public, that's all I can say," Giovannelli added. ■





# India at Outsourcing Peak: Prospects & Pitfalls

India's economic reforms and liberalization policies have led to massive private participation in the telecommunications sector in the last two decades. This key segment of the economy took off to make great strides, powered by the Internet. Introduction of newer and newer products for the Internet and international call facilities have led to a boom in Information Technology (IT) and IT Enabled Services (ITeS) in India. While medical transcription used to be the pioneer in the outsourced segment, several business processes such as data processing, billing and customer support in various services streams (such as banking, insurance, telecom, after-sales service of FMCG) have witnessed the trend of off-shoring of activities to India.

Knowledge Process Outsourcing (KPO) is a higher-end version of Business Process Outsourcing (BPO) that require significant domain expertise. With the evolution and maturity of companies' outsourcing strategies, businesses are moving towards outsourcing high-end processes, such as legal processes, market research and analytics, engineering processes, design and product development.

While BPO provides expertise and solutions to business processes, KPO emphasizes on services with knowledge expertise. As KPO has also emerged out of the traditional cost-quality paradigm, on which BPO industry thrives, KPO is being

regarded as the next stage in the outsourcing value chain.

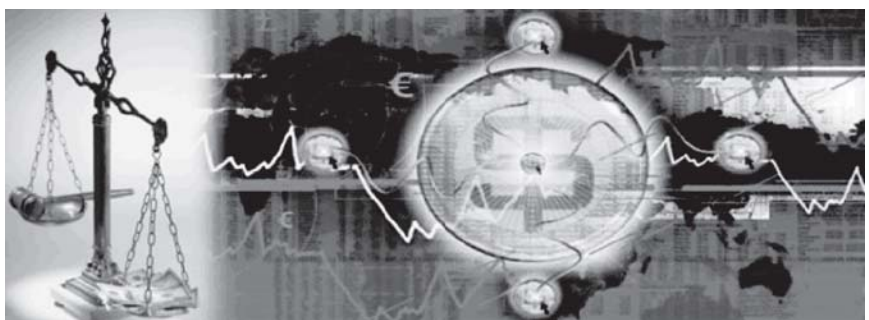
Evolution of KPO in India should be understood in the context of India's strengths as a destination of, and driver of knowledge-based activities. Several analysts put low-cost advantage as one of the significant drivers of knowledge-based activities in India. However, some analysts put the scarcity of skilled professionals in OECD countries (which has eventually played a key role in increasing wages) as a driver of sourcing of knowledge-based activities from developing countries, like India.

India, at present, has the presence of large pool of skilled professionals that match with the quality of workforce available in developed countries, but at significantly low cost. The added advantage is knowledge and experience in various domains that are increasingly being outsourced/off-shored to developing countries. Indian professionals hold the competitive edge of skill in English and use of IT applications, vis-à-vis many competitor countries in Asia, Eastern Europe as also Latin America. The first-mover advantage is also working in positioning India as an ideal destination for off-shoring knowledge-based activities.

Experts have demarcated the terminologies of outsourcing and offshoring. While outsourcing is a general concept, which is even practised within a country (sourcing of activities/services from another firm within the country), off-shoring is referred as activities/ services sourced from another country.

## Knowledge Process Offshoring (KPOf) in India

In the late nineties, few high profile knowledge-based organizations (such as Mc Kinsey) from developed countries have set up captive centers to undertake high-end knowledge-based activities in India. Later on, several BPO units (such as Progeon now merged with parent entity Infosys, WNS, Office Tiger, WIPRO Consulting, Accenture, Integreon, Mphasis) have moved up in the value chain and started offering knowledge-based services in KPOf domain. Following the transformation of BPO units into KPOf units and setting up of captive centers by global consulting / knowledge-based firms in India, several third party KPOf units have emerged in India to make use of the talent-base available in India. Another transformation happened



with several global knowledge-based / consulting firms (such as Goldman Sachs, Morgan Stanley, J P Morgan) have established their captive centers in India.

KPOf activities are increasingly gathering popularity as a promising sector in India that could generate foreign exchange for the country, while providing employment opportunities. After successfully doing business, some of the Indian KPOf units are also going abroad to set up their operations. In such models, though it is not direct off-shoring of knowledge based activities to India, Indian KPOf units stand to gain by offering their services from third country markets, to clients from developed countries, taking advantage of time difference and skill availability in select verticals. Some firms are also strategically setting up marketing/sales offices abroad, to tap the business potential in various markets. Such strategies help Indian firms to specialize in domain knowledge to suit the end-user requirements.

Many knowledge-based firms have evolved out of BPO domain and thus are well aware of the need for data / information security. Many firms that have BS 7799-2 standards are moving towards ISO 27001 standards. The trend has mandated the new entrants in this industry also to go for ISO 27001 certification to assure the clients about the quality in data security.

### KPOf India's Advantage

The evolution of KPOf needs to be understood from the perspective of the strengths of India as a destination and driver of the KPOf phenomenon. Analysts put cost advantage, as one of the most significant drivers of KPOf business. Another critical driver is the prevailing shortage of skilled human resources in developed countries, like the USA and EU. It is expected that, by 2010, there will be a shortfall of 5.6 million skilled professionals in USA, and 700,000 in UK. This, coupled with the cost advantage, has resulted in high annualized growth in various KPOf verticals in India.

### KPOf in engineering services

It is estimated that India is currently receiving about 30% of global EPOf opportunities, valued at around US \$ 6 billion. There are several key advantages, which India has in its fold. In India, public sector firms, defence research establishments, and private organizations continue to be in the forefront of engineering design and innovation. Another major reason for growth in offshoring of high-end engineering and design services to India is availability of engineering talent (about 300,000 students graduating every year). Average starting salary of Indian engineers is estimated to be one-tenth of average salary prevailing for engineers in developed countries. There are estimates that India offers overall cost reduction of 25% in EPO business. India also holds significant expertise and experience in handling outsourcing opportunities in technology processing segments. End user segments of engineering services, such as automobiles,



aerospace, construction / erection of industrial plants, electronics and telecom, are having vibrant presence in India. India's strengths in such end-user segments is also globally recognized.

### Legal Processes Off-shoring (LPOf)

India has the world's second largest legal profession with more than 600,000 lawyers. India is currently having a share of 20% in global LPOf market (approximately US \$ 400 million). India holds significant advantage in various parameters that work in favour of driving the LPOf industry towards India. The legal system in India, the USA and in the UK are rooted in British common law,



making the Indian lawyers to be efficient, without much additional training to undertake standard legal work. Over the years, the legal system in India has undergone changes with the increasing globalisation of Indian economy. This has enabled transformation of Indian lawyers into global service providers. Since liberalization, Indian lawyers have been gaining dynamic experiences in handling of cases spanning fields such as banking, telecom, insurance, power, civil aviation, transportation, which were largely under the purview of public sector. In addition, experiences are being gained in areas related to taxation, mergers and acquisitions, joint ventures, intellectual property rights, foreign direct investment and special economic zones.

As far as institutional expertise is concerned, India has over 750 law colleges graduating about 30,000 lawyers every year. It is estimated that off-shoring legal work to India saves about 80% of the cost that may be incurred in a developed country like USA.

## Offshoring R&D Processes

World market for R&D outsourcing is estimated to be over US \$ 100 billion, of which off-shored R&D is estimated to be valued at US \$ 8 billion. R&D off shoring to India is estimated to be over US \$ 2 billion.

The decisions to undertake R&D investments in India have been governed by various factors such as the regulatory environment, availability of qualified researchers, existing education and institutional framework, and the range of global alliances and sub-continental relationships formed by the Indian industry. In addition, the manufacturing capabilities and availability of resources are other determinants to position India as a R&D hub. Another important determinant of R&D locations is proximity to the market. India being a large market itself, and having close proximity to many developing Asian markets, further the scope of India becoming a R&D hub.

India has the fourth largest reservoir of scientific manpower in the world, with more and more students showing interest in the science field. There are about 3000 R&D institutions in India, including national laboratories, R&D institutions in the

central, state and non-government sector and R&D units in the industrial sector. In addition, the cost of a researcher in India is one-fifth than that in USA or Europe. Government of India has amended and introduced a number of acts in accordance with the changing environment and the requirements of WTO.

Over the years, Indian R&D professionals have developed domain knowledge in various R&D intensive sectors such as automobiles, pharmaceuticals, engineering, IT and telecom. Many Indian firms have formed global alliances or sub-continental relationships with transnational corporations. More than 100 Fortune 500 companies, such as Delphi, Eli Lilly, GE, Hewlett Packard, Daimler Chrysler, Novartis, Volvo, Bosch, have put up product development/R&D facilities in India in the past few years.

## Market Research Off-shoring (MROf) & Analytics

World market for off-shoring of market research and analytics (MROf) is estimated to be little less than US \$ 2 billion. India, which is currently having a MROf size of US \$ 600 million, is considered as a growing market for MROf with world's leading research and analytics firms setting up their offices, to cater to both captive and third party demand.

There are several drivers for MROf and analytics activities to India. Management education in India has made rapid strides since liberalization. These institutes churn out thousands of students every year, some of them possess higher degrees in streams such as engineering, technology, commerce, economics and science. India also holds significant domain knowledge in various market research segments. These include consumer research, research in financial services, research in money market, equity market and foreign exchange market. Indian researchers have also acquired domain knowledge in USGAAP, with an increasing number of Indian multinationals adopting the US- GAAP norms.

The continuing efforts by the Securities and Exchange Board of India, to upgrade the corporate governance framework in Indian stock markets, have positioned Indian stock markets at an above-average level vis-à-vis other emerging market economies. In the last few years, Foreign Institutional Investors have shown renewed interest





in Indian stock markets. The players in Indian stock markets have developed skills in equity research, in a global context, with the introduction of derivative products. These factors have also brought in many global market research / management / investment consulting firms into India.

India's relatively low real estate cost and salaries have attracted several market research organizations/ consulting firms (such as McKinsey, PricewaterhouseCoopers, KPMG, Booz Allen, Boston Consulting Group, A T Kearney, A C Neilson, Gartner, IDC, Goldman Sachs, J P Morgan, Deloitte, Lehman Brothers) to set up captive research centers in India. Leading rating agencies such as Standard & Poors, Moodys and Fitch have established their presence in Indian market, undertaking firm and sector specific research. Presence of these agencies are creating spillover effects in Indian market with medium sized consulting firms paving entry into Indian market.

## Challenges & Strategies

In today's immensely competitive environment, companies are vying for a global footprint. Leading companies are revamping their cost structures by significantly reducing labour costs, adding new capabilities and improving productivity and quality. In such a scenario, organizations world over have to look beyond their traditional strategies in order to meet the market challenges. The change in approach and strategies adopted by multinational firms help in the evolution and popularity of knowledge process outsourcing and offshoring industry.

## Challenges

India's major strength continues to be in its strong supply base of skilled manpower, language proficiency and lower wages along with sound domain knowledge and proven delivery capabilities. However, there is a growing realization that factors such as low cost arbitrage and availability of large pool of professionals with proficiency in English language are not going to remain as the key drivers of the KPOf industry in India for too long. Hence, the challenges for this sector in India are likely to increase in the days to come. Some of these challenges will be generic in nature, while some may be domain specific. Hence, it becomes important for the industry to enumerate and understand the challenges and simultaneously design the strategies to leverage upon the domestic advantages propelled by the global requirements.

Poor infrastructure is posing immense challenges in delivering high quality services to the international clients. Metro cities are slowly getting congested and cost of operations are rising in such a scenario Tier II cities need to emerge with well-developed infrastructure.

## Strategies

Human resource is one of the prime attributes of success in KPO units. To sustain the position of India as an emerging destination for KPOf, it is imperative to increase the talent force with significant domain knowledge. Besides, it is also important to update the skills continuously. Firms may also involve foreign affiliates in this talent-updating process, by encouraging them to participate in joint projects with universities and other training institutions.

## Leveraging the Strengths of Indian Diaspora

It is estimated that more than 20 million Indian diaspora are settled in over 70 countries across the world, who have been successful in contributing to the development in the fields of engineering, space research, healthcare, information technology, management and entrepreneurship. Leveraging the knowledge gained by the Indian diaspora in various countries, Indian KPOf units could adopt best practices in delivering the services and use the



network to build brand India as an off-shoring destination.

## Near Shoring as a Business Strategy

Having gained significant expertise in various knowledge domains and satisfactorily complying to the requirements of transnational corporations, Indian KPOf units should also increasingly adopt the strategy of setting up operations outside India to render knowledge based services to the customers. Firms may also adopt the strategy of setting up of delivery centers in other geography to tap the language and cultural skills in addition to time zone advantages.

# Shortage of Software Developers Hits Argentine IT Market Growth

Argentine software distributor and systems developer Latinsys sees the lack of qualified developers in Argentina as its biggest challenge for growth in 2008, Latinsys' commercial manager Aldo Mazzocchi has said.

Latinsys targets the country's largest 300 corporations and works over software platforms of Microsoft (Nasdaq: MSFT) and Oracle (Nasdaq: ORCL). "It is the big problem that affects us and those who develop products. There is a lack of qualified people and obtaining new resources to meet the demand was the big problem in 2007 and will continue into 2008," Mazzocchi said. The firm just moved to larger offices in Buenos Aires where it now employs 22. In the course of 2008, the firm expects to increase its workforce according to demand. Latinsys expects revenues of US\$1.5mn in 2007, up 20% on last year, and Mazzocchi is optimistic sales will be even better in 2008, though the firm has not finished its business outlook for next year. To expand its portfolio, Latinsys signed recently an agreement with UK-based software firm GFI to distribute products and provide support in Argentina. GFI brings solutions in messaging, security, networking and data analysis to Latinsys' portfolio, which also includes Quest Software. Latinsys also works with clients in the US, but plans to focus on Argentina next year. Argentina's lack of IT human resources has been well documented. Carlos Pallotti,



former president of local software and IT services association Cessi, said in May that the country could be exporting an additional US\$300mn in software annually if it were not for the scarcity in human capital. The sector closed 2006 with nearly 40,000 people directly employed in the industry and while 8,000 professionals are expected to be hired this year, Cessi believes that is far from enough. Cessi's new president Miguel Calello said recently that the problem of insufficient IT professionals is not likely to be resolved in the short term. Nonetheless, in late 2006, in conjunction with the local education, science and technology ministry, Cessi launched a massive campaign aimed at encouraging people to study degrees related to IT. This campaign, called Generación IT, includes TV and radio advertisements and seminars in universities. Calello also said the country should specialize in strategic areas, namely agribusiness, healthcare and digital content. ■



# Aspen Rides on Strides to Expand LatAm Business

Aspen Pharmacare, the South African generic major, which sources material from India for its drugs and has joint-ventures with Matrix Laboratories, is now entering the Latin American market using Strides Arcolabs as the entry vehicle. It has acquired a 50 percent stake in Strides' Latin American operations.

In addition, it has also picked up a 50 percent stake in its nascent oncology business. The acquisition is quite significant as these are two attractive parts of Strides' business. The Latin American business is profitable and growing while the oncology business shows promise.

Strides is a mid-sized generic player with consolidated revenues of Rs 742 crore in 2006 (year ended December), up by 42% over 2005. But net profit declined by 17%. In 2007, revenues grew by 16% year to date while net profit declined to Rs 9 crore from Rs 26 crore.

In 2006, the decline was due to higher share of lower margin (but high growth) products like Aids, TB and malaria, higher interest costs and salaries. Losses in its



US operations too affected performance. In 2007, the strong rupee has further affected performance.

While margins are under pressure, Strides is also investing for future growth. It is investing about \$140 million for setting up new plants in Brazil, India and Poland. Acquisitions will need more funds and so will research, especially for oncology.

It had recently raised about \$100mn through convertible bonds. On a consolidated basis, its debt to equity ratio in 2006 was 1.5:1 and will increase further after the recent convertible issue. Core debt (excluding the convertibles) is about Rs 370 crore.

Strides can ill afford to take more debt on its books, it would be better off lowering it, as interest took away nearly one-fourth its PBIT in 2007. The sale in these joint ventures will bring in about \$75 million or about Rs 296 crore. That can be used either to reduce debt or fund capex.

Moreover, Aspen's will be investing \$94 million or Rs 370 crore directly in the Latin American operations. That will significantly lower funding support required from Strides in this region. Strides' Latin American business will get a boost from Aspen's entry as more products get added.

This region's revenues were \$75 million (Rs 296 crore) or 40% of Strides' consolidated sales. The two main subsidiaries in the region together earned a net profit of Rs 32 crore, which is significant. The generic oncology business will get \$17 million in fresh capital which will be useful in developing and marketing new products, it has about 30 products that it intends to market.

Aspen gets a strong foothold in a key developing market, filling a gap in its geographical spread. Its major regions at present are USA/UK, Asia and South Africa, with its home country contributing maximum to turnover. The deal is thus beneficial to both parties,





with Strides getting two businesses from Aspen too, though relatively small in size.

But Aspen has the option to buy out Strides' remaining 50% stake in the Latin American business, after one year. If that happens, Strides will no doubt get handsome compensation, but will lose a sizeable, growing and profitable business.

Half the profits from its Latin American operations will now go to Aspen. What could take its place is a question that will worry its shareholders. Its US operations are under review by the management, as results are disappointing. The stock is down by 7% over its closing price on November 20, when the announcement was made. ■

## Wal-Mart to Build Industrial Space in India, Brazil

British property developer Gazeley said it has opened an office near Delhi to assist the entry into India of its parent company Wal-Mart Stores, the world's biggest retailer.

Gazeley, which provides Wal-Mart with its distribution warehousing needs in Britain and China, said it has also set up its first Latin American operation in Mexico, where Wal-Mart is already established through its subsidiary Walmex.

Gazeley Chief Executive Pat McGillyCuddy told reporters recently that the aim, starting in 2008, was to build around 1 million square feet (92,900 sq m) of industrial space in India per year.

"Wal-Mart are just starting in India so we're going in there at the same time as them," he said. "Growth there is expected to be phenomenal and we want to position it like positioning your canoe on the tide to take advantage of that growth."

Foreign multibrand retail stores are currently not allowed in the world's second most populous country but Wal-Mart has signed a wholesale venture with Indian firm Bharti Enterprises.

The plan is to position initial



developments around key transport nodes in the Delhi region and in Gujarat due to structural challenges elsewhere in India, McGillyCuddy said.

Other Gazeley clients that could benefit from its programme of international expansion were Wal-Mart suppliers like Procter & Gamble and Nestle, and third party logistics companies such as DHL and Kuehne & Nagel International, he said.

In contrast to India, Mexico's logistics market was far more mature and would provide Gazeley with a strong platform to expand further into Latin America, notably Brazil. "We're getting some real traction in Mexico very quickly and we can get up to two million square feet per year in a couple of years," he said.

McGillyCuddy said Gazeley currently develops around five million square feet of distribution warehouse space per year in Europe and was well positioned to do likewise in China. The firm also plans to expand into Russia, he said. ■



## Brazil's Sulgas & Petrobras Plan \$1-Billion LNG Plant

Brazilian natural gas distributor Sulgás will propose to federal energy company Petrobras

(NYSE: PBR) the construction of an LNG regasification plant in southern Brazil's Rio Grande do Sul state, Sulgás president Artur Lorentz has said. According to the proposal, Petrobras would be in charge of developing the plant. Petrobras has said it has not decided whether to build its third LNG regasification plant in the country's south. "We are developing a technical study to try to bring an LNG regasification plant to Rio Grande do Sul. Investments in construction could reach US\$1bn, according to preliminary calculations. We plan to conclude the studies in the first quarter of 2008," he said. Brazil's Santa Catarina and Paraná states as well as Argentina and Uruguay are other candidates for a future Petrobras LNG terminal.

Rio Grande do Sul, where Sulgás operates, is Brazil's southernmost state. "It is not about competition here. We need to have stable natural gas supply in the region, no matter whether the LNG plant is here, in Argentina or Uruguay. "Brazil's south region depends on Bolivian gas, and we [in the south] rely solely on the Bolivia-Brazil natural gas pipeline," Lorentz said, adding in 3-5 years the pipeline will reach its capacity limit. As a result, the outlook for natural gas supply in Brazil's south is far from ideal, Lorentz said. Petrobras' 563MW thermo plant in Canoas, Rio Grande do Sul state, relies on Bolivian gas and a division of US power company AES (NYSE: AES) runs the 639MW Uruguiana thermo plant on Argentine natural gas. Uruguiana is near the border with Uruguay. "Argentina is facing its own natural gas supply problems. Because of that, Uruguiana plant rarely dispatches energy [to Brazil]," Lorentz said. A LNG regasification terminal in Rio Grande do Sul would solve natural gas supply problems in the state and allow Brazil to sell natural gas to Argentina and Uruguay, he said. ■

## FDI to Boost Colombia's Steel Output, Export Outlook

Colombia has the potential to become a steel exporter if steel projects that are underway in the country continue successfully, analyst and stockbroker Edgar Jiménez has said. "We have become aware of further deals among steel companies that are underway. Those foreign direct investments will generate a production surplus and turn Colombia into a steel exporter," said Jiménez from local stock brokerage Promotora Bursátil. In addition, "there are interesting projects from Brazil's Votorantim at Acerías Paz del Río (APR), so that company's prospects are still looking good," Jiménez said, adding that if APR solidifies its plan to boost output and upgrade technology, "it will be a major step toward accomplishing that goal."

Votorantim plans to expand APR's production from 330,000

tonnes per year to one million tonnes in 2009. Colombia's steel consumption averages 1.2 million - 1.5 million tonnes per year. Other steelmakers in the country include Siderúrgica Nacional (Sidenal) and Hornasa, which produce more than half of the nation's output at 750,000 tonnes per year. Steelmaker Diaco, owned by Brazil's Grupo Gerdau, and steel company Comsisa, in the process of being purchased by Gerdau, also operate in Colombia. ■



## EU Signs \$167-mln Pact with Paraguay to Improve Infrastructure

The European Union will provide 117mn euros (US\$167mn) in non-reimbursable funding to Paraguay, of which 22mn euros will be invested in integration initiatives, a Paraguayan government official said recently. The funding will be disbursed during 2007-13. The agreement was signed by the EU's Monetary & Economic Affairs official, Joaquín Almunia, and Paraguay's foreign minister Rubén Ramírez. About 22 million euros will be earmarked to support Paraguay's economic and commercial integration at the national, sub-regional (Mercosur trade bloc), bi-regional (Mercosur-EU), and international levels. Projects will include strengthening institutional entities to speed up road and highway infrastructure, as well as fluvial infrastructure to improve Paraguay's connectivity with neighboring

countries in an effort to boost trade. Initiatives will also include social development projects and environmental protection programs, as they are a primary requirement under current free trade agreement negotiations between Mercosur and the EU and are also required for negotiating FTAs with countries such as Canada and the US, the official said. The funding also includes 95 million euros to finance educational initiatives, including improving the country's education standards and bilingual programs in an effort to reduce inequality. This factor is of great importance to ensure the country's stability and promote foreign investment, said the official, adding that the more educated the population is, the less resistant people are to private investment initiatives. ■

## Brazilian & Venezuelan Petrochem Firms join Hands for Two Projects

Brazilian petrochemical company Braskem (NYSE: BAK) and Venezuelan state-owned petchem firm Pequiven have formed a partnership to create two firms to carry out two projects costing a total US\$3.5bn at the José petrochemical complex in Anzoátegui state, Braskem said in a press release.

Together, the companies will create two separate firms, Propilsur and Polimerica, which will be responsible for the creation of "the most modern and competitive integrated petrochemical project in the Americas," the statement read. Propilsur will build a polypropylene plant with production capacity of 450,000t/y combined with a propane dehydrogenation unit. Total investment in the project is estimated at US\$900mn and operations are scheduled to begin in late 2010, according to the statement. Polimerica will be responsible for construction of an ethane cracker using natural gas as feedstock. This will produce 1.3Mt/y of ethylene and 1.1Mt/y of polyethylene, Braskem said. The polyethylene will be produced in three industrial plants that will make high-density polyethylene (HDPE), low-density polyethylene (LDPE) and low-density linear polyethylene (LLDPE). This project has an estimated cost of US\$2.6bn and is set to start up operations in the second half of 2012. The new companies will be



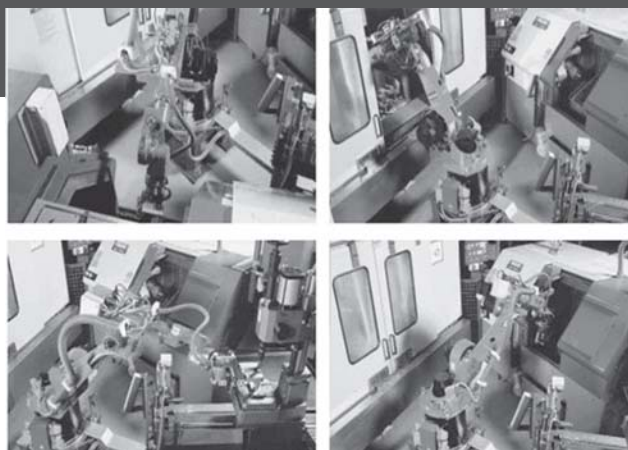
controlled equally by Braskem and Pequiven. The new units will supply both the Venezuelan market and the western coast of South America, as well shipping products to the US and Europe. ■



# Supporting Competitiveness Model for Automotive Sector

The Andean Development Corporation (CAF) and the Ecuadorian Automotive Industry Chamber signed a technical cooperation agreement to implement a management model for competitiveness in the automotive sector. Present at the event were CAF representative in Ecuador Luis Paláu-Rivas, Automotive Industry Chamber President Marcelo Flores, CAF executive Jairo Tiusaba, and Metraltonic manager Guillermo Landázuri representing the companies participating in the project. The Management Model for Competitiveness is promoted by General Motors Omnibus BB, recognized multinational company, with the aim of enabling suppliers involved in the project to join the world panel of parent companies of the industry becoming more competitive in terms of quality, technology, service and price. CAF representative in Ecuador Luis Paláu-Rivas said that CAF support was fundamental because it would help the automotive sector in Ecuador and in the region to achieve world-class levels of performance. Implementation of the project is also expected to generate more sources of employment and higher quality products and services.

The model will be implemented by 11 supplier companies to the auto industry from various sectors



(tires, exhaust systems, electrical systems, among others) located in the cities of Quito, Guayaquil and Cuenca. Currently six of these supplier companies are exporting part of their production to Colombia and Venezuela. After implementation of the Management Model for Competitiveness, they will be able to market their products in any part of the world thanks to their increased level of competitiveness.

The project, which was designed to be developed over a period of three years, is part of the CAF Competitiveness Support Program (PAC) created by CAF in 1999 to favor a series of initiatives to improve regional competitiveness. ■

## \$200m for Urban Health in Ecuador



The Andean Development Corporation (CAF) has approved a US\$200-million loan for Ecuador to implement the Environmental Health for Community Development Program (PROMEDEC). The objective is to improve the quality of life and health conditions of the country's poorest neglected marginal rural and urban population.

Giving priority to municipalities with

populations under 100,000 inhabitants, PROMEDEC will provide a sustained increase in coverage, quality and efficiency of the basic services of potable water, sewerage and garbage collection.

The funds will be used to finance various components including institutional strengthening of the financial and administrative management of the municipalities to be executed by Banco del Estado (BEDE), and modernization and improvement of management of the water and sanitation sector by the ministry of Urban Development and Housing (MIDUVI).

CAF representative in Ecuador Luis Paláu-Rivas said that BEDE and MIDUVI had made a preliminary identification of 254 projects covering potable water, sewerage and solid waste with possibilities of benefiting from PROMEDEC. These projects cover over 131 cantons with populations under 100,000.

The total cost of the program is US\$240 million, of which US\$200 million is covered by the CAF loan, and the remainder by the Municipal Investment Fund and credits granted by BEDE to the municipalities. ■

## \$85m for Brazilian Infrastructure

The Andean Development Corporation (CAF) has approved a loan of US\$ 85 mln for the Brazilian road program to support the regional development of Para state in the Brazilian north. The objectives include raising competitiveness, strengthening agricultural development, supporting tourism and bettering the quality of life.

The loan, meant for promoting regional development through rehabilitation and paving of the secondary roads which link the most important municipal capitals in Para state, will be executed by the Secretariat of State of Transport (SETRAN).

CAF President & CEO Enrique García said, "This operation takes into account fundamental aspects that have a favorable impact on the fight against poverty in one of our shareholder countries." He added, "The program will upgrade road infrastructure and communications between the population centers of Para state, especially during the rainy season, which will help strengthen one of the country's most depressed areas." In this respect, the works support the sustainable socioeconomic development of agriculture, tourism and mining; improvement and access to health, education and services; and provide



feeder roads to the integration corridors.

The program has a total cost of US\$176.4 million, of which the CAF loan represents 48 percent while the remaining 52 percent will be financed from local contributions.

Specifically the work consists of rehabilitating and paving 407.5 km of roads in 11 sections, corresponding to the agricultural, tourism and mining development regions and hubs of Para state. The highways selected are part of a program for paving trunk roads which will integrate the state's most important municipalities. The loan will be used to finance studies and designs, direct costs of construction and supervision, environmental and social expenditure, and external audit, among other aspects. ■



## \$75m for Venezuelan Agriculture

To support development of the Venezuelan agricultural sector, the Andean Development Corporation (CAF) approved a US\$75-million loan for Venezuela for the

Yacambú-Quíbor Water System in the west of the country.

"This project is part of CAF's strategies in the sense that it favors integrated rural development as a basic means of achieving economic, social and territorial equilibrium," CAF President & CEO Enrique García said. "It is part of the work of supporting Latin American development, which the Corporation has been supporting for over 35 years," he added.

The works began in 1973 and the Yacambú Quíbor Water System was set up in 1989. In its 18 years, this agency has progressed with regulation and diversion works, and promotion of the sustainable development

of the Yacambú river basin and Valley of Quíbor.

Around US\$600 million has been invested in the project so far, of which CAF has contributed approximately US\$200 million for regulation and diversion works, as well as activities related to conservation of the basins and development of the valley. The main activity in this area was preparation of the action plan of the GIRH (Integrated Water Resources Management) Program where, based on integrated and coordinated approach, the actors involved (institutions and communities) formulated proposals for the sustainable development of the "Yacambú-Quíbor Territory."

On this occasion, the loan approved by CAF will be used mainly for investments planned for 2008 in relation to the remaining infrastructure works (regulation, diversion and other complementary works), including a budget of US\$13.3 million specifically for the environmental and social activities associated with sustainable development of the basins and the productivity of the Valley. ■

# Chile Steps up Stake in CAF

In an act in Santiago, Chile, during the XVII Ibero-American Summit of Heads of State and Government, CAF President & CEO Enrique García and the vice president & deputy CEO of Corporación de Fomento de la Producción (CORFO), Carlos Álvarez, signed an agreement by which Chile, a member of the Corporation, increased its equity interest in CAF by an additional US\$50 million.

Chilean Foreign Minister Alejandro Foxley, who presided the act, emphasized the commitment of President Michelle Bachelet to Latin American integration and her interest in closer relations with the region, as well as the desire to increase the Chilean presence in CAF. "The Andean Development Corporation is a great institution with the highest ratings for the quality of its investment portfolio. It is now a regional financial institution of the highest order with an excellent record in the promotion of Andean regional and South American integration." He also mentioned the important role that the Corporation has been playing in specific projects such as the Bio-Oceanic Corridor which links Chile, Peru, Bolivia and Brazil.

For his part, CAF President & CEO Enrique García emphasized, "The importance of the increased presence of Chile as a country with a tradition of stable and efficient economic policies with important results internationally, and its commitment to a model of social inclusion." He recognized that this is a policy of the Bachelet administration, which is committed to the integration of Latin America and its countries, especially the Andean countries, with the prospect of

supporting its relations with its Asia-Pacific counterparts. He added that work could begin immediately on formulation of specific projects in which CAF and Chile, through CORFO, share common interests in areas such as infrastructure, border development and improvement of the region's productive capacities and competitiveness.

The foreign policy chapter of the National Development Plan 2007-2010 was presented in the Ministry of Foreign Affairs, Commerce and Integration, at the same time as the signing of a technical cooperation agreement between CAF and the Foreign Ministry. The agreement supports the project Design and Implementation of the Foreign Policy Planning System 2007-2010.

CAF President & CEO García said he was pleased that CAF was assisting the Foreign Ministry in providing Ecuador with long-term state policies. This process was part of CAF's strategic objectives, which include governance and institutional development in the countries of the region, he added.

With CAF support, the publication was presented which contains the foreign policy chapter of the National Development Plan 2007-2010, together with two publications which contain the presentations of the participants in the 14 roundtables: Volume 1.- "Ecuador and International economic relations" and Volume 2 "Ecuador: human rights and cooperation for development."

The plan is the result of the work coordinated with the National Planning and Development Secretariat - SENPLADES during 14 dialogue roundtables held in June and July this year.

The foreign policy chapter of National Development Plan 2007-2010 sets out seven policies for the country's external action and sets measurable targets for each one with their respective programs and strategies. Their publication is an exercise of transparency in the application of public policies and facilitates accountability to society.

With the Foreign Policy National Plan 2007-2010, the Foreign Ministry is contributing to reducing Ecuador's social debt and achieving the human development goals set by the government. ■





**IFFTAC**  
2008

International Festival of Films on Tribal Art & Culture

## MP Tribal Film Festival Goes Global

'Vanya' an undertaking of Tribal Welfare Department, Madhya Pradesh, is organizing an "International Festival of Films on Tribal Art & Culture (IFFTAC)-2008" jointly with Indian Infotainment Media Corporation (IIMC) in Indore from 1 to 3 February 2008.

The festival, which will be held at the sprawling Gandhi Hall, aims at providing a common platform for the film makers of the world, who are involved in making films on tribal art & culture. While promoting the making of such films the festival intends to recognize authentic, artistic and informative films on this subject, as well as draw the attention of policy makers towards promoting tribal art & culture and their ways of living, which actually reflects our special national culture and tradition.

IFFTAC-2008 is an international event, which will be the first ever in its own style. Tribal art film makers from Africa, Asia, Latin America and Europe are expected to participate in this festival.

While showing the best films based on tribal art and culture during IFFTAC, an exhibition-cum sale stalls of tribal painting, sculptures etc. will also be organized at the venue. From the commercial point of view this will provide a big opportunity for tribal arts, according to organizers.

Vanya has been active in promoting tribal art & culture, tradition, literature, myths, beliefs and their ways of living. Vanya has been effective in socializing the tribal traditions and culture, existent in remote forest areas, with the present day society through the use of modern printing and electronic mediums. Vanya also organizes workshops and exhibitions on tribal

paintings and sculptures at the highest level to acquaint the tribal artists with the world of Art and provide a platform to exhibit their skills. Efforts of Vanya have resulted in various tribal artists of Madhya Pradesh attaining various feats in the country.

Vanya is active in promoting the market value of tribal products. We give our support to all those government departments, which are involved in promoting tribal products marketing.

Vanya is also supporting various government agencies involved in promoting goods produced by tribals, its sale in weekly markets or meals in nearby towns. It provides all possible cooperation to agencies, which are associated in organizing tribal products based fairs and festivals at the state and national levels.

Likewise, the organization helps agencies, which are working for improvement in tribal goods production technology and institutionalizing skills for tribal arts and crafts to preserve their purity and at the same time helping in popularizing them.

Through IFFTAC, Vanya will be providing a platform for grand exposure of tribal art and culture globally. Therefore after this first festival we would like to continue it as an annual affair.

Madhya Pradesh is dominated by the Tribal population. The differences in the tribal community, spread over in various parts of the state, is clearly seen not only on the basis of their heredity, lifestyle and cultural traditions, but also from their social, economic structure, religious beliefs and their language and speech.



The main tribal groups in Madhya Pradesh are Gond, Bhil, Baiga, Korku, Bhariya, Halba, Kaul, Mariya and Sahariya. Dhar, Jhabua and Mandla districts have more than 50 percent tribal population. In Khargone, Chhindwara, Seoni, Sidhi and Shahdol districts 30 to 50 percent population is of tribes. Maximum population is that of Gond tribes.

### Film Festival City : Indore

Indore is located in the heart of the Malwa plateau just south from the Satpura Range and bounded by the districts Khargone (West Nimar) to the south and Dhar to the West. Both are tribal districts, where have major population of Bhil, Bhilala and Korku tribes.

Indore is the economic and commercial hub of the Malwa region and personifies rich culture and traditions of central Madhya Pradesh. It is the largest city in Madhya Pradesh and the administrative headquarters of the

Indore District and Division.

Indore City was named after the Indreshwar temple, which was built in 1741. Built and planned by Rani Ahilyabai Holkar, Indore City has a very colorful past.

### Film Festival Venue: Gandhi Hall:

The film festival venue Gandhi hall in Indore, has a marvelous history. The hall was built in 1904 and originally named King Edward's Hall, it was renamed Mahatma Gandhi Hall in 1948. Its architectural style is Indo-Gothic. Made in Seoni stone, its domes and staples are a landmark of Indore today. It has a four-faced clock tower in front, because of which it is locally known as Ghanta Ghar. It is frequently the venue for the various book and painting exhibitions, fairs and festivals held throughout the year. The building also has a library, a children's park and a temple.

For more information logon to [www.iffac.org](http://www.iffac.org)

## A Unique Tribal Arts Event



**O.P. Rawat**, Principal Secretary, Tribal Welfare Department, Madhya Pradesh Government, in an interview to **Veerendra Bhargava** talks about the forthcoming

International Film Festival on Tribal Art & Culture (IFFTAC), being held in Indore from 1 to 3 February 2008, its significance in promoting tribal handicrafts and their contribution to the state's economy. Excerpts.

Please explain the purpose of hosting (IFFTAC).

The festival aims at providing a common platform for the filmmakers of the world, who are involved in making films on tribal art & culture. While promoting the making of such films the festival intends to recognize authentic, artistic and informative films on this subject, as well as draw the attention of policy makers towards promoting tribal art & culture and their





Vanya is active in promoting the market value of tribal products. We give our support to all those government departments, which are involved in promoting tribal products marketing.

**Today most of the goods produced by the tribals are sold in weekly markets or melas in nearby towns. Do you have any plans to widen these markets?**

We are also supporting various government agencies involved in promoting goods produced by tribals, its sale in weekly markets or melas in nearby towns.

**Looking at the diverse range of products coming out of the MP tribal belt – from bamboo cane work to wood and iron craft to zari work – there is a need to hold fairs and festivals to promote them at the state as well as national levels. Have you been conducting them?**

We also provide them with all possible cooperation to agencies, which are associated in organizing tribal products based fairs and festivals at the state and national levels.

**Tribal artisans seem to be still following the age-old methods in producing their goods. Do you have any plans to introduce some technology to help create better finished products?**

We help agencies, which are working for improvement in tribal goods production technology and institutionalizing skills for tribal arts and crafts to preserve their purity and at the same time helping in popularizing them.

**Tribal arts and crafts are traditionally passed on from generation to generation. Are there any serious efforts at institutionalizing these skills to preserve their purity and at the same time to popularize them?**

By IFFTAC our ideas is to provide a platform for grand exposure of tribal art and culture globally. Therefore after this first festival we would like to continue it as an annual affair.

ways of living, which actually reflects our special culture and tradition.

**Will IFFTAC help the promotion of Madhya Pradesh Tribal Arts commercially?**

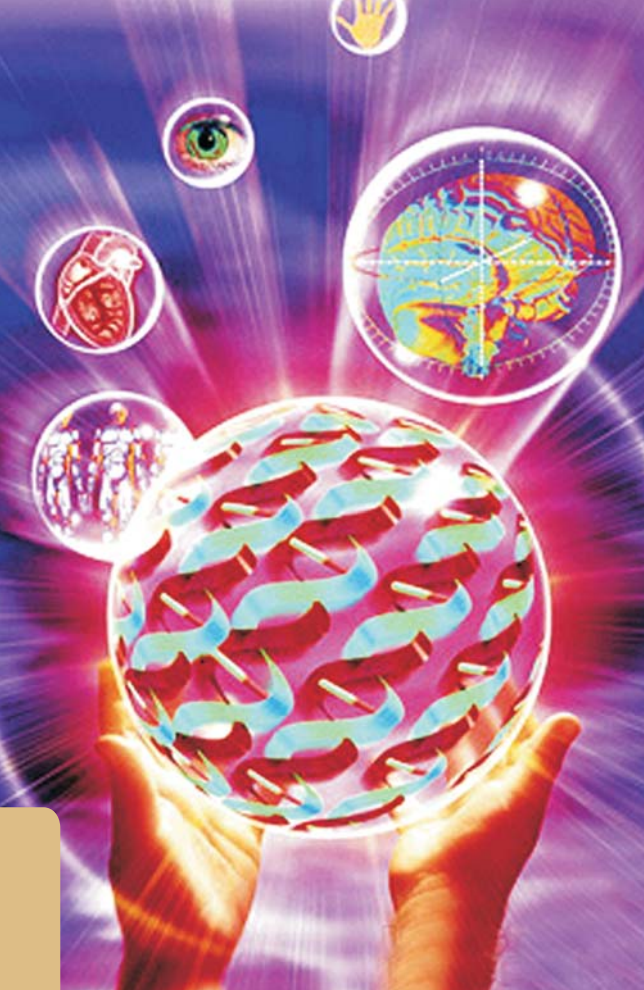
While showing the best films based on Tribal Art and Culture during IFFTAC, an exhibition-cum sale stalls of Tribal Painting, Sculptures etc. will be also organized in the venue. From the commercial point of view this will provide a big opportunity for Tribal Arts.

**What will be the follow-up action by Vanya, which looks after tribal welfare in Madhya Pradesh?**

Vanya, an establishment of Tribal welfare department, Government of Madhya Pradesh, has been active in promoting tribal art & culture, tradition, literature, myths, beliefs and their ways of living. Vanya has been effective in socializing the tribal traditions and culture, existent in remote forest areas, with the present day society through the use of modern printing and electronic mediums. Vanya also organizes workshops and exhibitions on tribal paintings and sculptures at the highest level to acquaint the tribal artists with the world of Art and provide a platform to exhibit their skills. Efforts of Vanya have resulted in various tribal artists of Madhya Pradesh attaining various feats in the country.

**Have you identified any tribal products in MP that are unique and command a market at home and abroad?**





Disponible el mercado de  
biogénéricos de \$10 mil millones

## La India emerge como gestor clave en la industria biofarmacéutica global

### Las Exportaciones

La industria india de la biotecnología ha emergido como altamente dada a la exportación. Las exportaciones representan casi el 58% de la divisa total en 2006-07. Las exportaciones aumentaron a 49370 de rupias en 2006-07, de 33580 millones de rupias en el año anterior, registrando un aumento de un 47%. En el segmento biofarma, las exportaciones representaron un 61% de la divisa total. Para los segmentos bioservicios y bioagri el reparto de exportaciones llega a un altísimo 95%.

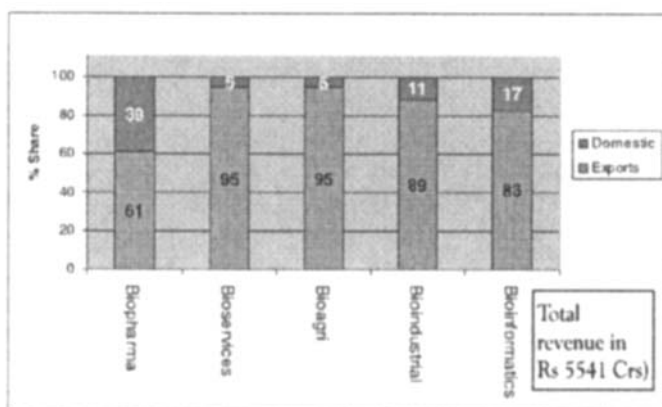
### Biofarma : Potencial para la India

La India está siendo reconocida como uno de los gestores importantes en el mercado de productos biofarmacéuticos. Muchas investigaciones han demostrado que las innovaciones médicas del siglo anterior basadas en la química están perdiendo su importancia y están siendo sustituidas por los avances en la investigación biofarmacéutica lo cual dará un empuje al crecimiento de divisas y rentas en los años próximos. Muchas empresas farmacéuticas indias están optando por la convergencia con la industria biotecnológica para el desarrollo de nuevos medicamentos. Se calcula que para el 2010, productos biofarmacéuticos de más de \$ 10 mil millones perderán la protección de patente en los mercados de los países desarrollados. Además, recientemente, los EEUU han aprobado la Ley de Revitalización de la Administración de Productos alimenticios y medicamentos (Food and Drug Administration (FDA) Revitalization Act) para permitir que los fabricantes de medicamentos vendan la versión genérica de productos biofarmacéuticos después de 12 años de derechos exclusivos de comercialización por la empresa innovadora. Esto engendrará grandes oportunidades a las empresas farmacéuticas indias para sacar provecho de este mercado enorme de biogénéricos.

**La Industria india de la biotecnología: Las exportaciones ante las ventas domésticas (2006-07)**

La biotecnología es uno de los sectores emergentes en la economía de la India. La industria incluye empresas que usan células y moléculas biológicas para aplicaciones en la medicina (tanto veterinaria como humana), la agricultura y la gestión del medio ambiente. La industria india de la biotecnología consiste de cinco segmentos distintos: biofarma, bioservicios, bioagri, bioindustrial y bioinformática. Hay más de 325 compañías que funcionan en estos segmentos, con casi un 40% de ellas en el sector biofarma.

La industria india de la biotecnología está viendo una tasa de crecimiento vibrante en los años recientes. "El sector se está global cada vez más con exportaciones a gran escala y un creciente número de fusiones y adquisiciones. En 2006-07, la industria registró divisas con valor de 85410 millones de rupias. Biofarma, el más grande entre los distintos segmentos de la industria de biotecnología, representó casi el 70% de la divisa total de la industria. Este segmento ha experimentado un crecimiento de un 27% durante 2006-07. Otros segmentos que han visto alto crecimiento incluyen el bioagri (59%) y los bioservicios (53%).



Source: Biospectrum : ABLE Survey 2007



busca enfrentar a los retos ante la industria biotecnológica como, I&D; la creación de un capital de inversión; transferencia de la tecnología, absorción y difusión; IPR, temas regulatorios ; y la gestión del capital humano.

Para fortalecer el marco regulatorio para el sector se establecerá una 'Autoridad Nacional Regulatoria de la Biotecnología' para proveer un mecanismo de ventana única para la aprobación bio-seguridad de los productos y procesos genéticamente modificados. Además, se establecerá un "Comité de Coordinación Inter-Ministerial' para coordinar con eficacia el desarrollo del sector al tratar asuntos de diversos géneros.

Para promover la unión del sector público y privado, el 30% del presupuesto del departamento de la biotecnología será puesta a un lado para los esquemas en las áreas de la innovación, de la investigación pre-prueba-de-concepto etc. Un paso importante en este respeto es el "Programa de la Sociedad de la Industria de la biotecnología para las Tecnologías Avanzadas" (BIPP). En este esquema particular de coste compartido, el socio de la industria puede conservar la propiedad intelectual, con el pago de los derechos apropiados a los científicos del sector público que contribuyen.

Están lanzando un "Consejo de Ayuda a la Investigación en la Industria de la Biotecnología" (BIRAC) para actuar como interfaz entre el sector académico y privado, particularmente los SMEs y los arranques, y para consolidar y para catalizar la I&D y la innovación en biotecnología en el sector privado

## La industria India de la Biotecnología en 2006-07

### La Estrategia Nacional del Desarrollo de la Biotecnología:

El Gobierno de la India ha actuado de manera pro-activa en promover la industria biotecnológica. Con el fin de fomentar aun más el crecimiento de del sector biotecnológico en la India, el gobierno ha elaborado una 'Estrategia Nacional Del Desarrollo de la biotecnología'. Esta estrategia

| Sector         | Representación en la Divisa total Divisa (Rs. 10 Millones) |               |               | %Crecimiento |
|----------------|--|---------------|---------------|--------------|
|                |  |               |               |              |
| Bio-farma      | 69.93  | 5973.0        | 4708.0        | 26.87        |
| Bio-Servicios  | 12.90  | 1102.0        | 720.0         | 53.06        |
| Bio-Agri       | 10.84  | 926.0         | 598.0         | 54.85        |
| Bio-Industrial | 4.62   | 395.0         | 375.0         | 5.33         |
| Bioinformática | 1.71   | 145.0         | 120.0         | 20.83        |
| <b>Total</b>   | <b>100.00</b>  | <b>8541.0</b> | <b>6521.0</b> | <b>30.98</b> |

# India a la Cumbre de la Externalización de Servicios: Posibilidades y Riesgos

Las reformas de la India y las políticas económicas de la liberalización han conducido a la participación privada masiva en el sector de las telecomunicaciones en las últimas dos décadas. Este segmento dominante de la economía arrancó haciendo grandes pasos, accionados por el Internet. La introducción de productos cada vez más nuevos para el Internet y las instalaciones de llamadas internacionales han conducido a un auge en la tecnología de información (IT) y permitieron los servicios accionados por el internet (ITeS) en la India. Mientras que era la transcripción médica el pionero en el segmento de servicios externalizados, varios procesos de negocio tales como la informática, la facturación y la ayuda de cliente en varias corrientes de los servicios (tales como actividades bancarias, seguro, telecomunicación, servicio post-ventas de FMCG) han atestiguado la tendencia de off-shoring de actividades a la India.

La externalización (outsourcing) de proceso del conocimiento (KPO) es una versión del alto-extremo de la externalización de los procesos de negocios (BPO) que requiere maestría significativa del dominio. Con la evolución y la madurez de las estrategias de outsourcing, los negocios se están moviendo hacia outsourcing de los procesos de alto extremo, tales como procesos legales, estudio analíticos y de mercados, procesos de ingeniería, diseño y el desarrollo de productos.

Mientras que BPO proporciona maestría y soluciones a los procesos del negocio, KPO hace hincapié en servicios con maestría del conocimiento. Pues KPO también ha emergido del paradigma tradicional coste-calidad, basada en el cual la industria de BPO prospera, KPO se está mirando como la etapa siguiente en la cadena de valor del outsourcing.

La evolución de KPO en la India se debe entender en el contexto de la fuerza de la India como destino de así como conductor de actividades basadas en el conocimiento. Varios analistas pusieron la ventaja del coste barato como uno de los conductores significativos de actividades basadas en el conocimiento en la India. Sin embargo, algunos analistas pusieron la escasez de profesionales expertos en los países de la OCDE (que ha desempeñado un papel dominante en el aumento de salarios) como conductor de la oferta de actividades basadas en el conocimiento de parte de los países en vías de desarrollo, como la India.

La India, tiene actualmente la presencia de una reserva grande de profesionales expertos que cuentan con la misma calidad que tiene el personal disponible en países desarrollados, pero a un precio significativamente bajo. La ventaja agregada es el conocimiento y la experiencia en varios dominios que están siendo cada vez más outsourced/off-shored a los países en vías de desarrollo. Los profesionales indios cuentan con mejor competitividad en cuanto a la habilidad en inglés y el uso de las aplicaciones de la Informática, en comparación con muchos países competidores en Asia, Europa del este como también América latina. La ventaja de ser el primero movedor también está trabajando en la colocación de la India como destinación ideal para el off-shoring de las actividades basadas en el conocimiento.

Los expertos han demarcado las terminologías del outsourcing y de offshoring. Mientras que el outsourcing es un concepto general, que incluso se practica dentro de un país (externalización de actividades /servicios de otra empresa dentro del país), off-shoring se refiere a los servicios o las actividades externalizados de otro país.

## Knowledge Process Offshoring (KPOf) en la India

En los últimos años noventa, unas organizaciones basadas en el conocimiento del alto perfil (tales como Mc Kinsey) de países desarrollados han instalado centros para emprender actividades high-end basadas en el conocimiento en la India. Más adelante, varias unidades de BPO (tales como Progeon ahora combinado con Infosys, WNS, Office Tiger, WIPRO Consulting, Accenture, Integreon, Mphasis) han subido en la cadena de valor y han comenzado a ofrecer servicios basados en el conocimiento en el dominio de KPOf. Después de la transformación de las unidades de BPO en las unidades de KPOf y de la creación de centros permanentes en la India por las empresas globales de consultoría así como las basadas en el conocimiento, varias unidades de KPOf de terceros han emergido en la India para hacer uso de la reserva de talento disponible en la India. Otra transformación sucedió cuando varias firmas globales basadas en el conocimiento / o consultoría (tales como Goldman Sachs, Morgan Stanley, J P Morgan) han establecido sus centros en la India.

Las actividades de KPOf están recolectando cada vez más renombre como sector prometedor en la India que



podría generar divisa extranjera para el país, y al mismo tiempo proporcionar posibilidades de empleo. Después de hacer negocio con éxito, algunas de las unidades de KPOf indias también van al extranjero a instalar sus operaciones. En tales modelos, aunque no es off-shoring directo a la India de actividades basadas en el conocimiento, las unidades indias de KPOf pueden sacar provecho ofreciendo sus servicios a partir de mercados de terceros países, a los clientes de países desarrollados, aprovechándose de la diferencia del tiempo y de disponibilidad de expertos en verticales selectas. Algunas firmas también están instalando por motivos estratégicos oficinas de marketing/ventas en el exterior, para aprovechar el potencial del negocio en varios mercados. Tales estrategias ayudan a las firmas indias a especializarse en conocimiento del dominio para satisfacer los requisitos del usuario final.

Muchas firmas basadas en el conocimiento han emergido del dominio de BPO y por eso están bien enteradas de la necesidad de la seguridad de los datos/de la información. Muchas firmas que tienen estándares de BS 7799-2 se están moviendo hacia estándares de la ISO 27001. La tendencia ha obligado a los principiantes en esta industria también para conseguir la certificación de la ISO 27001 para asegurar a los clientes sobre la calidad en seguridad de datos.

### **KPOf La Ventaja de la India**

La evolución de KPOf necesita ser entendida desde la perspectiva de la fuerza de la India como una destinación y conductor del fenómeno de KPOf. Los analistas ponen la ventaja del coste, como uno de los conductores más significativos del negocio de KPOf. Otro conductor crítico es la escasez que prevalece de recursos humanos expertos en países desarrollados, como los E.E.U.U. y el EU. Se espera que, antes de 2010, haya un déficit de 5.6 millones de profesionales expertos en los E.E.U.U., y 700.000 en Reino Unido. Esto, juntado con la ventaja del coste, ha resultado adentro highannualized crecimiento en las varias verticales de KPOf en la India.

### **KPOf in los servicios de ingeniería**

Se estima que la India está recibiendo actualmente cerca de 30% de las oportunidades globales de EPOf, valorado aproximadamente en E.E.U.U. \$ 6 mil millones. La India tiene varias ventajas. En la India, las firmas del sector público, los establecimientos de la investigación de la defensa, y las organizaciones privadas continúan estando a la vanguardia del diseño y de la innovación de la ingeniería. Otra razón importante del crecimiento en offshoring de los servicios high-end de la ingeniería y de diseño a la India es la disponibilidad del talento de la ingeniería (cerca de 300.000 estudiantes que gradúan cada año). El sueldo medio de ingenieros indios se estima para ser un décimo del sueldo medio que prevalece para los ingenieros en países desarrollados. Hay estimaciones que la India ofrece la reducción de costes total de un 25% en negocio del EPO. La India también cuenta con maestría y experiencia significativas en la gestión de oportunidades del outsourcing en segmentos de proceso de la tecnología. Los segmentos del usuario final de los



servicios de la ingeniería, tales como automóviles, espacio aéreo, construcción/erección de plantas industriales, electrónica y la telecomunicación, está teniendo presencia vibrante en la India. Las fuerzas de la India en tales segmentos del usuario final se reconocen globalmente.

### **Off-shoring de Procesos Legales (LPOf)**

La India tiene la profesión legal en segundo lugar más grande del mundo con más de 600.000 abogados. La India está teniendo actualmente una parte de el 20% en el mercado global de LPOf (aproximadamente EEUU \$ 400 millones). La India tiene una ventaja significativa en los varios parámetros que trabajan a favor de conducir la industria de LPOf hacia la India. El sistema legislativo



en la India, los E.E.U.U. y en el Reino Unido se arraiga en la ley común británica, haciendo que los abogados indios sean eficientes, sin mucho entrenamiento adicional para emprender el trabajo legal estándar. Sobre los años, el sistema legislativo en la India ha experimentado cambios con la globalización creciente de la economía india. Esto ha permitido la transformación de abogados indios en abastecedores de servicio globales. Desde la liberalización, los abogados indios han estado ganando experiencias dinámicas en la dirección de los casos que abarcan diversos campos tales como actividades bancarias, telecomunicación, seguro, energía, aviación civil, transporte, que estaban en gran parte bajo el sector público. Además, se está ganando experiencia en las áreas relacionadas con los impuestos, fusiones y adquisiciones, empresas conjuntas, derechos de propiedad intelectual, inversión directa extranjera y las zonas económicas especiales.

Por lo que concierne la maestría institucional, la India tiene sobre 750 universidades de Derecho de las cuales gradúan cerca de 30.000 abogados cada año. Se estima que el off-shoring del trabajo legal a la India ahorra cerca de 80% del coste que se puede incurrir en un país desarrollado como los EEUU.

### Offshoring de Procesos de Investigación y Desarrollo

El mercado mundial para el outsourcing de IyD se estima ser



más de EEUU \$ 100 mil millones, de los cuales IyD de off-shoring se estima ser valorado en EEUU \$ 8 mil millones. La IyD de apuntalar a la India se estima para ser los E.E.U.U. excesivos \$ 2 mil millones.

Las decisiones para emprender inversiones del IyD en la India han sido gobernadas por varios factores tales como el ambiente regulador, disponibilidad de investigadores cualificados, educación existente y marco institucional, así como la gama de alianzas globales y de relaciones sub-continetales formadas por la industria india. Además, las capacidades de fabricación y la disponibilidad de recursos son otros determinantes para colocar la India como centro de I y D. Otro determinante importante de las localizaciones de IyD es la proximidad al mercado. La India que es un mercado grande sí mismo, y teniendo proximidad cercana a muchos mercados asiáticos en vía de desarrollo, fomenta el alcance de la India para que se convierta en un centro de IyD.

La India tiene el cuarto depósito más grande de la mano de obra científica en el mundo, con más y más estudiantes demostrando interés en el campo de la ciencia. Hay cerca de 3000 instituciones de IyD en la India, incluyendo laboratorios nacionales, las instituciones de IyD en el sector central, provincial y no-gubernamental así como unidades de IyD en el sector industrial. Además, el coste de un investigador en la India es un quinto de lo que es en los EEUU o Europa. El gobierno de la India ha enmendado y ha introducido un número de actos de acuerdo con los cambios del ambiente y los requisitos de la OMC.

Sobre los años, los profesionales indios de IyD han desarrollado conocimiento del dominio en varios sectores intensivos de IyD tales como automóviles, productos farmacéuticos, ingeniería, informática y telecomunicación. Muchas firmas indias han formado alianzas globales o relaciones sub-continetales con corporaciones transnacionales. Más de 100 compañías de Fortune 500, tales como Delphi, Eli Lilly, GE, Hewlett Packard, Daimler Chrysler, Novartis, Volvo, Bosch, han establecido instalaciones de desarrollo de productos/IyD en la India en los últimos años.

### Off-shoring de Investigación del Mercado y Análisis (MROf)

El mercado mundial para el off-shoring del estudio de mercados y de análisis (MROf) se estima ser un poco menos que EEUU \$ 2 mil millones. La India, que está teniendo actualmente un tamaño de MROf de EEUU \$ 600 millones, se considera como un mercado cada vez mayor para MROf ya que han establecido sus oficinas las empresas mundiales principales de la investigación y el análisis para abastecer la demanda tanto cautiva como de los terceros.

Hay varios conductores para MROf y actividades del análisis hacia la India. La educación de la gerencia en la India ha tomado pasos rápidos desde la liberalización. Estos institutos producen millares de estudiantes cada año, algunos de ellos poseen grados más altos en ramas tales como ingeniería, tecnología, comercio, economía y ciencia. La India también lleva a cabo conocimiento significativo del dominio en varios segmentos del estudio de mercados. Éstos incluyen la investigación del consumidor, investigación en servicios financieros, investigación en el mercado de valores, el mercado de equidad y el mercado de divisa extranjera. Los investigadores indios también han adquirido conocimiento del dominio en USGAAP, con un número de aumento de multinacionales indias adoptando las normas de US-GAAP.

Los esfuerzos continuos de la Security and Exchange Board of India, para actualizar el marco de la gestión empresarial en bolsas indias, han colocado las bolsas indias en un nivel sobre-medio en relación a otras economías de

mercados emergentes. En los últimos años, los inversionistas institucionales extranjeros han demostrado interés renovado en bolsas indias. Los jugadores en bolsas indias han desarrollado habilidades en la investigación de la bolsa, en un contexto global, con la introducción de productos derivados. Estos factores también han traído muchas empresas globales de estudio de mercados/ gerencia/ inversión en la India.

El coste relativamente bajo de las propiedades inmobiliarias y los sueldos de la India han atraído a varias firmas de consultoría así como organizaciones de estudio de mercados (tales como McKinsey, PricewaterhouseCoopers, KPMG, Booz Allen, Boston Consulting Group, A T Kearney, A C Neilson, Gartner, IDC, Goldman Sachs, J P Morgan, Deloitte, Lehman Brothers) para instalar centros de investigación en la India. Las agencias principales de gradación tales como Standard & Poors, Moodys and Fitch han establecido su presencia en el mercado, llevando a cabo investigación específica al sector y a las empresas. La presencia de estas agencias está creando efectos del spillover en el mercado indio con las firmas de consultoría de tamaño mediano asegurando la entrada en mercado indio.

### **Retos y Estrategias**

En el ambiente inmensamente competitivo de hoy, las compañías están compitiendo para una huella global. Las compañías principales están mejorando sus estructuras del coste perceptiblemente reduciendo costes de trabajo, agregando nuevas capacidades y mejorando productividad y calidad. En tal panorama, las organizaciones en el mundo entero tienen que mirar más allá de sus estrategias tradicionales para resolver los desafíos del mercado. El cambio en enfoque y las estrategias adoptadas por las firmas multinacionales ayudan en la evolución y la popularidad del outsourcing del proceso del conocimiento y de la industria offshoring.

### **Retos**

La fuerza importante de la India continúa estando en su base fuerte de la fuente de la mano de obra experta, conocimiento de idiomas y bajos salarios junto con conocimiento del dominio y capacidades probadas de la entrega. Sin embargo, hay una realización cada vez mayor que los factores tales como arbitraje del bajo costo y disponibilidad de la reserva grande de profesionales con habilidad en lengua inglesa no van a seguir siendo como los conductores dominantes de la industria de KPOf en la India para demasiado largo. Por lo tanto, es probable que aumenten los desafíos para este sector en la India en los días venideros. Algunos de estos desafíos serán genéricos en naturaleza, mientras

que otros pueden ser específicos al dominio. Por lo tanto, es importante que la industria enumerara y entendiera los desafíos y diseñe simultáneamente las estrategias para sacar provecho de las ventajas domésticas impulsadas por los requisitos globales.

La infraestructura pobre está planteando desafíos inmensos en la entrega de servicios de alta calidad a los clientes internacionales. Las grandes ciudades están más y más congestionadas y el coste de operaciones está subiendo. En tal situación, hay una necesidad de que las ciudades de grado II emerjan con infraestructura bien desarrollada.

### **Estrategias**

El recurso humano es una de las cualidades primeras del éxito en unidades de KPO. Para sostener la posición de la India como destinación emergente para KPOf, es imprescindible aumentar la fuerza del talento con conocimiento significativo del dominio. Además, es también importante poner al día las habilidades continuamente. Las firmas pueden también implicar a afiliados extranjeros en este proceso de puesta al día del talento, animándoles a que participen en proyectos comunes con las universidades y otras instituciones del entrenamiento.

### **Sacando provecho de la fuerza de la Diáspora india**

Se estima que más de 20 millones de indios de la la diáspora están colocados en 70 países a través del mundo, y han tenido éxito en contribuir al desarrollo en los campos de la ingeniería, de la investigación del espacio, de salud, de la tecnología de información, de la gerencia y del espíritu emprendedor. Usando el conocimiento ganado por la diáspora india en varios países, las unidades indias de KPOf podían adoptar las mejores prácticas en entregar los servicios y utilizar la red para construir la marca india como destinación del off-shoring.

### **Near Shoring como estrategia de negocio**

Tras haber ganado maestría significativa en varios dominios del conocimiento y conformándose satisfactoriamente a los requisitos de corporaciones transnacionales, las unidades indias de KPOf deben también adoptar cada vez más la estrategia de la creación de operaciones fuera de la India para rendir servicios basados en conocimiento a los clientes. Las firmas pueden también adoptar la estrategia de la creación de los centros de entrega en otras geografías sacar provecho de la lengua y las habilidades culturales además de ventajas de la zona de tiempo. ■



# La Air India es ahora miembro de Star Alliance

La aerolínea estatal Air India ha sido admitida en el grupo global de 20 miembros 'Star Alliance', lo cual facilitará a sus pasajeros mejores tarifas, beneficios a los pasajeros frecuentes y facilidades de salón durante sus vuelos internacionales. La decisión fue aprobada en una reunión en Beijing por la junta de Star Alliance, formada por los principales ejecutivos de las aerolíneas miembros. La recién anunciada expansión de la flota de más de 100 naves contribuirá a que Air India pueda servir mejor a los viajeros en términos de alcance global y servicios. Tras la inclusión de Air India, el Presidente de Star Alliance, Sr. Glenn Milton dijo que "la India ha estado mucho tiempo en el radar de Star Alliance."



Posee una de las economías y mercado de aviación de más rápido crecimiento en el mundo. Al haber llegado ahora a un acuerdo con Air India, nos convertimos en la primera alianza aérea en garantizar un miembro en la India. ■

## Mittal, Nooyi y Tata, entre los principales 25 jefes de negocios en el mundo

El magnate del acero, Lakshmi N. Mittal, la jefa de la compañía Pepsi, Indra Nooyi y el principal líder corporativo de la India, Ratan Tata, han sido nombrados entre los principales 25 jefes de negocios del mundo por la revista "Fortune". La jefa de PepsiCo, Nooyi, quien había encabezado el mes pasado una lista separada de Fortune de las más poderosas mujeres empresarias del mundo por segundo año consecutivo, ocupó el lugar 22 en esta última lista. Mittal, el mayor accionista y CEO de ArcelorMittal, principal productor de acero en el mundo, ocupa el primer lugar entre las tres personas de origen indio que aparecen en la lista. ■



## OVL coge dos bloques mar adentro en Brasil



La Corporación de Petróleo y Gas Natural ONGC Videsh Limited (OVL), ha tomado dos bloques para exploración en Brasil. Los dos bloques, uno ubicado en la cuenca de Espirito Santos de aguas profundas y el otro en la cuenca Santos de aguas poco profundas, llevan a 35 el número total de bloques de OVL distribuidos en 17 países. OVL será el único propietario de estos dos bloques tras rematar las ofertas de otras conocidas compañías. El Presidente de ONGC, RS Sharma dijo que, "Este es un paso más hacia la consolidación de las actividades de OVL en América Latina". En septiembre de 2007 OVL había ganado tres bloques en Colombia, uno en consorcio con Ecopetrol y Petrobras y dos con Ecopetrol. ■

## Los Servicios de Consultoría de TATA firman por US \$ 200 millones en México



Un gigante de la Tecnología de Información India, Tata Consultancy Services (TCS) firmó un contrato de US \$ 200 millones con el Instituto Mexicano de Seguridad Social (IMSS) por un periodo de cuatro años. El IMSS es la mayor organización con más de 370 mil empleados y que brinda cobertura a más de 50 millones de ciudadanos mexicanos. TCS brindará servicios de punta a punta, incluyendo aplicación, mantenimiento y apoyo, desarrollo de software personalizado, servicios de análisis de negocios, manejo de programas informáticos estratégicos e iniciativas de valor agregado para los afiliados de la organización. El negocio se considera uno de los mayores y el primer contrato de gobierno de TCS en la región. ■

## HCL, vendedor No.1 de infraestructura en el mundo

Según una encuesta realizada por el Grupo Brown-Wilson, el exportador de software de la India HCL Technologies ocupa el primer lugar mundial como vendedor en el espacio de infraestructuras. La compañía encabezó la lista de 276 vendedores. Otros gigantes indios de software que se ubicaron entre los primeros 20 de la lista fueron Satyam (13), Wipro (14), Infosys (18) y Tata

# HCL

Consultancy Services (20). El orden de las infraestructuras se basó en la evaluación de los vendedores a lo largo de 18 puntos de excelencia operacional de infraestructuras incluyendo innovaciones, entrenamientos, amplitud de las ofertas, adaptabilidad al cliente, confiabilidad, apoyo y cuidado al cliente, etc. ■

## La India preside la organización Mundial del Turismo (UNWTO)

La India fue elegida por unanimidad para Presidir el Consejo Ejecutivo de la Organización Mundial del Turismo de la ONU (UNWTO) durante su 82 reunión efectuada en Colombia. La India estuvo representada por su Ministra de Turismo y Cultura, Sra. Ambika



Soni. Durante la sesión plenaria la ministra india expresó que el turismo en los países en desarrollo no debe ser restringido en nombre del cambio climático. Ella también ensalzó los esfuerzos de la UNWTO para sensibilizar a los estados miembros sobre los retos del cambio climático a través de estudios de expertos e investigaciones. Se espera que el turismo indio reciba un impulso como consecuencia de estar presidiendo la Organización Mundial del Turismo. ■