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**A Mutually Beneficial
Global Stimulus Package**



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

Founder Chairman
Late Shri R.K. Prasad

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Dear Reader,

Greetings from Open Trade, a magazine committed to promote global economy in general and India's commerce with the member countries of the Trade Commissioners' Forum (TCF), Mumbai. Today, the global economy is reeling under the impact of the worst-ever meltdown in recorded history. But some countries such as India which have followed prudent monetary and fiscal policies, the present meltdown may be a blessing in disguise. Because India can introspect itself, revamp its policies against the gloom of the current economic crisis. As Justin Yifu Lin, Chief Economist, World Bank, put it recently, there are many lessons to be learned from the current crisis and not least among these is the extent to which we are interconnected. The former Professor and Founding Director of the China Centre for Economic Research (CCER) at Peking University, who is an ardent India watcher said what we are facing is a global crisis and we must, therefore, look for a coordinated and concerted global solution. The cover story of the current issue of Open Trade carries the detailed analysis of today's global calamity and the means required to overcome it as annunciated by the reputed economist. In the Focus section of the magazine, we have four articles on Germany, including an interview with Rajesh Nath of German Engineering Federation. Two of the articles deal with the importance of Hamburg, which has emerged as a gateway to European markets and a world leader in power Generation. In country reports we present Israel, Romania, Russia, Singapore, South Africa, Switzerland and Vietnam and their increasing trade relations with India. In recent years, Israel and India have been quietly bolstering their bilateral trade, especially in areas such as high-tech security. We carry an interview with Elad Goz, Israeli Consul for Economic Affairs in Mumbai and also a write-up on a recent Israeli security delegation's visit to India. We have a special feature on India's eastern State of Assam, which highlights its development in the fields of horticulture and floriculture. Besides all these, Open Trade carries the regular features as usual.

Wish you happy reading

Satya Swaroop

Managing Editor

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**Satya Swaroop with
Justin Yifu Lin, Chief Economist,
World Bank**

As the Worst-Ever Recession Deepens...

A Global, Coordinated Fiscal Stimulus Needed Urgently

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



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

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

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

The Crisis Creation of Excess Liquidity in US

It is important to keep in mind the origins of the crisis and the problem of excess capacity that is now unfolding. Today's crisis was preceded by six years of global boom. Following the bursting of the US tech-





stock bubble in 2000-01, which had a substantial wealth effect on American households, the Federal Reserve aggressively eased monetary policy to minimize the duration and depth of the ensuing recession. There was a lowering in either the Fed funds rate or the discount rate 27 times between January 2001 and June 2003, resulting in the funds rate falling from 6.5 percent to 1.0 percent over that period. This expansionary monetary policy averted a deeper recession by stimulating a boom in the housing market, which soon turned into a housing bubble.

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

Lack of Supervision of Financial Markets

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

Spread of Crisis to Other Major Economies

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

world, accompanied by low capital costs.

Developing Economies & Their Strength

Developing economies also thrived during 2002-07 for a combination of reasons. One important set of reasons related to domestic factors. As a group, the developing economies had entered the decade in a much better policy stance (macroeconomically and otherwise) than they had in the previous two decades, for example with lower inflation and more sustainable fiscal situations. These conditions would likely have predisposed the developing world to more rapid growth, and they also better equip the developing countries to deal with exogenous shocks in the current crisis.

Huge Merchandise Exports

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

Record Growth Rate by Developing Nations

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



past decade - many of which had been sold on the promise that they would diversify and minimize risk - turned out to be transmission mechanisms for instability.

Collapse of Investment Banks

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

percentage points to annual GDP growth (World Bank 2006).

At the same time, US demand was stimulated by the substantial swing in the US fiscal position, from a small surplus in 2001 to a sizeable deficit in 2003, which resulted from sharply increasing spending on defense and homeland security while cutting central-government taxes. Combined with a low interest rate and low saving rate, the fiscal deficit contributed to large US current account deficits and higher demand for developing-country exports. This created a feedback loop, by further stimulating developing countries' demand for investment goods and developed countries' capital goods industries.

Problems of Rapid Growth

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

Bubble that Burst

Many equity markets surged as well, some to levels that suggested irrational exuberance. The boom was bound to end, especially given the explosion of sophisticated and unregulated financial derivatives which had sustained the process. In mid-2007, the US housing bubble was bursting beginning with the sub-prime mortgage market. The drop in value of the off-balance sheet assets pushed many financial institutions into insolvency. Even worse, the financial innovations of the

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

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

Action Taken So Far

While commendable, actions taken so far by the US, Euro area, Japan and other wealthy countries might not be sufficient to counter the huge downturn the world finds in. Experience has shown that in general monetary policy is likely to be ineffective to stimulate investment and

consumption in excess capacity situations. There is an urgent need for a global, coordinated fiscal stimulus. As a result of this synchronization in the current crisis, dealing with it alone is beyond the capability of any single country. Instead, decisive, and concerted and co-operative efforts are needed.

Impact on Developing Nations

While developed countries are experiencing some of the sharpest contractions in GDP growth, households in developing countries are much vulnerable, and likely to experience acute negative consequences in the short- and long-term. Declining growth rates combined with high levels of initial poverty leave many households in developing countries highly exposed to the crisis. Vulnerability is heightened if, at the same time, governments are constrained in cushioning the impacts due to limited institutional capacity and fiscal resources. Developing countries are expected to have a financing gap in a range of US\$ 270 - US\$ 700 billion, depending on the severity of the economic and financial crisis and the strength of the policy response. Existing resources of international financial Institutions cannot currently cover the Shortfall, even at the low end. The supply of capital from private sources is much tighter than in the past.

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

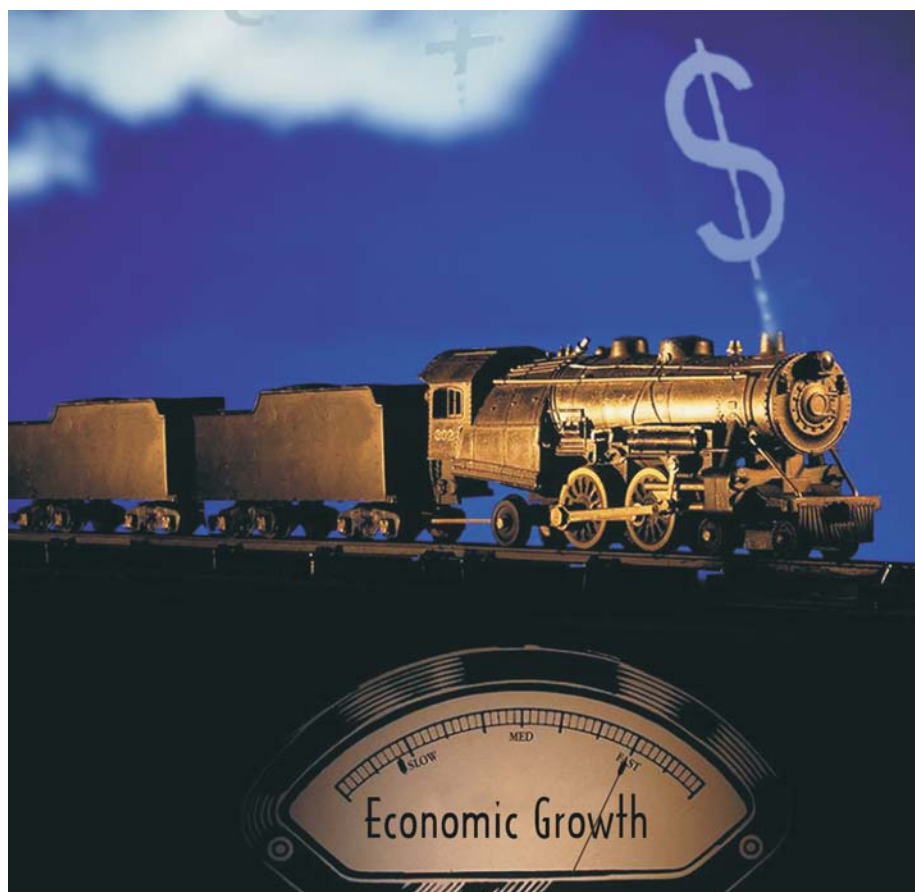
At the micro level, the global economic crisis is exposing households in almost all developing countries to increased risk of poverty and hardship. Almost one third (29 percent) of all developing countries are highly exposed to

the poverty effects of the crisis (that is both declining growth rates and high poverty levels) and an additional 62 percent of countries are moderately exposed (they face either decelerating growth or high poverty levels). Our initial estimates for 2009 suggest that lower economic growth rates will trap 46 million more people on less than US\$1.25 a day than was expected prior to the crisis. An extra 53 million will stay trapped on less than US\$ 2 a day.

Social Impact of Crisis

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

The effects of falling real wages and joblessness impede households' ability to provide adequate food and necessities to their members. Compounding this is the very real risk that, in many countries, fiscal pressures will result in reduced services to the poor. Absent assistance, households may be forced into the additional sales of



assets on which their livelihoods depend, withdrawal of their children from school, reduced reliance on healthcare, inadequate diets and resulting malnutrition.

Long Term Impact

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

Ways to Solve the Crisis

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

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

Given the tough times faced around the world, I think making fiscal stimulus plans work by releasing bottlenecks to growth in developing countries offers a potential win-win solution. To overcome global recession characterized by excess capacity, fiscal stimulus efforts must be bold, global, and generate an immediate and sustained increase in global demand and productivity.

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

Projects to Generate Returns

If policymakers can design a system that allows public projects and programs to generate enough returns to repay themselves, the chance of success is high. Developing country economies provide good opportunities for such type of projects. In developing

countries, there are many bottlenecks that constrain the growth of their economy. If the government uses fiscal stimulus to invest in projects that release these bottlenecks, economic growth will be enhanced after the crisis and the marginal returns to private sector's investment will also increase. If the gains in the government's revenues from the above sources - both direct and indirect - are large enough, these investments may indeed be self liquidating. This would ensure that precautionary concerns and expected future tax rises will no longer inhibit spending.

Global Efforts to Support Developing Nations

The magnitude of the current global crisis requires a bold response that focuses on preventing the economic crisis from becoming a human crisis as well as the needs to address the global



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

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

Impact on India

The global economic crisis has hit India hard in terms of exports, remittances and portfolio investment funds. Exports declined for the fourth consecutive month in January, falling by 16 percent in January, the biggest decline since May 1998. While imports are contracting more sharply than exports, India's current account deficit



is widening as remittances from Indians working abroad are slowing down due to the crisis. Large withdrawals of portfolio investment funds and purchases of US dollars by Indian banks to fund their overseas operations also created pressures on the exchange rate.

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

The recent food and oil price increase followed by the global economic crisis has left most South Asian countries including India with widening twin budget and trade deficits. Coping with a protracted crisis therefore requires a skillful mix of fiscal, monetary, and exchange rate policies. To tackle the economic slowdown, the Reserve Bank of India (RBI) boosted liquidity and loosened monetary policy, and the Government introduced two fiscal stimulus packages. The exchange rate has also depreciated by 22 percent over the past 12 months. With inflation rates dropping, monetary easing provided stimulus to the economy and mitigated the liquidity crisis in the banking sector. Since October, RBI has lowered the repurchase rate five times by a total of



A striking difference between India and China is the relative importance of manufacturing in output and total exports, about 16 percent and 40 percent in India compared to 33 percent and 84 percent respectively in China. India's share of commercial services in total goods and services exports has been much higher than China's, not just since the rapid expansion of export of computing services around 2000 but even earlier, since 1992. This difference could partly be attributed the state of infrastructure. Thus, the investment projects in infrastructure may help also to revitalize the manufacturing sector and change the structure of the Indian economy in favor of this sector.

400 basis points, from 9 percent to 5 percent. While the decline in inflation gives the RBI some room to carry out these rate cuts, constraints arise from the ongoing foreign capital outflows, a high trade deficit, and the depreciation of the rupee. As discussed earlier, there are limits to effective monetary policy in the face of a protracted crisis.

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

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

The impact on productivity and growth of these projects is also important from a development strategy perspective.

Safety Net Programmes

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

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

Lessons to be learnt

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

Hamburg

An Emerging Leader in Wind Power Generation

Both India and Germany are better positioned than most other countries in the world to get over the current financial crisis, thanks to the robust banking system and higher domestic savings rate. That's what **Senator Axel Gedaschko**, Minister for Economics & Labour of the Free and Hanseatic City of Hamburg says. Speaking to Open Trade here during the 'India Week'.

All countries including Germany is eventually getting affected by the current economic meltdown and liquidity crisis. We are in a better position to combat the crisis, thanks to our strong banking system and a very high domestic savings rate. He further adds, We had meetings with the leading bankers and insurance companies in Germany and got the feeling that there is no reason to press the panic button. And my knowledge is that the same is true with India.

We should go ahead with our development plans.

At this time when Tuls Tanti-owned Suzlon Energy GmbH is well set to raise its stake in RE Power

from 75 per cent to 100 per cent in order to fortify its European design and development center even further, which is already dedicated to the design and development of state-of-the-art Wind Turbine Generator, Hamburg - An emerging leader in wind power generation model to the rest of the world, particularly India, the Minister for Economics said.

Hamburg-based companies are also keen on developing major ports in India and discussions are on to this effect between different Indian and German companies. "Hamburg being one of the largest ports in the world, we just have the right expertise and technical knowledge base to offer such services. Hamburg Port Consultants, the largest company, has already initiated moves to mark its presence in India. But what is standing in the way is lack of co-ordination among various ministries and also lack of linkages among railways, roadways and waterways," Gedaschko said.

More than 35 Indian companies in various sectors like IT, energy, trading and bio-chem, are present in Hamburg while nearly 500 Hamburg companies are active in India. But the potentials are much more and to tap the potentials, Hamburg Senate Hamburg Business Development Corporation, Hamburg Chamber of Commerce, KPMG and the German Indian Round Table have been organizing India Week since last year.

Indian Industry should explore possibilities to tap the large European market through Hamburg, as Hamburg is the gateway to Europe.



Senator Axel Gedaschko, Minister for Economics & Labour of the Free and Hanseatic City of Hamburg feels



Great Scope for Mid-Sized Companies Providing Specialized Services

In 1942, Subhash Chandra Bose escaped his Elgin Road residence in Kolkata (where he was under house arrest) to reach Germany. With cooperation of Germany and Japan against British Empire, he began his regular broadcasts from Radio Berlin, which aroused tremendous enthusiasm in India. Bose also founded the Free India Centre in Berlin, and created the Indian Legion (consisting of some 4500 soldiers) out of Indian prisoners of war who had previously fought for the British in North Africa prior to their capture by Axis forces.



Sixty six years down the line, Netaji's grand nephew is also building his business empire, seeking German cooperation. Meet Surya Bose (59), grand nephew of Netaji and Founder and Managing Director of Bose Information Technologies. Bose's Hamburg-based company happens to be the first set of companies, which designed and developed the initial processing system of the Airspares division of Airbus. Airbus has its Airspares divisions in Washington, Tokyo, Tullus and Hamburg. "There have been many other companies including some of the IT biggies, which have designed and

worked on this system since then. But our system is still in place at Airbus and they are quite happy with it," says an upbeat Bose.

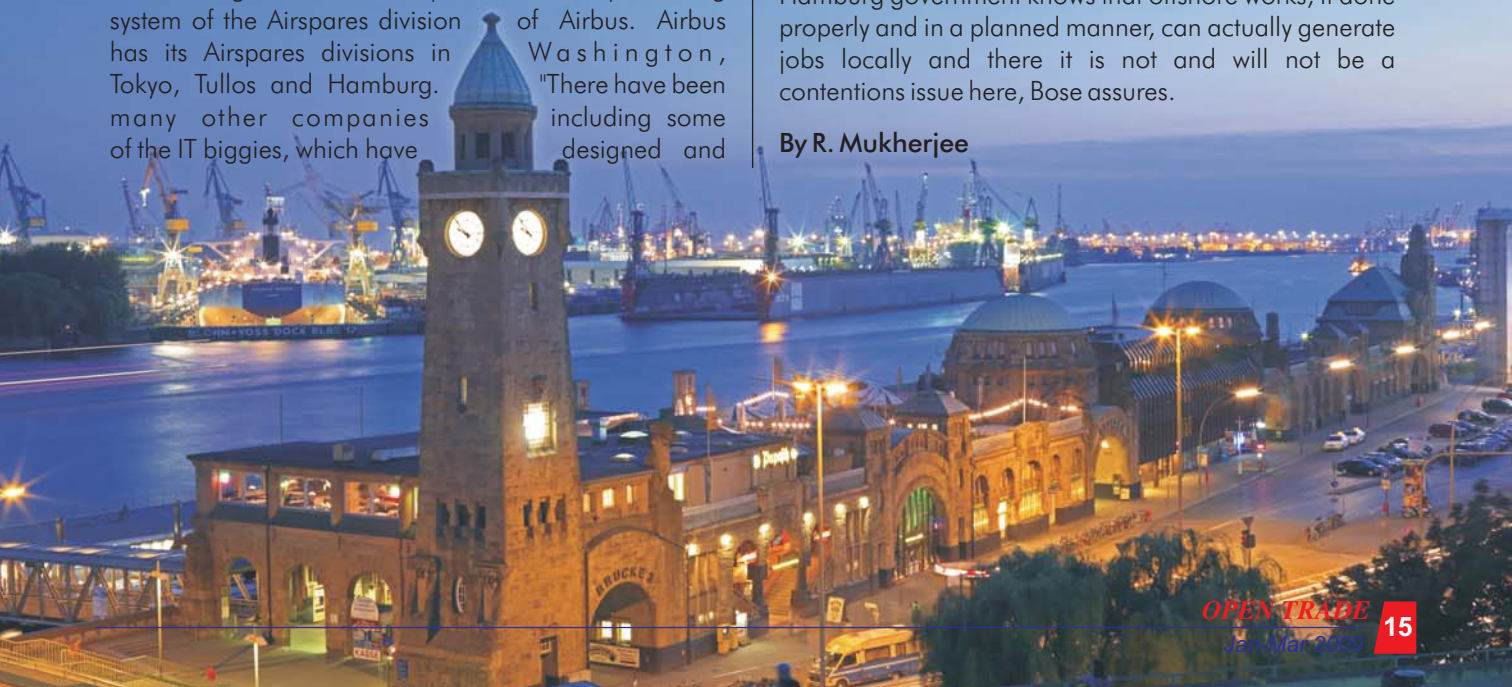
Quite like his grand uncle, Surya Bose is also facilitating and fostering Indo-German cooperation, albeit in the field of business (and also in cultural areas, the junior Bose hastens to add). He is one of the men instrumental in organizing India Week in Hamburg, Germany.

Bose, who has led several business and particularly IT delegation from Germany to India, feels that there is enormous scope for mid-sized Indian IT companies to set up shops in Hamburg. "Most of the IT biggies including Infosys, Wipro, Satyam and TCS had preferred to acquire smaller and mid-sized IT companies here to start off their German operations. They are mostly into body leasing and look at mass market business. But I think there are some mid-sized IT companies in India, which offer outstanding specialized services. There is a great scope for company providing specialized IT services here and these mid-sized companies can come and team up with their counterparts here. Geological System, for one, is one such area," Bose added.

"SME is the backbone of the German economy and Indian small and mid-sized companies can actually infiltrate into the German economy with some quality products and services if there is a proper coordination among the front-end, back-end and customers-end. Indian IT companies have technical know-how in abundance but in order to acquire the right user knowledge or particular domain knowledge of a particular industry, they have to be here," adds Bose.

Hamburg government knows that offshore works, if done properly and in a planned manner, can actually generate jobs locally and there it is not and will not be a contentions issue here, Bose assures.

By R. Mukherjee



India, an Important Strategic Partner for Airbus Industry

The current economic challenges notwithstanding, the leading aircraft maker Airbus has identified India as **"Strategically Important Country"** for its business growth, which means India has been projected as one of the fastest emerging markets in world for the French aircraft maker. Airbus customers in India include Air India, Kingfisher Airlines, Jet Airways, GoAir and Indigo Airlines.

Airbus, which has a large assembly line set up in Hamburg, Germany, is keen on leveraging the "India Week" conference in the harbour city

Airbus' association with India dates back 35 years ago when the first A300B2 from the Airbus' stable was delivered to Indian Airlines. Currently, Airbus has a market share of 70 per cent of all commercial aircraft in India with a delivery figure of atleast one aircraft per week to any International based carrier. "The best year in terms of orders received by Airbus was in 2005 when the French aircraft manufacturer bagged



of Germany to strengthen its position further in India.

Speaking to Open Trade Magazine, the Airbus spokesman said, "Aviation Sector is growing in India adding to the growth of economy, which in turn, is expected to foster our growth further. And mind you that the latest Airbus Global Market Forecast predicts that India would have an average annual passenger traffic growth of 7.7 per cent until 2025, against a world average of 4.8 per cent over a 20 year period."

"The projected passenger traffic growth then translates into a demand for around one thousand aircraft from Indian carriers worth \$105 billion over the next 17 years or so. More significantly, Indian carriers will also need nearly 40 large aircraft like A 380, which are high value products".

229 orders from India, the spokesman said.

He further added that Airbus' partnerships in India covers various areas including engineering, IT services, training, technical publications, R&D and even manufacturing parts and sub-assemblies. More than 1000 Indian engineers chip in some contributions or the other in virtually all Airbus aircraft programmes, he mentioned.

The other reason for identifying India as a strategically important country has been that with a population of over a billion, India has around 80 fully functional airports, which regularly handle scheduled and charter flights. There are nearly seven major aviation gateways: Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad and Pune and all of them are either already or will soon be 'made A380 compatible. Besides there are emerging gateways like Amritsar, Guwahati, Jaipur, Kochi and Nagpur he mentioned. ■

Hamburg, a Gateway to European Market

RA Heinrich Lieser



RA Heinrich Lieser,
Chief Executive Officer (CEO),
Hamburg Marketing GmbH,
owned by the Hamburg
Mayor and the State

For the State authorities, Hamburg is not just a city state but a brand, which they are keen on building and promoting and marketing to the rest of the world.

"For us Hamburg is a brand, which we are very carefully promoting, quite like any other strong brand. Hamburg has a positioning as a destination of civil aviation, logistics industries and port related business, anyways and now we are planning to position it as an ideal destination for SME sector, particularly the Indian SME sector," RA Heinrich Lieser, Chief Executive Officer (CEO), Hamburg Marketing GmbH, owned by the Hamburg

"India Week 2008 in Hamburg"

India is a fast growing economy and an increasingly interesting trade partner for Hamburg. The attractiveness of the Indian domestic market is as much important as the cost-reducing advantages for the international buying markets. The Indian economy boasts of financially highly potential and innovative companies, who are global players on the world's markets. In total, approximately 35 Indian companies are present in the Hamburg Metropolitan Area, with figures rising. In return, some 500 Hamburg companies are active in India. To strengthen these business ties and to broaden the bilateral contacts the Hamburg Senate, HWF Hamburg Business Development Corporation, Hamburg Chamber of Commerce, KPMG, the German Indian Round Table, the Technical University Hamburg-Harburg, ELGA Biotech, and other institutions and organizations dealing with India launched ;last year the first "India Week" in Hamburg.

Last year the second "India Week", took place on November 9-16, which offered manifold business options between Hamburg and India.

Mayor and the State, told Open Trade.

"We know that the Indian SME sector is growing and has tremendous potential. If some of them are looking at the European markets, Hamburg is the gateway to European market and will be the best location for them to set their shops. We had an excellent response from the first India calling week and the second India calling week has evoked equally good response. There are more than 35 Indian companies which are already operating out of Hamburg like TCS, Satyam Computers, Teekay Marine, FSL Germany, Intrakonti etc." Leiser mentioned.

"We have set up a single-window facilitation centre for foreign companies and investors. Hamburg is a nice city with excellent cosmopolitan work culture. There are excellent education and healthcare facilities available geographically and historically it is the gateway to the European markets and the government doesn't stand in the way. So you have everything. Hamburg's other strong points is its scientific research and innovation." Leiser added while promoting a brand called Hamburg.

Science and technology institutes 'The Hansatic City of Hamburg has been the right place for research and development as industry strives to introduce new products, processes and services. And we are also keen on drawing more and more Indian students to these institutes and that too on a regular basis. Indian talent pool is in much demand here. As many as 200 Indian engineers are already working with Airbus here," he said.



Glimpses of India Week 2008

First Mayor Ole von Beust, Indian Ambassador to Germany with Mrs Meera Shankar.



The Hotel Atlantic Kempinski Hamburg is beautifully located on lake Alster and is right in the heart of Hamburg. The high-ceilinged bedrooms and suites are exquisitely furnished with the needs of today's luxury traveller in mind, reflecting a new approach to elegant service.

Hotel Atlantic opened its doors almost a century ago in 1909, discerning travellers have appreciated the great Hanseatic tradition of the Hotel Atlantic Kempinski Hamburg.

An unique blend of classical cuisine and modern elements in the Atlantic Restaurant, genuine Chinese and Continental cuisine and other unique delicacies.

'Private Max' is a private cinema with original cinema technique and equipment available for installation in rooms from 12 square meters.

Movie pleasure in a completely equipped cinema that ranks a modern multiplex or a cinema centre. Its main difference to commercial movie theatres is its size, as it has been installed in a room of approximately 30 square meters and features the latest video techniques and premium DVD with the experience, the atmosphere and the technique of modern, big cinemas in an unique private setting. It is available 24 hours a day and can also play host to corporate presentations and any kind of television broadcasts.

September 11, 2006 will remain of special importance to the hotel as it is the date when the hotel's quality management system has been certified to DIN EN ISO 9001:2000. The famous hotel in Hamburg is the first German grand hotel with ISO 9001:2000 which is the

standard for quality management systems (QM System) and defines the basic requirements expected in a QM System throughout the world and covering every type of industry. It applies to the processes that the hotel accomplishes its work and meets the customers' requirements.

"The way to certification meant an enormous challenge to us, but at the same time it was a kind of adventure with a lot of things to learn for our daily work and many opportunities to go from strength to strength", says Sebastian Heinemann, Managing Director of the Hotel Atlantic Kempinski Hamburg.

Hotel Atlantic and BMW Group Niederlassung, Hamburg have presented the BMW Suite in an exclusive world premiere. The BMW Suite is located on the third floor of the hotel, directly under the suite known as the 'James Bond Suite', in which scenes from 'Tomorrow Never Dies' were filmed.

The extensive list of prestigious guests includes eminent leaders like Vladimir Putin, the Shah of Iran, Rabindranath Tagore and stars like Michael Jackson, Sean Connery, Kim Basinger, and Madonna to name a few.

The hotel has witnessed shootings of famous films like the James Bond movie "Tomorrow Never Dies" including many German and European films.

Ultimate comfort, perfect service and uncompromising culinary excellence: tradition demands efforts to result in nothing less. The fact that perfection often lies in the little things, even the smallest detail is considered important. ■

Engineering Technology Offers Tremendous Scope for Indo-German Collaboration

India and Germany have been enjoying great bilateral trade ties over the years and Engineering Technology Industry can be one of the major focus areas in which Germany has tremendous strength. **Rajesh Nath**, Managing Director of German Engineering Federation (VDMA), representative office in India, takes us through the significant features for this collaboration in an interview with **Tripti Chakravorty**.



What are the steps that India needs to take to come up to International standards in the Engineering Technology Industry as commanded by the present German market? How can India compete with China which is far ahead?

The Indian Manufacturing sector has huge potential. The growth can be accelerated by favourable government policies, infrastructure development, reforms in labor laws, easing out of bureaucracy and regulatory burdens.

The Manufacturing Industry should leverage on the advantage of low-cost qualified work force. However to be global players and to cater to the international market, issues like productivity and quality have to be sorted out.

Alongside investment in modern technology and best practices in manufacturing, it is also necessary to make products of international standards.

In the automobile components sector, India is seen as a favourable outsourcing destination. We should use this advantage to make the world look favourably at India as a source for machine building and quality production.

The Manufacturing Industry is like a ball which has started rolling. If the government agencies and industry best practices can provide it with a favourable incline, the ball can only gain momentum.

In future, India should develop itself as a hub for advanced manufacturing, requiring engineering inputs and technical skills in comparison to China which has its strength in bulk manufacturing and economies of scale

What are the risks and opportunities that German companies have when investing in the Indian market and vice versa?

Instead of the terminology 'risks' I prefer to mention 'challenges'.

Some of the major challenges faced by German companies in India:

- Approaches to Indian Markets: Whether to look out for Partners or to set up own subsidiary
- Optimal location within the country due to the geographical and cultural diversity
- Flexible concept of time and lack of commitment to time bound projects
- Infrastructure hurdles and logistic challenges
- Bureaucracy, complex taxes and duties structure

Opportunities for German Companies in India

- Availability of qualified technical manpower
- Low-cost production
- Increased requirement of specialized machinery
- Outsourcing and vendor development for global requirement
- Structured legal and patent system

Presently, which are the areas where German Engineering Technology is being put to use in India and how can this gamut be stretched to areas that have not ever been explored before?

There is good demand for German Technology in sectors like Mechanical Power Transmission, Textile Machinery, Machine Tool and Construction Equipment.

The growth in automotive and automotive component industry will trigger the demand in Automation and Robotic sectors. Application of industrial robots will expand beyond automotive industry to sectors such as Steel and Metallurgy, Glass and even heavy engineering.

Due to the government incentive and support, the Food Processing Sector is considered as a sunrise industry. Here, I foresee increased cooperation among German Technology Providers and Indian Industry. This will in turn lead to requirement of better and healthier packaging and improved logistic. Since German Machinery Manufacturers are the world leaders in Packaging

Technology, they can offer the Indian Industry optimal and economical solutions to meet the increasing demand.

Presently, which way does VDMA foresee the future of bilateral trade relations between both countries and what role can VDMA and such organizations play in stepping it up further?

The bilateral trade between India and Germany has been experiencing a dynamic growth in the past few years. It recorded a growth of about 15% to reach 12.07 billion euros in 2007 against 10.54 billion euros in 2006.

In 2007 exports to Germany grew by 13% to reach 4.72 billion euros while imports from Germany stood at 7.34 billion euros which increased by 15.5 %

In future years also, we expect the rising trend to continue.

With around 3000 members divided into 38 industrial sectors, the German Engineering Federation (VDMA) is the largest industrial association not only in Germany but in the whole of Europe.

The Indian office of VDMA acts as a bridge-head between the German Machinery Manufacturers and the Indian Industry. We help our German member companies in identifying Indian partners, be it for manufacturing, service, sales or marketing. On the other hand we support the Indian companies looking for German technology.

Besides this, VDMA is instrumental in participation of German companies in the Industrial fairs in India through the German Pavilion.

We also organize business meets among the German and Indian Industry which helps in closer interaction and enhances the business relation between the two countries in the Industrial sector.

Further there are the bilateral groups which are coordinated by VDMA such as Indo-German Working Group on Coal and Indo-German Energy Forum.

Which are the sectors that Germany is strong in and how can India benefit from it and vice-versa?

The strength of the German Industry lies in the machinery manufacturing industry. The total turnover of the German mechanical and plant engineering sector in 2007 was a whopping 191 billion euros. Out of this more than 77% was exported making Germany the market leader in export of plant and machinery.

The robust growth in India generates substantial demand for modern investment good for manufacture of capital and consumer goods. Looking to the future, this means increased opportunity for imports of plant and machinery. Modern and specialized 'Made in Germany' systems and technology are increasingly finding acceptance in Indian plants for good and high quality products which are suitable for domestic market and the competitive international markets.

In 2006 of the almost 11 billion euros worth of machinery and plants imported by India, Germany was the market leader with a share of 21% followed by China with 13% and Japan with around 10%.

Are there strategic partnerships or technological co-operations between India and Germany with special reference to institutes and universities? How do they translate to the industrial levels?

Although there has been technical co-operation between Indian and German institutes and universities, however there is certainly scope for closer interaction and exchange in the future.

Within the framework of Indo-German bilateral Science and Technology Cooperation (STC), the Federal Ministry of Education and Research (BMBF), Germany, and the Department of Science and Technology (DST), India, there has been an interest to promote project based application oriented / technology development / R&D proposals involving both scientific and industrial partners.

Proposals should help to stimulate new collaborations, e.g. the preparation of joint project proposals supplementing or complementing under national funding programmes as well as European research programmes, wherever mutual interest exists. Proposals can address the preparation of joint research project





proposals, the organization of bilateral (or multilateral) workshops/seminars, exploratory visits of scientists, scientific delegations and composite (scientific and industrial) delegations.

Nodal Implementing Agencies

Department of Science & Technology (DST), Government of India, New Delhi and the International Bureau of the Federal Ministry of Education and Research (IB-BMBF), Bonn are the nodal implementing agencies from the Indian and German sides respectively.

Areas of cooperation

Proposals submitted in national priority areas would be preferred:

- Nanotechnologies, intelligent materials and new production technology (new production processes) and other innovative physical and chemical technologies leading to wide technical and commercial utilization
- Information and communication technologies
- Environmental research and sustainability research
- Disaster and security research
- Other promising fields (depending on the total number of applications received)

Why is German technology sought after worldwide? What is so specific about them?

The most important features of the German manufacturing industry which gives them the cutting edge in technology are as follows:

- Intelligent Products: Future products will provide cognitive aspects and will be able to receive and handle manifold information.
- High Performance: Integration of highly dynamic components into the production facilities and the maximisation of performance, flexibility and quality of the associated production equipment.

- Energy Efficiency: Alternative technologies to generate, distribute and use energy.

- Product Design and Configuration: Product designs with half of the development time and directly resulting in the construction of customer-specific products with highest reliability.

- Adaptive Production: Adaptive production systems

will continuously adapt their structure and configuration to their tasks and environment.

You would agree that the SME sector is the backbone of every economy and therefore cannot be overlooked. How can this sector come together from both the Indian and German sides and rise up to the occasion of further improvement and strengthening?

The Small and Medium Enterprises (SME) play an important role in the economic progress of not only the developing countries but also for the developed countries. This holds true for the manufacturing Industry in Germany and India.

Successful SMEs drive inclusive growth resulting in overall prosperity and balanced development. Certainly, the strength of both German and Indian Manufacturing industries lies in the SMEs.

SMEs sector in India contribute around 38% of the nations manufacturing output and 35% of the exports. Even within the 6000 odd German Mechanical and Plant Engineering companies, predominant are the SMEs.

Further, both German and Indian manufacturing industry boasts of the availability of well-qualified technicians and engineers.

The difference in the Manufacturing Industry in both the countries lie in the economies of scale, investment in research & development and labour productivity. Whereas Germany has one of the highest productivity rates in the World, India lags below the world average in productivity.

However the Indian SMEs are gearing up their technologies and production capacities and are keen to provide a sourcing hub to their German counterparts. An increasing number of Indian SMEs are showing keenness for strategic tie-ups with German firms for technology transfer as well as joint ventures to set up manufacturing facilities in India

Israel Eyes India as Major Trading Partner

Israel and India have had a long, though unofficial, economic relationship until it was openly announced in 1992. Since then, the volume of bilateral trade between India and Israel had grown by 10 folds to about \$4 billion in 2008.

"Israel and India are complementing economies, meaning we do not compete we complete," said Elad Goz, Israeli Consul for Economic Affairs in Mumbai.

"Therefore the Government of Israel has declared India as a preferred partner for increasing trade volume in the coming years," Goz added.

He said Israel is keen on investing resources to assist Indian and Israeli companies forge alliances and joint ventures, especially in the following sectors:

- Water & Environmental Technologies • Renewable

- Energy Resources • Home Land Security • Telecommunications • Bio-Technology • Software • Infrastructure

Israel will continue to support companies seeking to form agricultural and rural development initiatives as well.

"The main obstacle that we encounter is in finding the right local partners for Israeli companies wishing to start operations in India," Goz said. "Israeli companies find it difficult to understand the way the Indian market works, and therefore, need a suitable local partner to assist them," he added.

Goz said that finding a local partner is a difficult task, and "one of our main missions Goz said at the Economic Department of the Consulate General is to assist in this task."

He pointed out that another obstacle is in understanding the Indian laws and regulations, especially those concerning direct foreign investment (FDI) and tariffs.

"We are trying to assist Israeli companies to understand and to overcome these hurdles in order to promote Israeli FDI and exports to India," Goz said.

In a message to Open Trade readers, who comprise diplomatic personnel represented by 23-member countries of the Trade Commissioners' Forum in Mumbai, decision-makers in government and the corporate sector, Goz said: "I would like to stress that Israel sees India as one of our main trading partners, and we look forward to expanding and broadening the great relationship between our countries."



*Elad Goz, Consul, Economic Affairs,
Consulate General of Israel,
Mumbai, India*





High-Tech Israeli Security Systems for India

The Israel Export and International Cooperation Institute (IEICI), established in 1958 jointly by the Israel Government and the private sector bodies as a non-profit organisation. IEICI promotes Israel's industrial exports and exports of services as well as develops trade relations, cooperation and strategic alliances with overseas companies. The 2,600 member companies of IEICI comprise 90 percent of Israel's industrial exporters.

The first India-Israel HLS (Homeland Security) Cooperation Forum, a delegation comprising of 15 leading Israeli companies in the field of Homeland Security Technologies and Equipment, held its meeting place in India in the third week of March 2009. The forum was led by IEICI Chief Executive Officer Avi Hefetz and covered two cities of India, New Delhi and Mumbai.

The forum provided an ideal platform for Israeli security companies to exhibit their advance security systems to the Indian market and also forge new ties by entering into strategic partnership with industry leaders. In a

development that would boost exchange of ideas, expertise and technologies between India and Israel, IEICI has selected Mahindra Special Services Group (MSSG), India's leading Corporate Security Risk Consulting firm, as the Homeland Security (HLS) partner.

This is the first time that a high-level delegation of security companies from Israel, such as Athena GS3, Controp, Elta, Nice Systems and Shiltex visited India to take stock of the present security environment in this country.

"I am confident that with the combined expertise of MSSG and BDO-121, Israeli and Indian companies will achieve new heights of success in business cooperation and mutual benefits," said CEO of IEICI, Avi Hefetz.

Avi Hefetz also said, "This forum is an important business event, intended to further our efforts at promoting industrial cooperation and trade with rapidly developing markets such as India. I am happy to note that our bilateral trade and economic relations have been growing and developing rapidly in recent years. Israel and India share a lot in common and have strong bilateral economic ties. India today is Israel's third largest trading partner in Asia and one of the ten top most country globally. Israel's HLS industry has initiated and implemented state of the art homeland security solutions, based on doctrine, experience and know-how acquired through decades of combating internal security and terror threats. I am confident that with the expertise of MSSG and BDO-121, Israeli and Indian companies will achieve new heights of success in business cooperation and mutual benefits."

He also said, "Israel and India are both suffering from threats of terrorism. And I believe in the utmost necessity and indeed the vital need, to unite all the democratic world's available resources to fight international terrorism. In these times of economic crisis that the world is facing, Israeli and Indian companies should get together and do more and more business. I hope that this delegation is the first of many more initiatives between India and Israel that will lead to new and mutually beneficial business opportunities."

Commenting on the forum, Israel Consul General H.E. Orna Sagiv said "Israel and India will not be competing but will be complementing each other."



Romania

A Reliable Business Partner for India



Casandu Paparoiu
Consul and Trade Commissioner

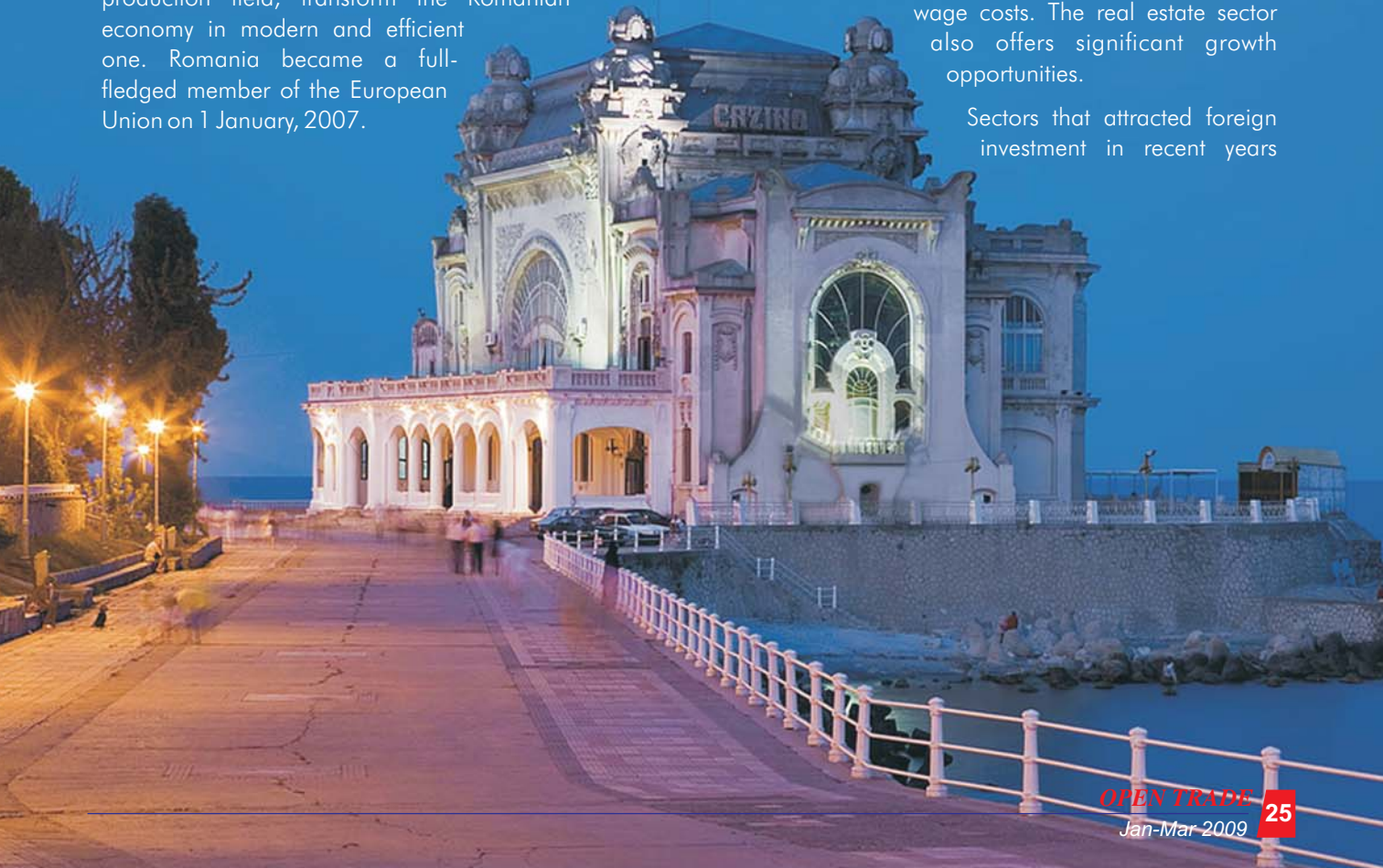
Bilateral trade between India and Romania has been growing at a brisk pace. From a mere \$131.61 million in 2003, Indo-Romanian trade has shot up to \$930 million in 2008, comprising \$610 million worth of exports from India and \$320 million worth of imports from Romania. Privatization and economic liberalization in the last 17 years has made Romania, one of the newest members of European Union, a very attractive destination for foreign investment. Indian companies operating in a variety of fields, including steel, petrochemicals, textiles, pharmaceutical, packaging, IT, property development and tourism have set up businesses in Romania. The total investment of Indian origin is estimated to \$2.1 billion, which is expected further increase in the years to come.

Economy

Romania, a country of 22.3 million population, is one of the fastest growing economies in Europe. During the last 17 years, the Romanian economy has itself radically transformed, from a centralized system to a free market one, competitive in most of its fields. The large program of privatization, together with the investments made in the production field, transform the Romanian economy in modern and efficient one. Romania became a full-fledged member of the European Union on 1 January, 2007.

Manufacturing and engineering are Romania's backbone industries. The country also possesses substantial energy resources and agricultural land. Most sectors of the economy remain under-exploited and offer great potential, particularly manufacturing, agriculture and tourism. The technology sector continues to play an increasingly important role in the economy due to the high level of skill among its workers and rather low wage costs. The real estate sector also offers significant growth opportunities.

Sectors that attracted foreign investment in recent years



include oil and natural gas, automobiles, metallurgy, banking and finance, food processing, heavy engineering, telecommunications, construction and consumer goods manufacturing. Investors have expressed interest in newly privatized industries as well as in green-field projects. Romania's government has reaffirmed its commitment to privatize the remaining state-owned companies, particularly those in energy, heavy industry, pharmaceuticals and utilities.

Setting up Business in Romania

There are no specific investment approvals required for setting up a business in Romania. There is an equal treatment for Romanian and foreign investors. The procedure requires fulfilling certain legal formalities such as getting a judge's approval and registering with the Romanian Trade Register and the Fiscal Administration. At present, in Romania there are more than 200 companies with Indian capital.

Different forms of Business establishment in Romania are:

- Limited liability company (SRL)
- Joint stock company (SA)
- Representative Office • Branch of foreign company • Partnership
- Consortium • Trust • Economic Interest Group (EIG) • European Economic Interest Group (EEIG)
- Societas Europae (SE) • Entities commonly used by foreign investors

Investments

Foreign and domestic investors are offered equal opportunities and equal treatment to invest in Romania. The complex process of privatization and economic reforms of the Romanian economy made it attractive to many renowned companies from all over the world, including India, which found there many investment opportunities, reliable business partners and skillful workforce. The total foreign investments between 1990 and 2006



amounted at Euro 17.2 billion (Euro 9.1 billion only in 2006). It is also good to mention that 78 percent of the investments were made in industry, 11 percent in trade and 9.0 percent in services field. Several Indian origin investments had recently come to Romania in such diverse sectors such as steel, petrochemicals, textiles, pharmaceutical, packaging, IT, property development and tourism. The total investment of Indian origin is estimated to \$2.1 billion.

Taxation

A foreign company is considered to have a permanent establishment in Romania, without a legal presence here, if it has any of the following types of presence in Romania: an office, a branch, an agency, a factory, a mine, land for oil and gas extraction, a building site that exists for a period exceeding six months. The standard profits tax rate is 16 percent.

Free Trade Zones

There are seven free trade zones in Romania, located in Constanta Sud-Agigea (on the Black Sea (including the harbour area), Sulina, Galati, Braila, Giurgiu (along the Danube), Basarabi and Curtici-Arad (on the Romania- Hungary border).

The activities carried out within a specific free trade zone should comply with the list of activities provided by legislation and should be licensed by the administrative authority of the zone. Free trade zones are characterized by a specific customs regime: the customs supervision is limited to the boundary of such areas. Means of transport, products and other goods are admitted into the free trade zones regardless of their country of origin or destination. However, import of goods subject to prohibition under domestic law or under international agreements to which Romania is a party, is forbidden.

Romanian - Indian Economic Relations

India represents one of the most important economic partners for Romania in Asia, a solid market for Romanian goods and an important supplier of many products needed by the Romanian economy. At the same time, Romania and India have already achieved a number of economic projects in various fields such as: oil, petrochemicals, energy, metallurgical industry and others.

Romanian - Indian Trade

	2003	2004	2005	2006	2007
Export	53,55	129,82	272,26	240,85	449,1
Import	78,06	135,73	177,61	216,38	350,1
Total	131,61	265,55	449,87	457,23	799,2

Main Romanian Export Products

Metallurgical products (sheets, pipes, profiles, tubing and casing, drilling pipes, etc), rolling stock materials (monobloc wheels and wheel sets for wagons, etc.), CKD for automotive industry, chemical products (organic and un-organic), metallurgical equipment, components and spare parts for oil and gas industry, machine tools, bearings, pharmaceutical products, synthetic fibers, electric and electronic components, aluminum and aluminum products, paper, etc.

Main Import Products from India

Iron ore and manganese ore, organic chemical products, pharmaceutical products, tabaco, PVC, rubber and rubber products, textiles, optical aparata, mesuring aparata, etc.

Advantage of Location

Romania is situated on the west part of the Black Sea, in Southeast Europe and has an area of 238,000 sq km. Republic of Moldavia and Ukraine border Romania on its east and north, while Hungary and Serbia on its west and Bulgaria on its south.

The country is broadly divided into three regions: the central and northwestern region comprising Transylvania, Crisana, and Banat and encompassing the Carpathian mountains; the southern region comprising the Wallachian Plain with the river Danube forming the country's southern border; and the eastern region comprising the Moldovan Plain. Bucharest is the capital city with a population of more than two million. Other big cities are Constanta, Iasi, Cluj-Napoca, Timisoara, Galati, Brasov and Craiova.

Romania has a continental European climate with warm summers and cold winters.

Population & Languages

Romania has an average density of 91 inhabitants per sq. km. and a population of 22.3 million, 91 percent of whom are ethnic Romanians. Minorities include Hungarian (6.7 percent), Roma (1.1 percent), German (0.2 percent), and Ukrainian (0.3 percent). Romanian is the common language used throughout the country. In the northwest and central regions, Hungarian and German are also spoken. Under recent Constitution amendment, ethnic minorities are allowed to use their mother tongue in certain circumstances (e.g. in court).

Useful Addresses:

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E-mail: office@traderom.ro

Website: www.traderom.ro

Romexpo S.A. (organizer of the local and international exhibitions)

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Russia to Invest \$550 bn on Transportation During 2010-15

Russia will invest almost \$550 billion on its transportation system between years 2010 and 2015 in order to step up trade turnover by five to 10 times.

The investment program is the biggest ever adopted by the Russian government. Prime Minister Vladimir Putin said Russia's underdeveloped infrastructure is a drag on the country's economy.

"Russia carries only one percent of trade turnover between Europe and Asia, while experts say this could be five or even ten times more. Thus, it is vital to move from just maintenance of Russia's transportation system to its development," Putin said.

Being a strategic partner of India, Russia pays great attention to the development of bilateral relations. The volume of trade between to countries is to reach \$10 billion by 2010.

One of the most vital projects is Eurasian transport corridor "NORTH-SOUTH". It provides the transportation in the meridian direction and connects countries of the North and North-West Europe with

Caucases, Central Asia, Persian Gulf and Indian Ocean countries. Some parts of the Eurasian transport corridor "NORTH-SOUTH" coincides with the Pan European corridor No 9.

Exploitation of this corridor will reduce time and expenses of the freight transportation comparing to traditional sea routes through the Suez Channel. In medium-term prospect international freight traffic on this corridor will increase in volume up to 10 million tonnes. Corridor starts at the Russian-Finnish border then through Saint Petersburg and Moscow goes to Caspian seaports (Astrakhan, Olya and Makhachkala) and to the border with Azerbaidzhan (Samur). Afterwards cargos are transported by Caspian Sea and by railroads of the other countries to Iran, Persian Gulf and India and neighbouring countries. There is a branch of the main route going through Astrakhan to Kazakhstan. A Joint deep-water system of the European part of Russia including main river ports is also the part of the corridor.

According to the programme "Modernization of the transport system of the Russian Federation (2002-2010)" the volume of investments into the development of the Eurasian corridor NORTH-SOUTH on the territory of Russia will be over \$6.4 billion.



INFRASTRUCTURE

RUSSIA

Railways:	Total: 87,157 km broad gauge: 86,200 km 1.520-m gauge (40,300 km electrified) narrow gauge: 957 km 1.067-m gauge (on Sakhalin Island) note: an additional 30,000 km of non-common carrier lines serve industries (2004)
Highways:	Total: 537,289 km paved: 362,133 km unpaved: 175,156 km (2001)
Waterways:	96,000 km note: 72,000 km system in European Russia links Baltic Sea, White Sea, Caspian Sea, Sea of Azov, and Black Sea (2004)
Pipelines:	condensate 122 km; gas 150,007 km; oil 75,539 km; Refined products 13,771 km (2004)
Ports and harbors:	Anapa, Kaliningrad, Murmansk, Nakhodka, Novorossiysk, Rostov-na-Donu, Saint Petersburg, Taganrog, Vanino, Vostochnyy
Merchant marine:	Total: 1,194 ships (1,000 GRT or over) 4,521,472 GRT/5,505,118 DWT by type: barge carrier 1, bulk carrier 45, cargo 767, chemical tanker 20, combination ore/oil 48, container 21, passenger 11, passenger/cargo 8, petroleum tanker 213, refrigerated cargo 46, roll on/roll off 12, specialized tanker 2 registered in other countries: 326 (2005)
Airports:	2,586 (2004 est.)
Airports - with paved runways:	Total: 577 over 3,047 m: 55, 2,438 to 3,047 m: 197, 1,524 to 2,437 m: 128, 914 to 1,523 m: 98, under 914 m: 99 (2004 est.)
Airports - with unpaved runways:	Total: 2,009 over 3,047 m: 14, 2,438 to 3,047 m: 30, 1,524 to 2,437 m: 111 914 to 1,523 m: 257, under 914 m: 1,597 (2004 est.)
Heliports:	36 (2004 est.)
Electricity - Production:	915 billion kWh (2003)
Electricity - production by Source:	fossil fuel: 66.3% hydro: 17.2% nuclear: 16.4% other: 0.1% (2003)
Oil - production:	8.42 million bbl/day (2003 est.)
Oil - consumption:	2.31 million bbl/day (2003 est.)
Oil - exports:	6.11 million bbl/day (2003)
Natural gas - Production:	578.6 billion cu m (2003 est.)
Natural gas - Consumption:	405.8 billion cu m (2003 est.)
Natural gas - exports:	171 billion cu m (2003 est.)
Telephones - main lines in use:	35.5 million (2002)
Telephones - mobile Cellular:	17,608,800 (2002)
Agriculture - products:	grain, sugar beets, sunflower seed, vegetables, fruits; beef, milk
Industries:	complete range of mining and extractive industries producing coal, oil, gas, chemicals, and metals; all forms of machine building from rolling mills to high-performance aircraft and space vehicles; defense industries including radar, missile production, and advanced electronic components, shipbuilding; road and rail transportation equipment; communications equipment; agricultural machinery, tractors, and construction equipment; electric power generating and transmitting equipment; medical and scientific instruments; consumer durables, textiles, foodstuffs, handicrafts
Industrial production growth rate:	6.4% (2004 est.)

India-Singapore

Jvs in Industry & Trade A Case of Perfect Synergy



Reginald Wee, Regional Director (South Asia), International Enterprise Singapore, sees great two-way investment opportunities existing between India and his country. A highly developed City-State, this global hub has expertise in every field and resources to meet India's needs in diverse fields ranging from infrastructure to pharmaceuticals and healthcare. It is a case of perfect synergy between two nations.

How do you look at the Indian infrastructure scenario and the investment opportunities that it offers?

With India requiring significant investments in infrastructure in the coming years, we see many opportunities for Singapore investors and developers to work with India in projects such as building of ports, airports, industrial, residential and commercial infrastructure to drive India's next stage of growth.

Could you give us details about your own country's infrastructure scenario, strengths and ability to participate in India's infrastructural development?

Singapore is one of the best-connected countries in the world, with efficient and reliable sea, air and telecommunications links contributing to its pro-business environment. Singapore continues to retain her position as the world's busiest port, with container traffic for 2007 hitting 27.9 million TEUs (twenty foot equivalent units), a

12.7 percent increase from 2006. The Singapore Changi Airport is recognized as one of the best airports in the world with over 250 awards under its belt, and 80 airlines serving over 180 cities in more than 50 countries. Singapore also has sound telecommunications infrastructure in place, with facilities such as internet, telephone and fax easily accessible to businesses and individuals.

With India requiring expertise in infrastructure to meet its economic demands, and Singapore companies having strong capabilities in building of industrial estates, airport and seaport facilities, we see great synergy and potential for collaborations in these areas.

Some examples of existing collaborations between Singapore and Indian companies include the following:

- Changi Airports International engaged by Bengal Aerotropolis Projects for a Technical Services Agreement in India's first privately owned airport, part of the US\$2.5

billion Durgapur Aerotropolis in West Bengal. (Feb 08)

- Sembcorp Marine invests S\$29M for a 3.31% stake in Pipavav Shipyard in Gujarat. (Oct 07)
- APL launched a container freight rail service connecting Delhi and Mumbai. The service, APL IndiaLinx, is a joint venture between APL and Hindustan Infrastructure Projects and Engineering (May 07)
- Ascendas signs two joint venture agreements with Maharashtra Industrial Development Corporation (MIDC) and Maharashtra Airport Development Company (MADC) to develop two IT parks in Pune and Nagpur respectively. (Apr 07)
- ST Airport Services forms a JV in Mar 07 with Bharat Petroleum Corporation to provide refueling services at the future Bangalore International Airport (Mar 07)

What are the areas your country/entrepreneurs could identify as opportunities?

Some opportunities for collaboration between Singapore and Indian companies include the development of infrastructure services (e.g. airports and ports), transport and logistics linkages, development of residential townships, commercial and office space, manufacturing of industrial products and retail.

Besides offering assistance to Singapore companies that are keen to venture into India, we [International Enterprise (IE) Singapore] also welcome Indian companies which are seeking possible collaborations with Singapore companies to approach us. Currently, Singapore has three overseas offices in India Chennai, Mumbai and New Delhi. More information can be found

on our website www.iesingapore.com

Infrastructure is essential for manufacturing activity and these are two sides of the same coin. India's vast and diverse manufacturing activities range from cement to steel, from chemicals to pharmaceuticals. Please give us your own country's strengths in the areas of manufacturing and in which of these that your country/entrepreneurs are keen to participate in joint ventures?

Manufacturing accounts for about one-quarter of Singapore's GDP. Some of her key strengths include precision engineering and electronics manufacturing (for example the telecommunications and automotive sectors). Singapore is also a petrochemical and pharmaceutical manufacturing hub, presenting many opportunities for collaborations between Singapore and Indian companies.

For instance, Singaporean-based precision engineering companies such as Juken, First Engineering and Makino Asia have manufacturing operations in India to support the automotives components and electronics manufacturing operations there.

India's requirements are vast in telecommunication services, considering its population of one billion plus and the great spread of its cities and villages. And this requires vast infrastructure. What kind of participation your country will be interested in this crucial sector?

Singtel, together with Bharti Telecommunications, jointly developed a 3,100-km cable link between Singapore and India, which began commercial operations in 2002.



This is just one example of possible collaborations between Singapore and Indian companies in this sector.

India is already a leader in IT and IT-Enabled Services. This is an area where India can offer joint venture opportunities. This again calls for huge infrastructure as well as participation of many players. What kind of role your country would like to play in this regard?

Singapore boasts over 90,000 sq m of data centre space offering world-class security for business continuity and disaster recovery, server and data centre consolidation and data storage services. There is potential for Indian IT companies to locate offshore data and recovery centres in Singapore due to its close proximity and extensive linkages.

On the other hand, given Singapore's multi-cultural and vibrant landscape, Singapore speaks the language, knows the culture and understands the economics of the market in India. In addition, with Singapore's infocomms industry extensive experience with markets throughout Asia, Singapore companies are able to share relevant experiences and better engage their partners in the region, which includes India.

Yet another area concerns financial services, from banking to merchant banking in order to raise the required capital from domestic and international markets. Where does your country fit in?

Singapore is one of the Asian leaders in the financial sector, with a strong local bank base complemented by a number of foreign banks regionally headquartered here. There are more than 700 financial institutions in Singapore.

There is potential for Indian companies seeking a dual listing to raise funds through an IPO on the Singapore Exchange. With the recent listing of the Ascendas India Trust, Singapore is looking to encourage the development of India-centric infrastructure and property REITS to raise funds in the country.

There are certain segments of industry in which India is emerging as a global manufacturing hub. These include pharmaceuticals, automobile components, R&D in biotechnology, among others. Which of these areas will interest your country?

We see opportunities for collaboration between Singapore and Indian companies in the area of manufacturing, including electronics and precision engineering, as well as pharmaceuticals.

Healthcare and medical tourism go with the



development of pharmaceuticals industry and India has emerged as leader in this regard. Could you talk about your own country's interest in this field?

With Singapore being one of the world's leading pharmaceutical locations, Singapore healthcare products are increasingly in demand beyond our shores. In particular, domestic exports of pharmaceuticals has increased its share of total Singapore exports from 9.9% in 2005 to 11.3% in 2006. Within the pharmaceutical sector, exports jumped 24% to almost S\$19 billion in 2006, as compared to 2005.

Among the strengths of Singapore healthcare products companies include quality manufacturing (i.e. stringent quality management, universally recognized certification standards), having unique patented formulations or ingredients based on R&D, and strong clear product branding.

For Singapore healthcare product companies who are keen to venture into India, some areas of collaboration in which they are seeking with Indian companies include those with whom they can tie up as distributors, agents, manufacturers, retailers, and/or build partnership or to OEM in own private label.

In general, would your country be a partner in India's progress and benefit from it at the same time?

India is one of Singapore's key trading partners, with total trade of S\$23.9 billion in 2007. It is also Singapore's fastest growing major trader partner with total trade growing at 19.8 percent from the year 2006 through to 2007. Beyond trade, we see many other areas of collaboration which Singapore and Indian companies can enjoy synergy in, as mentioned some of the replies above. ■



Two-way Investment Key to Further Strengthen Indo-Swiss Trade Ties

- Fabian T. Stiefvater

Right at the outset, Open Trade Magazine salutes **Fabian T. Stiefvater**, for his courage of conviction in taking up his new assignment in Mumbai as Director, Swiss Business Hub India, despite security

concerns and the advice to delay his arrival in the wake of the November 26 terrorist attacks on the city. "We decided to come in order to send a strong message that we stand in solidarity with the victims and people of India," he says in an interview with **Satya Swaroop**, Managing Editor, New Media. Stiefvater also talks in detail about the challenges and opportunities that the emerging Indian domestic market offers to Swiss companies. As India and Switzerland celebrate the 60th anniversary of their friendship treaty, Stiefvater calls for two-way investment to further strengthen it. He says that while in terms of export promotion Swiss SMEs are increasingly focusing on the emerging Indian market, it is crucial for Switzerland to overcome its picturesque holiday image and to more actively promote its competitive business advantages as the prime location for European headquarters. Excerpts.

What was your motivation for moving from Switzerland to Mumbai?

It's the challenge of India's emerging economy and the exciting opportunities that the Indian market offers for export driven Swiss companies. While growth opportunities are limited in the traditional, well developed markets, the emerging Indian market will be one of the most important battlegrounds in the years to come. It's the dynamic of Indian economy which is fascinating me and the exciting challenges Swiss investors are facing in terms of market entry, risk management and cultural differences. Last but not least the motivation to come here relates to my passion for India and my genuine interest in Indian culture - which is a precondition for feeling comfortable in daily Indian routine and workaday life. I travelled numerous times throughout India and India has in the meantime become my home.

Arriving in Mumbai in the aftermath of the terrorist attacks: Did you ever regret your decision to move from safe Switzerland to Mumbai?

There is no longer such a thing as a safe place. Be it London, New York, Mumbai or Zurich anything can happen anytime. Despite security concerns and recommendations to postpone our arrival we decided to come in order to send a strong message that we stand in solidarity with the victims and people of India. Mumbai is generally safe and I feel privileged to have the opportunity to live in such a vibrant and exciting place.

What are your priorities to strengthen the business ties between the two countries?

In times of credit crunch and recession of US and European economy, it is crucial for the export depending Swiss industry to partly compensate the decrease in demand in the traditional markets by focusing on new emerging markets such as the Indian. Once it was all about cost saving and leveraging, now, it is about growth and the potential offered by the strong domestic Indian market. While the majority of big multinational Swiss firms are already playing an active role and successfully doing business with India, the focus of the SBH India is against the background of export promotion to strengthen the business ties between small and mid-sized Swiss and Indian enterprises (SMEs). Hence, in terms of export promotion our main focus is to facilitate and improve the access to the Indian market for Swiss SMEs and to support their ability to successfully compete at international level.

What is Switzerland's concept in terms export

and foreign trade promotion?

Under the roof of OSEC (the official Swiss export, import, investment and location promotion agency) the SBH India together with its network of expert partners and consultants supports SMEs in their efforts to successfully penetrate the Indian market. OSEC can draw on an extensive network of expert partners ("Pool of Experts") in the field of foreign trade in Switzerland and abroad. The online database www.PoolofExperts.ch offers with more than 400 experts worldwide a quick and easy support for Swiss SMEs in all aspects of internationalisation. The interested SME can select an expert based upon country-, market- and functional competencies. As for export promotion our main priority is to render together with our Pool of Expert Members efficient and effective high quality consulting services. Within Switzerland OSEC cooperates with Cantonal Chamber of Commerce and other industry organisations and offers its services to export focused SMEs. Swiss companies seeking export advice for India can either contact us directly or indirectly via their local OSEC consultant. OSEC and the SBH are using a transparent "Export Step-by-Step" consulting concept (initial information, basic consulting and detailed consulting). Typical areas of expertise include services such as:

- Market research and analysis as well as market clarification (market check)
 - Identification of business opportunities by industry sectors (business opportunity check)
 - Identification of qualified business partners (business partner check and mediation)
 - Evaluation of opportunities to promote SMEs (promotion check)
 - Organisation and coordination of visits in the target market (experience check)
 - Initiating and coordination of trade fair participation (Swiss Pavilion)
 - Information gathering regarding public tenders
- One of the SBH's main goals for 2009 is to cultivate and extend our existing network of Pool of Experts.

What are the pitfalls Swiss SMEs are today facing in India?

In order to manage risks in emerging markets effectively, it is crucial to understand the local market and its sectors. Local expertise is critical in order to find the right business partner and to develop strong local relationships. To understand local laws, regulations, cultural aspects and usages is a precondition for doing successful business with India.

While the big Swiss multinationals are mainly operating

their Indian business through 100 percent subsidiaries, many of the Swiss SMEs rely on joint ventures or mere contractual collaboration with Indian partners (e.g. distributorship agreement). Joint ventures can be risky if the partners have different objectives or if there is an imbalance in levels of expertise, investment or assets brought into the joint venture by the partners. It takes time and effort to build the right relationship and there are numerous examples of successful joint ventures between Swiss and Indian firms. However, before setting up a joint venture it is crucial to make sure that the services or knowledge of interest can not be bought through an arm's length contract (i.e. without sharing ownership). Against the background of how costly and difficult an exit can be joint ventures should be the last resort. In terms of content of a joint venture agreement it is decisive to have a simple and clear exit provision as well as incentive provisions penalizing non-cooperation. Against the background of adverse future impacts non-competition clauses need to be carefully drafted. What nowadays becomes more popular, are flexible joint ventures with a limited life span only covering limited commitments in certain areas of collaboration.

What needs to be done in order to improve the investment climate in India?

An important step towards a more investor friendly environment was the conclusion of a Memorandum of Understanding on Intellectual Property Rights in August 2007 and the launch of negotiations for a broad-based agreement on trade and investment between India and the EFTA countries. Even though investment climate in India has improved significantly over the last years, Swiss firms doing business in India are facing according to a survey conducted by SECO (Swiss State Secretariat for Economic Affairs) the following main obstacles:

- Tariff barriers (customs duties, taxes etc): High import duties for certain products
- Non-tariff import barriers: Import procedures, administrative burden, bureaucracy etc
- Intellectual property rights: Protection of trade marks and patents
- Rigid labour laws
- Difficulties in public tender / procurement
- Taxation: Transfer pricing rules

What are your priorities in terms of location promotion following the 60 years' of Indo-Swiss friendship treaty celebration?

As a result of India being one of the fastest growing emerging markets, Indian companies have in the past years significantly increased their presence in Switzerland. At a time when more and more Indian firms

Fabian Stiefvater has been appointed as Counsellor and Managing Director of the Swiss Business Hub in India and is in this capacity responsible for export and location promotion. He is a Swiss Certified Tax Expert and has a Master of Law from the University of St. Gallen (HSG). He formerly worked as tax consultant for a Swiss law firm and an international consultancy firm. His extensive practical experience includes tax advice for SME's, multinationals and private equity firms in the field of corporate restructuring, mergers & acquisitions, international tax structuring, reorganisation and relocation as well as supply chain management.

are internationalizing their activities, Switzerland is of course very keen of being a partner of Indian companies seeking to invest in Europe. Our focus in terms of location promotion is to more actively promote our business advantages and to create awareness that Switzerland is a prime headquarter location in Europe. According to a report of the consultancy firm McKinsey, Switzerland does not get the right message across in Asia. While in general the perception of Switzerland is a definitely positive one, most Asian decision makers do not perceive Switzerland as a prime business location but more as a tourist destination. Many Indians still have a Bollywood image of Switzerland but do not have the awareness of the competitive advantages Switzerland offers for European headquarters.

This is in contrast to the fact, that more and more multinationals are choosing Switzerland as the place to establish their International Headquarters or Principal Companies. Besides social and political stability, first-rate infrastructure, high quality of life, high productivity and highly skilled labour force, competitive business environment and flexible labour law Switzerland offers traditionally low taxes - one of the key reasons for having attracted more than 180 multinational firms in the past decade. In 2009 we will tour across India with interesting events such as investor seminars, CEO roundtables, ambassador's breakfast, trade shows, networking events and roadshows in order to be in a position to tap the full potential. According to the McKinsey Report, at least 1,400 Asian companies are looking to establish operations and headquarters outside of Asia. It is our goal to attract more than 120 regional headquarters in the next ten to fifteen years. ■

Vietnam

Land of Opportunities



The bilateral trade between India and Vietnam crossed over US \$3 billion in the last financial year and is expected to grow substantially this year as well, said Nguyen Viet Hung, Consul General, Socialist Republic of Vietnam in Mumbai to Open Trade Magazine. He forecasts the Vietnam GDP to grow at the rate of 6% during the current financial year.

The 'doi moi' economic reform agenda championed by the Communist Party of Vietnam since 1986 has brought considerable material gains for the wide majority of the population. No shift is expected in the government's economic reform agenda, which will continue to support economic activity.



Vietnam has been importing mainly chemicals, machinery, equipment, pharmaceuticals, healthcare products etc. while India has been importing rubber, electronic components, agriculture products etc.

Mr. Hung feels, that there exists a tremendous potential between both countries and trade and commerce can grow manifold. He feels tourism is another major area of growth which is yet to be tapped as there is an absence of direct connectivity by air route; one has to travel via Thailand from India.

The visit of the Prime Minister of Vietnam in July 2007, further cemented the relation between the two countries.

Mr. Hung further added that, he and his team were here to support and facilitate any company wanting to set up an office in Vietnam as Vietnam has a very conducive Foreign Direct Investment (FDI) policy.

H.E. Nguyen Viet Hung likes India and has served in New Delhi and Mumbai for two terms. He is fascinated with the rich cultural heritage that India possesses and says that Indian food is in his blood. He further adds people of Vietnam feel proud to be friends of India.

Vietnam's Ha Long Carnival Bonanza

In order to attract the tourists to Vietnam, Ha Long Carnival has been scheduled from April 25 to May 2, 2009. It promises to satisfy both domestic and foreign visitors of the various unique cultural and tourist products. The opening and closing ceremonies, two major live shows of the carnival, will comprise special and magnificent art performances on a floating stage at the Bãi Cháy Ferry. The closing ceremony on May 2 will feature a fireworks show.

Both tourists and local residents will have numerous opportunities to join many activities.

In the fanciful and splendid atmosphere of Ha Long Bay by night, the 'World Cultural



Heritage Rendezvous, show will combine domestic and international art performances, presented by artists from Vietnam, Republic of Korea, China, Laos and Thailand.

In addition, national and foreign guests will be introduced with traditional Vietnamese music, including royal music and gong performance of the Central Highlands.

There will be gastronomic festival, sports competitions and business fairs.



Assam's Technology Mission Achieves Amazing Results; Boosts Farmers' Incomes

Horticulture Poised for Spectacular Growth

By Md. Sabir Nishat



Assam, a lush green land of rolling hills and fertile valleys, is also endowed with ideal agro-climatic conditions conducive to the growth of horticultural crops such as fruits and vegetables, besides a variety of spices.

Realizing the immense potential for horticulture, the State Government has created a strong production base of around 31,000 hectares of land for high-value commercial crops such as pineapple, banana, orange and coconut, besides spices such as turmeric, ginger, pepper and chilly.

More importantly, the Government of India has set up a "Technology Mission for Integrated Development of Horticulture," under which an area expansion programme has been drawn up to further boost the cultivation of horticultural crops in order to develop the food processing industry in the State.

As a result of the mission intervention, production of horticultural crops has increased, and especially in the case of black pepper and ginger, a substantial marketable surplus has been created.

A spectacular growth rate achieved in case of vegetables, with the area under their cultivation rising by 13.86 percent and production and productivity shooting up by 58.48 percent and 30.19 percent respectively.

Cashew nut is also gradually emerging as major crop to augment farmers' income. The area under its cultivation has zoomed to 2,200 hectares from just 50 hectares before the mission's intervention.

Realizing that provision of seed and nursery facilities is of utmost important feature of horticultural growth, the Assam Government has facilitated the setting up of 87 public and private sector nurseries across the State.

Development of infrastructure for training is the next priority. Hence, centres for training supervisors, gardeners have been set up. A Leaf Analysis Laboratory and Plant Health Clinics are being developed.

Preservation of produce is as important as the production itself. During the Mission period, 11 cold storages have either been set up or their capacity expanded resulting in a total cold storage capacity of 61,420 tonnes across the State.

Then comes the crucial issue of marketing. Infrastructure in 25 rural markets dotting the State has been developed and strengthened along with two large wholesale markets.

Most modern commercial concepts of Public-Private-Partnerships, Contractual Farming, Buyer-Seller meets etc., are fast catching up among the parties concerned. These have led to success stories in case of potato, vegetables and commercial floriculture.

The drive to boost horticulture in Assam has led to thousands of farmers getting trained either in or outside the State in premier horticultural institutes on the latest frontier technologies.

Already five processing units have been set up with the support from the Ministry of Food Processing Industry and more units are in the pipeline.

Overall, the Technology Mission on Horticulture has covered more than 53,000 farmers across the state, boosting their incomes substantially. And more farmers' families are expected to be benefited in the future.

Alongside horticulture, floriculture is also emerging as a fast growing sector in Assam.

Assam Goes Organic, Plans Exports in Big Way

After the export of organic Joha rice produced in Assam to European markets, the Assam State Agricultural Department is going in for organic farming in a big way.

The first consignment of 17.5 metric tonnes of organic Joha rice was shipped through the Amingaon inland container depot on the outskirts of Guwahati on May 3 last year.

The Karbi Anglong district, known for its fertility, has already been identified as an organic zone. "The process is on to declare Karbi Anglong district as an organic zone," says Minister for Agriculture Pramila Rani Brahma, who is on a mission to promote organic agriculture in a big way at a time when researchers have found out that organic food is more nutritious than ordinary produce and helps to lengthen our lives by cutting the risk of cancer and heart disease.

Organic agriculture is knowledge rather than resource-intensive, says Brahma, adding, "Much of the required knowledge and techniques are already available with traditional farmers. ITKS or indigenous traditional knowledge systems are at the very core of organic farming. The Indian Council of Agricultural Research has conducted trials and validated many of these ITKS. Traditional knowledge has thus entered the realms of agricultural science."

Organic farming promotes indigenous varieties of seeds rather than hybrids, so that the farmer is not dependent on seed marketing companies a major savings. Women play a crucial role in the selection and preservation of seeds. The popular myth that organic farming leads to lower yields has been exploded by trials conducted worldwide, including India.

The Tamil Nadu Agricultural University's study on organic cultivation of green chilli found it produced better yields and quality. Likewise, the University of Agricultural Sciences, Dharwar, Karnataka found more viability in organic cultivation of groundnut. Ditto French beans. Punjab Agricultural University studies found use of organic inputs produced better rice yields. As

Agriculture Officer attached to Brahma, Mowsam Hazarika, points out, "It is in rainfed agricultural systems that organic farming produces consistently better yields. In Green Revolution areas, too, there is no diminishing of yields."

Even the World Bank admits: "Farmers in developing countries who switch to organic agriculture achieve higher earnings and a better standard of living, according to a series of studies conducted in China, India and six Latin American countries by the International Fund for Agricultural Development (IFAD)."

Tankeswar Rahang, a small orange farmer of Sonapur in Kamrup (rural) says, "We do not use chemical fertilizers nor chemical pesticides as they harm the quality of our produce. It is through organic methods that we have been able to make our harvest better, with no pests or diseases."

All over the country, groups of small and marginal farmers are coming together to form organic farming collectives. Through NGOs or government agencies, they are getting their farms certified as organic, thus opening up markets in India and abroad.

Cultivation of mango in Assam, with its warm, humid climate during summer and cold, dry winter is not considered suitable for growing the fruit. Besides, rampant attacks by pests and insects often decimate the ripened fruit. But that has become passé now, with the farmers eyeing it as a commercial proposition against the backdrop of a slew of initiatives that have brought in food processing units to the state.

Says Hazarika, "With the coming up of the pickle industry, that requires huge quantities of raw mangoes, farmers can now reap in additional income by taking up mango cultivation commercially. Even its production in the traditional household gardens can bring extra income if the raw mangoes are supplied to the new units."





Nearly 5.95 lakh hectares of land is under horticulture cultivation, comprising about 15 per cent of the gross cropped area. Assam produces an estimated 34,000 tonnes of mangoes every year. However, most of it is sold raw

and the bulk finds its way to the unorganized pickle sector. But now, with the coming up of two pickle units, including Nilon's, which has already commissioned a plant at Dalgaon in Darrang, 120 km from Guwahati, there is ample scope for the fruit and the farmers.

"This plant needs a huge quantity of mangoes, besides other fruits and vegetables. This year, we have procured only 5,000 tonnes of raw mangoes, but the word is spreading and inquiries are pouring in from farmers," says Deepak Sanghavi, Managing Director of Sanghavi Foods Pvt Ltd, a wholly-owned subsidiary of the Rs100-crore Nilon's Enterprises. Nilon's has a 25 per cent stake, which is the highest in the country's organized pickle sector.

Sanghavi has also entered into an agreement with an NGO, Assam Unnati Sabha, to go for contract farming, to ensure that his unit gets a continuous flow of raw materials, including mangoes, papayas, turmeric, ginger and lemon. Nilon's has supplied seeds and technical knowhow to the Assam Unnati Sabha to grow over 30,000 papayas in Tinsukia district, which will benefit 25 educated unemployed youth. The company will procure the entire crop from the NGO for producing tutty-frutty that the cake industry requires.

On top of it, two other food processing units have also come up in the State with the Government's Horticulture Technology Mission giving them incentives to the tune of Rs 4 crore. One of these has already started functioning, producing potato chips under the brandname Kishlay by procuring potatoes from the local farmers. It is learnt that three more units are in the pipeline.

An organic food supermarket, the first of its kind in the North East region, will come up at Panjabari in Guwahati in a sprawling three bighas of land at an estimated cost of Rs 10 crore. The three-storied swanky supermarket will also house a laboratory, cold storage, a greenhouse, a conference room and stalls selling everything organic, from tea to fruits to vegetables.

"All the products will be tested for quality at the in-house laboratory before they are up for sale," says Brahma.

Besides storing organic products from local farmers, the market will have organic produce from outside the State. As of now, the market will cater to the demands of local consumers. "Depending upon production, we will explore the possibility of looking beyond the borders by turning the market into a major export centre for organic produce, says Brahma.

Another organic market at Beltola in Guwahati is on the anvil. Meanwhile, the Assam Government has prepared a district-wise list of thrust crops under the horticulture mission, which includes banana, pineapple, ginger, potato, lemon, litchi and cashew nut. Reviving the traditional belt of orange around Sonapur of Kamrup, eastern part of Tinsukia, Nagajanka area of Jorhat, Jatinga of North Cachar Hills has also been already initiated under the Horticulture Technology Mission. "For the benefit of ginger growers of Karbi Anglong, Tinsukia and other districts, we have already set up an Agri-Export Zone for ginger," says Brahma, who has set her eyes on achieving 2 per cent annual growth in the agricultural sector involving 27 lakh farm families during the 11th Plan by stepping up farm mechanization and other scientific agricultural practices. "As the task for achieving 2 per cent annual growth is a challenging one, I earnestly appeal to the youth to come forward and contribute their mite towards ushering in a Green Revolution in Assam," she rounds off.

Assam's Horticulture: Investors' Hot Favourite

By Dr. Harshajyoti Barooah



A look at horticultural scenario in Assam gives a picture of tradition, diversity and immense potential. Assam's horticulture sector is endowed with almost the vastness of tropical world horticulture. This contributes to its uniqueness of accommodating a de range of fruits, vegetables, flowers, spices, tuber crops, nut crops, medicinal & aromatic crops besides the hidden world of mushroom and honey bees. It is a breeders' paradise, it is a doctors' nutritional prescription, it is traders' basket, it is florists' dreamland, it is architects' landscape and the list goes on and perhaps finally ends at a point where the prospective investors may like to describe this sector as Assam's sleeping giant.

Popular Major Fruits

What investors in horticulture need primarily are products of quality from farmers; they need new areas or crops to explore; they need consistency in supply at subsequent phases. Now, before going in to other aspects, it has become necessary to assess whether this primary requirement can be fulfilled by Assam. As regards fruits, perhaps no other State can claim as having so many varieties in its basket or match what Assam can offer as choice. The list contains banana, pineapple, orange and so many citrus fruits like Assam lemon, round lemon, Satkora (citrus macroptera), guava, litchi, mango, papaya,

jackfruit, plum etc. Another important asset of Assam's fruits world is that any crop like banana or citrus is not confined to a single variety. The banana in Assam is a unique variety having at least 10 plus variations, each having its own appearance, flavour, taste and unique organolaptic qualities. The orange sector in Assam is now regaining its past glory after years of setback due to citrus decline phenomenon. Assam exported oanges valued at Rs. 3.60 crores during 2007. The citrus world of Assam is fascinating with many commercial species. It may be mentioned that parts of Assam and Meghalaya re under the world citrus belt.

Exotic Minor Fruits

When the list of common fruits ends, another appears which contains more than 15 fruits which are termed as minor. These fruits are unique in taste, appearance, food value and medicinal properties. They are the crops like carambola, olive, amla, fig, amora, leteku, ponial, thereju, bael, etc. and the list contains many other unfamiliar names but can be familiarized commercially due to their nutritional, medicinal and value addition qualities.

Grandma's Prescriptions

Indigenous nutritious minor fruits of Assam are an indication of strength of horticultural biodiversity. A large number of them were part of grandma's prescription when some one was ill in our old days. Carambola juice, preserved round lemon, amla pickles etc. are still an integral part of common Assamese kitchen. But





they are the products now being targeted by Multi National Companies (MNC) to develop further with commercial blending. Let us see what some of these products have to project.

Carombola or Kordoi: The fruits are rich sources of reducing sugar, ascorbic acid, minerals such as potassium, calcium, magnesium, phosphate with rich Vitamin A content. They have high medicinal value and can be used for preparing squash and pickles.

Wood apple or Bael: Its pulp contains protein, fats, minerals, carbohydrates, carotene, thiamine, riboflavin, niacin and Vitamin C. Pulp can be used for preparing squash.

Passion fruit or Kothbael: The fruit juice derived from pulp is good source of Vitamin A, ascorbic acid, riboflavin, niacin and has high mineral content. Juices are becoming very popular in the country and abroad.

Amla or Amlokhi: The highly nutritive fruit contains Vitamin E and can be used for preparing sauce, candy, dried chips, tablets, jellies, pickles. The fruit has many medicinal properties.

Hogplum or Amora: These fruits are rich source of Vitamins and ideal for delicious pickles.

Sapida or Leteku: It is a highly juicy fruit with acidity and sugar.

Jack fruit or Kothal: Assam is the highest producer of jackfruit in India. The fruit contains protein, ascorbic acid and besides Vitamin A, thiamine, riboflavin, Vitamin C and minerals like Ca, P, Fe and K. It has high demand as vegetable on fruits and for uses like ice-cream and pectin extraction.

Garcinia or Thekera: Its Vitamin C content is high. Slices used for preparation of dishes.

Dillenin indica or latenga: Excellent jam can be prepared and it is a rich source of protein and Vitamin C.

Olive or Jolphai: Ideal for preparing pickles and olive oil. A very good source of calcium, phosphorus, iron, A-carotene, Vitamin B, & niacin.

Fig or Dimoru: Fresh Fig contains protein, calcium, iron, Vitamin A and Thiamine. It grows wildy in Assam.

Flacourtia or Ponial: It is a rich source of protein Vitamin C, phosphorus, calcium, protien, and iron. It is also a source of several essential amino acids.

Myrobalan or Silikha: The fruit is historically known for very high medicinal value and as major ingredient for Ayurvedic medicine.

Jamu: The fruit has calorific value and contains carbohydrate, protein), Fat, fibre, minerals, Iron, calcium and phosphorus. Fruit syrup is very useful for curing diarrhea. Dry seed powder has therapeutic value against diabetes.

Pammelo Rabab Tenga: The pulp contains protein, minerals, fibre, carbohydrate, calcium, phosphorus, iron, and caloric value, Vitamins A, B & C, and nocotinic acid, The juice is used to get relief from stomach problem, constipation and anemia. The antioxidant present in juice is said to have reduced the risk of having disease like cancer.

Spices

The world of spices of Assam is equally rich in diversity and quality. Keeping aside the commercial plantation of Chilli, Coriander, Ginger, Turmeric and other field spices, Assam



posses the chilli which contains highest scoville heat unit in the world. Birds Eye Chilli is another local chilli variety awaiting commercial exploration. Assam has got number of Ginger varieties like Moran, Mizolarge which are equally fit for value addition and also for fresh market. Ginger is exported from Assam and an Agri Export Zone (AEZ) on ginger is being set up in the State. Assam is heading for huge marketable surplus of Black Pepper in next 2-3 years because of intervention of Horticulture Technology Mission in last couple of years particularly in districts like Jorhat and Lakhimpur.

Cashew Nut



Cashew nut is another thrust areas for Assam and efforts are on to build a strong production base of this crop in specific identified districts. There is substantial improvement in acreage under this crop in last six years which has increased to 2200 hectares from a negligible area of 50 hectare during 2001-02. As regards quality attributes, Assam is producing as many as five qualities of cashew nuts including the export grade. There are 11 processing units in Mancachar area of Dhubri district adjoining Meghalaya. The Cashew & Cocoa Development Board has already recognized one cashew nursery as a Regional Nursery for production of cashew nut grafts of elite varieties.

Floriculture

Floriculture is the fastest growing sector in Assam and besides crops like Gerbera, Gladiolus, Marigold, Tuberose, two new commercial flowers are successfully introduced viz. Anthurium and Orchids.

Considering agro climatic feasibility and market access, initially two districts viz. Kamrup and Kokrajhar are targeted to boost up in this sector . About 70 SHG's mostly women are on the job. Assam's products are already marketed in cities such as Kolkata, Delhi, Bangalore. About 30,000 cut flowers of Anthurium reached Japan through export efforts. This is being a new area, services of export houses are being utilized for input support, technology, planting material of varieties having export demand and crops are being grown under buy back arrangement. Excellent results are pouring in on floriculture as a gainful activity amidst enthusiasm amongst growers.

Medicinal & Aromatic Plants

A look at the world of MAP will again establish the fact that Assam is nothing but a hot spot medicinal and aromatic flora. There are more than 300 species of



medicinal herbs. Considering agro-climatic feasibility and scope of commercialization, the State has already prioritized 15 crops in case of Aromatic and Medicinal plants as detailed hereunder. Aromatic plants:

1. Patchouli (*Pogostemon cablin* Benth), 2. Citronella (*Cymbopogon winterianus* Jowitt) 3. Lemongrass (*Cymbopogon flexuosus* Wats) 4. Vetiver (*Vetiveria zizanioides* Linn) 5. Sugandhamantri (*Homalomena aromatica* Schott) 6. Agar (*Aquilaria agallocha* Roxb) Medicinal Plants: 7. Sarpagandha (*Rauvolfia serpentina* Benth) 8. Pipli (*Piper longum* Linn) 9. Amlakhi (*Embellica officinalis* Gaertn) 10. Silikha (*Terminalia chebula* Retz) 11. Bhomora (*Terminalia belerica*) 12. Arjuna (*Terminalia arjuna* Wight & Arn). Other crops of economic importance: 13. Stevia (*Stevia rebaudiana* Hemsl) 14. Vanilla (*Vanilla planifolia* Andrews) and 5. Brahmi (*Bacopa monnieri* Wetts).

Field management committees, self-help groups, joint forest management committees can be associated for contractual farming with these crops under buy back arrangement and in fact the process has already started in some pockets.

The processing sector is gaining ground in Assam and already five horticulture-based processing units are producing various products. They are utilizing local mostly organically grown products such as pineapple, orange, potato, various vegetables, papaya and spices. The Rity Food Products Ltd. Set up two years back, the company has recently pineapple cubes to Germany, South Africa and Kuwait. The concept of contractual farming under Public-Private-Partnership module is gradually catching up and it is a grand success in the case of potato and it is spreading at least in two districts of Nagaon and Darrang. The State has 12 cold storages with a storage capacity of more than

61,000 tonnes. Modern horticulture must be technology based and market driven, with buyers and investors at one end and producers at the other. The horticultural play ground must be accordingly well diversified with full of options between them. And, this is what Assam can offer.

Diversification towards horticultural components is extremely promising. There are examples in Morigaon district where typical paddy land is being converted to banana plantations owing to profitability. The option may be lying in uncommon sectors also like mushroom, honey, bamboo, horti-tourism. Blending horticultural production system with organic base may open up new avenues for the horticulture sector. Efforts are on to develop organic production belts in two hilly districts and foothill areas of Assam adjoining Bhutan, Arunachal Pradesh and Meghalaya.

Locational Advantage

Besides agro-climatic and bio diversified advantage, there is locational and geographical advantage. It is the gateway of North East and proximity to South East Asian emerging market is another contributing factor. It has the advantage of organic production system. North East India accommodates 18 percent of India's population. 6.5 percent of world population lives in the hinterland of Eastern India, Nepal, Myanmar, Bangladesh and Bhutan. Govt. of Assam is offering attractive incentive packages like subsidy on sales tax, capital investment, working capital loan, captive power generation, feasibility study, technical know-how, marketing assistance, drawl of power line etc. The Export Promotion Industrial Park (EPIP) is operating and a food processing park is under construction. The State is committed to act as facilitator to whoever comes for investment in agri-horticultural sector and allied industries. On the question of sustainability, one can see how more than 700 large and old tea garden and 3000 small tea gardens in Assam are operating with a most well organized labour force.

Summing up, time has come for all the stakeholders in horticultural sector to convert this land of missed opportunities into one of opportunity with horticulture providing a great investment avenue. ■



Emerging Market of South East Asia

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

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

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

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

Against this background the IFFTAC 2008 was conceptualized to highlight the essence of tribal



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

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

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

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

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

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



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

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

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

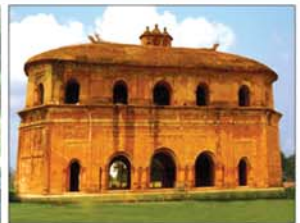
Director Ravi Williams won the award for the best film by a Film Maker from Madhya Pradesh for his film "Oh Lohgundi Raja Ho" depicting the honest and sincere treatment of the problems of Agadiya tribes.

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

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

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