Vol.1 Issue 4 July-September '07

Open Trade

CONNECTING GLOBAL COMMERCE

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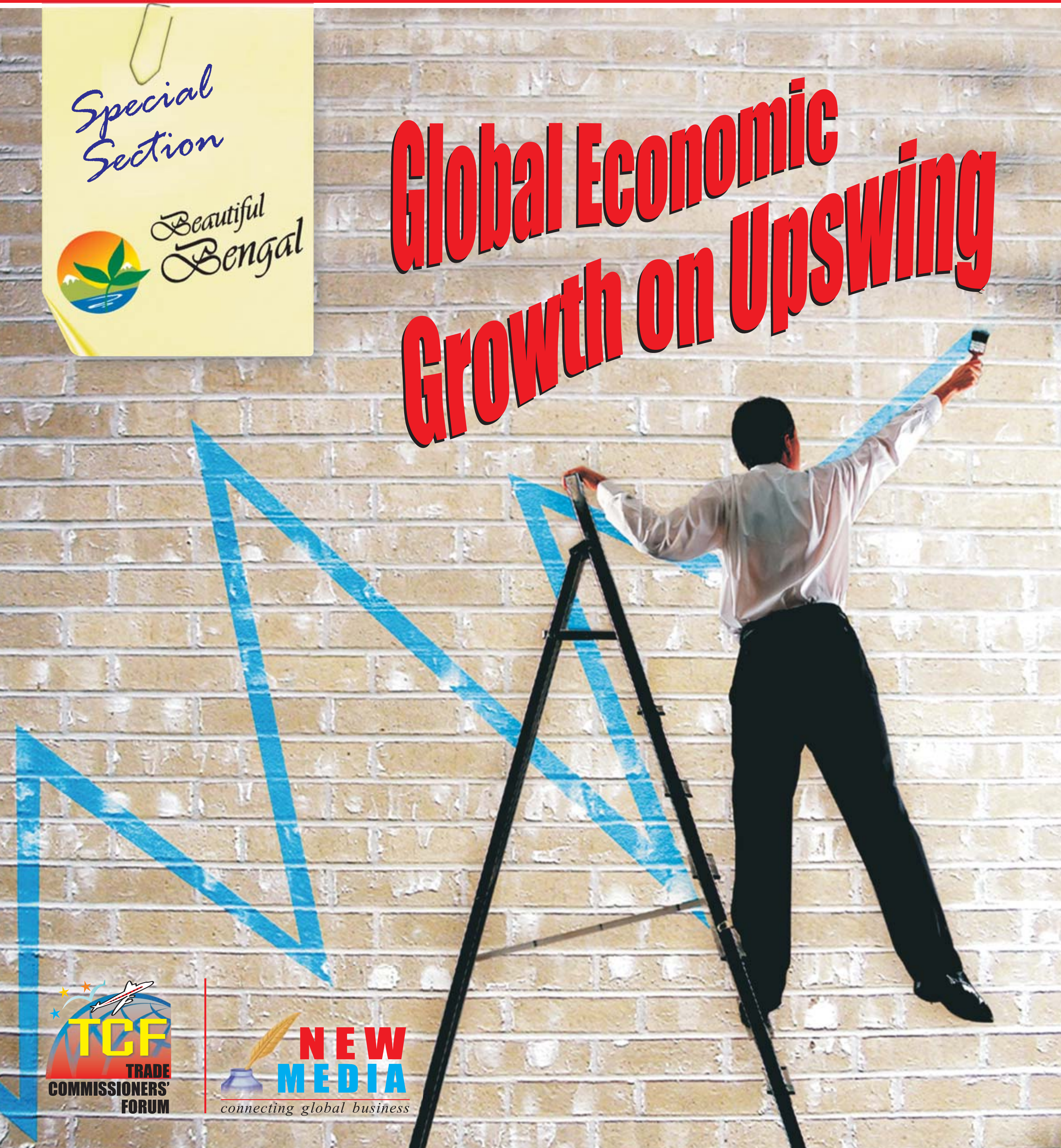

In This Issue

Founder Chairman
Late Shri R.K. Prasad

Distributed by:
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in association with
Trade Commissioners' Forum, Mumbai

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Printed & Published by
Veerendra Bhargava and printed at M/s Young Printers,
A-2/237, Shah & Nahar Industrial Estate, Lower Parel,
Mumbai - 400 013 and published from B/302, Twin Arcade,
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Dear Reader,

Greetings. The world economic scenario has been undergoing a rapid change, thanks mainly to emerging market economies. In this context, it is relevant to understand an emerging or developing, market economy (EME). It is an economy of a country with low-to-middle per capita income. Such countries constitute nearly 80 percent of the global population and represent about 20 of the world's economies. China, with an annual growth rate of 11 percent is leading other emerging market economies comprising India, Brazil, Russia, South Africa among others. The International Monetary Fund (IMF) in its recent update of the World Economic Outlook has revised upwards its earlier projections despite a weaker than expected economic growth in the United States, the world's largest economy. The cover story of the current issue of Open Trade details the bright outlook for the world economy as assessed by the IMF, which also foresees a recovery in the US as well as higher projections for Europe, Japan, Asia and the Pacific. The issue carries write-ups on all the countries represented by the Trade Commissioners' Forum in Mumbai. The US economy has done moderately well in the first half of 2007 and is expected to maintain the same pace in the second half of the current year and in 2008 as well. Canada's exports zoomed by 30 percent in the first half of 2007 as the country's small and medium enterprises thrived on demand from emerging markets such as Mexico, India, China, Russia and chile. Japan, another major economy, is looking at East Asia for its future growth. In fact, Japan is looking at India as a promising business location. Among European countries, Britain, Germany, France, Belgium and the Netherlands are all aiming to consolidate and sustain their economic growth through budgetary initiatives for 2007 and 2008. In Italy, buoyancy in revenue collections has helped revive the country's economy. In East Europe, Russia's economy has been riding high on an investment boom. And so are the economies of the Czech Republic, Poland and Romania, which have been healthy and robust. In the Asian region, Indonesia's economy has revived, thanks to political stability and a spurt in the inflows of Foreign Direct Investment (FDI), which added up to $11 billion in eight months in the current year. In Malaysia, rising domestic demand combined with investment spending, has boosted the economy. In the Middle East region, Israel continues to thrive on high-tech exports and the country's trade with India has a glittering side to it, namely diamonds. Buoyancy in global economy and higher commodity prices have benefited South Africa. India's eastern State of West Bengal is endowed with rich and varied wealth of tourist attractions. The issue carries a special section on West Bengal tourism, adding a soft touch to the current issue of Open Trade, dealing generally with a topic as hard as economics.

Wish you happy reading

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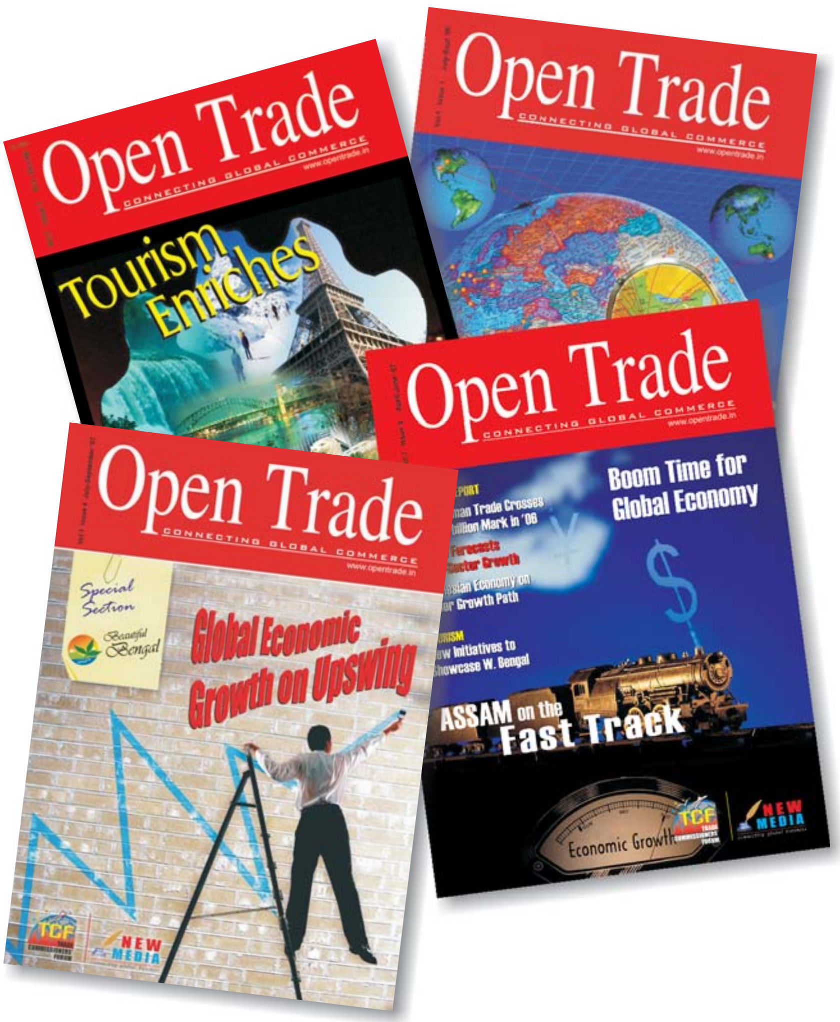
Forby presides over TCF as new President

Peter Forby

Peter Forby, Australia's Consul General and Trade Commissioner for Western India, presided over the first meeting of the Trade Commissioners' Forum (TCF) on 14 August 2007 in his capacity as the organization's new President. A large number of TCF members attended the meeting.

We extend our greetings to the TCF members through Open Trade, the Forum's journal and inform them that the next issue (October-December) of the magazine would be its first anniversary, mega issue, which they could all use as a platform to express their views as well as publish their articles. The focus of the issue will be on infrastructure and Foreign Direct Investment (FDI).



IMF Hikes Global Economic Growth Projections for '07 & '08

The International Monetary Fund (IMF) has revised its projections upwards for global growth in both 2007 and 2008, despite a weaker than expected economic growth in the US in the first quarter of the current year.

The IMF, in its July 2007 World Economic Outlook Update, said that "While the world has not experienced two consecutive years of +5.0 percent growth since 1973, it is now projecting total world output to increase by more than 5.0 percent in both 2007 and 2008.

The IMF now expects total world output to increase by 5.2 percent in 2007, a figure 0.3 percent higher than projected in the organization's April 2007 forecast and 0.5 percent higher than projected in April 2006. It has also upwardly revised its projection for world economic growth in 2008 by 0.3 percent, to 5.2 percent.

Faster Growth in China

It is not surprising that the stronger world economic outlook can be primarily attributed to China's stronger than expected economic outlook. This fact is reflected by an upward revision of China's growth this year and next, i.e., from 10 percent to 11.2 percent in 2007 and from 9.5 percent to 10.5 percent in 2008.

Higher Forecasts for Europe & Japan

The IMF has also recognized that both Europe and Japan's economic health is better than previously thought and has therefore upgraded its forecasts for both countries. In Europe, the outlook has risen from 2.3 to 2.6 percent in 2007 and from 2.3 to 2.5 percent in 2008. In Japan, it has risen from 2.3 to 2.6 percent in 2007. In 2008, the IMF now expects the Japanese economy to slow to 2.0 percent, slightly more than the 1.9 percent projected in April.

For Canada, the IMF revised its growth forecast slightly higher, to 2.5 percent from the 2.4 level projected in April. However, for 2008, the IMF now expects growth to be 2.8 percent, down 0.1 percent from its previous projection of 2.9 percent.

Marginal Rise in World Inflation

Not surprisingly, in addition to upgrading its forecast for world growth, the IMF also revised its world inflation forecast upward. For 2007, the IMF now expects consumer prices in advanced economies to increase by 2.0 percent compared to 1.8 percent in April. For other emerging markets and developing countries, the IMF increased its inflation forecast by 0.3 to 5.0 percent.

Higher Global Interest Rates Projected

According to Reed Construction Data - CanaData, the combination of stronger growth and higher inflation will exert increased upward pressure on global interest rates over the next few quarters.

Outlook for US Economy

The United States (US) economy grew by a solid 3.3 percent in 2006, reflecting an upturn in business investment and robust private consumption. However, quarterly GDP figures demonstrated a visible slowdown in the second half and the year ended on a less positive note. The weak spot was mainly associated with housing sector retrenchment. Residential investment contracted for five consecutive quarters from the last quarter of 2005, and both new and existing home sales fell significantly in the latter half of 2006.

Given the lessened pressure from inflation, combined with slowing economic activity, futures markets expect that the Federal Reserve may start to cut interest rates in the second half of 2007.

The ongoing slowdown in US growth is expected to be moderate. The economy is projected to expand by still a respectable rate of 2.5 percent in 2007, followed by a quick recovery in 2008.

Japan

The Japanese economy continues a moderate but steady recovery, registering 2.2 percent growth in 2006. Although the latest revisions reveal less than expected strength of domestic demand, it does not alter the underlying sweep. Strong exports and export-induced business investment are underpinning the recovery, since private consumption is trudging along only slowly. Exports rose by 9.5 percent, contributing 1.4 percentage points to growth. The pace of private consumption visibly weakened in 2006, posting only 0.9 percent growth.

The Japanese economy is expected to continue its modest recovery. Projected growth is 2.0 percent in 2007 on the ground of gradually strengthening domestic demand. Record export earnings should underpin the expansion in business capital spending, while strengthening the job market. The key to sustaining the recovery lies with consumers spending more.

Euro zone

A steady recovery is under way in the euro zone, which grew by 2.6 percent in 2006 on strong exports and firming domestic demand. Despite the sustained strength of the euro, exports surged by 8.4 percent. This boosted industrial production across the zone, particularly in Germany, Italy, and Spain. Business and consumer sentiment has improved.

Strong corporate profits and cheap credit bolstered capital spending. This upward trend in turn exerted a positive influence on consumer spending, under propping sound and balanced growth.

Prospects for exports and related business investment, as well as consumer spending, are positive. The investment outlook seems set to stay firm, reflecting the strength of corporate balance sheets and tight manufacturing capacity.

A modest deceleration in world growth is not likely to seriously undermine performance of the external sector.

Capital flows & financial markets

The global investment climate for developing Asia remains favorable. Despite the most recent correction in February March, emerging market asset prices have kept their earlier large gains. In 2006, emerging market equity prices again staged a strong rally after a brief midyear sell-off. The strong performance of emerging Asian market equities partly reflected external demand and was accompanied by robust capital inflows Net private capital flows to emerging Asia amounted to $197.3 billion, only slightly down by 3.9% from the previous year, due to slightly smaller foreign direct investment flows. However, with its strong growth outlook, the region continues to be the primary recipient of private equity investment, attracting again more than 60 percent net portfolio equity investment flows to emerging market economies in 2006.

Relatively low interest rates and benign liquidity conditions in capital markets have kept private credit flows generally buoyant, benefiting emerging Asian borrowers.

Gains ranged from 1.9 percent for the Indian rupee to 13.8 percent for the Thai baht. Robust performance of both current and capital accounts underpinned the strength of most Asian currencies. ■

The Great Australian Saga of Uninterrupted Economic Growth

Australia has been experiencing 16 years of uninterrupted economic growth. The country's reputation as a highly competitive economy continues to strengthen. In 2007, the Australian economy was ranked in the top three countries in the Asia Pacific region for its overall competitiveness, and among the countries with population of 20 million or more Australia ranks third, behind only the United States and Canada.

In terms of economic activity across the OECD more broadly, the Economic Outlook forecasts that the growth will continue to expand strongly in 2007 and 2008, underpinned by strong job creation and falling unemployment, ongoing buoyancy in emerging market economies and favourable financial conditions.

The positive outlook is supported by solid growth in the Euro area and Japan. Although economic activity in the US is projected to moderate in 2007 due to the weak housing market, growth is expected to gradually regain momentum during 2008. Outside of the OECD, China is forecast to continue its strong expansion, supported by accelerating domestic demand and robust export growth.

The International Monetary Fund has recently commended the Australian government on its sound macroeconomic management and continuing structural reform efforts that have underpinned the sustained strong economic performance. "Looking ahead, macroeconomic policies are well positioned to face potential external shocks".

Australia's economy is ranked the 7th most resilient in the world and second in the region. With forecast economic growth of 3.3% in 2007 and 2008, well above the forecast average of OECD growth rate of 2.7% in both years, Australia will continue to expand more rapidly than most other OECD economies.

While the resource sector is booming, Australia is now predominantly a services-based economy, with services accounting for almost 80% of economic activity.

In AT Kearney's FDI Confidence Index 2005, Australia remained in the top eight most preferred investment destinations worldwide. The United Nations Conference on Trade and Development has reinforced Australia's performance with the finding that "Australia is the developed world's third most popular destination for transnational corporations establishing or relocating their headquarters".

In 2006, Australia's net public debt was (-) 4.1 percent of GDP, compared to the OECD average of 44 percent (Japan 86 percent, the US 44 percent and the UK 40). According to IMF, "the elimination of net public debt by the Australian government was an impressive milestone that few countries have been able to achieve."

The demand for economic stability and international competitiveness means that sound economic management is foremost on the Australian Government's agenda. Major reforms to the labour market, business taxation, and competition and protection policy, have delivered an economy well equipped to respond swiftly to global trends and pressures.

The OECD has noted that reforms to the labour market in particular have made Australia more adaptable to changes in the economic environment. The OECD finds that while employment growth tends to initially lower average measured productivity growth, this does not mean that higher employment causes the productivity of individual workers to fall.

The OECD states that this "... arises because, other things being equal, policy reforms which increase employment can promote job opportunities for low-skilled workers, generate diminishing returns to labour input or expand labour-intensive activities, thereby exerting downward pressure on average measured labour productivity, but pro-employment policies will rather often raise GDP per capita. High productivity and export growth have been hallmarks of the Australian economy over the past decade across a diverse industry base. There is no doubt that the Australian economy is the perfect platform for investment and business growth. "Australia's financial system is healthy and financial supervision is sound."

"The Australian economy is now in the sixteenth year of uninterrupted expansion, the longest boom it its history. In the last 15 years wealth has more than doubled, output has increased by nearly two thirds, the capital stock by more than half, labour productivity by a little under half, and the number of jobs by a quarter. The growth of income per person has been faster in Australia over the period than in Canada, the United States, the United Kingdom or New Zealand", Dr. John Edwards, Chief Economist, HSBC Bank for Australia. ■

India 11th Largest Trading Partner of Australia

India's growing and stable investment climate present immense opportunity for Australian companies, particularly in the energy and infrastructure sectors. Bilateral trade between India and Australia has been continuously expanding, witnessing a growth of 34.51 percent during the two-year period 2005-2007. The total bilateral trade during 2006-07 was US $ 7.7 billion making India 11th largest trading partner of Australia. Indian investments in Australia are now well over $1 billion, mostly in the IT sector.

Australia ranks 10th in terms of the inflow of Foreign Direct Investment (FDI) and accounts for about 2.37 percent of total FDI approvals with $1.92 billion. Of this the inflow of FDI investment from 1991 to May 2007 has been US$ 208.8 million. The Australian investors can explore the natural complementarities between the two economies to achieve optimum levels of economic engagement between the two countries. India offers one of the safest investment opportunities in terms of country risk. ■

Australia Fourth in Global Rankings for Doing Business

Australia has been ranked fourth on the World Bank's list of the best places to do business. Singapore topped the list for the second year running, after unseating New Zealand in 2006. This year, New Zealand held onto second spot and the US placed third in the bank's Doing Business 2008 report. Australia, Hong Kong, Denmark, Britain, Canada, Ireland and Iceland rounded out in descending order the top 10 places for ease of doing business in the survey of 178 economies.

The World Bank said countries in eastern Europe and the former Soviet Union reformed the most in 2006-07, along with a large group of emerging markets, including China and India. The rankings are based on 10 indicators of business regulation that track the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure. ■

Belgium: Economic Projections for '07 & '08

Towards A More Balanced Growth

Coinciding with the publication of the new Eurosystem projections for the euro area in the ECB Monthly Bulletin, this article, published in a recent issue of the Economic Review, gives a succinct presentation of the results for the Belgian economy for the years 2007 and 2008.

Since the previous forecasts were published in December 2006, the international environment has remained buoyant, with global economic activity notably bolstered by the emerging economies.

The sources of economic growth have, moreover, balanced out on both sides of the Atlantic, in the euro area's favour. In particular, the rise in VAT in Germany scarcely seems to have weighed on growth, contrary to what had been feared earlier. The emergence of a positive growth differential between the euro area and the United States contributed to an appreciation in the value of the euro and a slight recovery in long-term interest rates in Europe. At the same time, against a backdrop of less accommodative monetary policies and calmer oil markets, inflation has remained contained in most economic zones.

The Eurosystem projections are drawn up taking account of trade flows which, without seeing the same exceptional expansion of 2006, are expected to remain dynamic. Oil prices, on the basis of forward market quotations, are forecast to rise slightly again during the course of 2007 before levelling out at an average of 69.9 dollars a barrel in 2008. Interest rates are also projected to rise in line with market expectations. It is assumed that exchange rates will remain constant at their mid-May 2007 level, namely 1.36 dollars to the euro. In this context, after having reached 2.9 p.c. in 2006, GDP growth in the euro area should remain vigorous, settling at between 2.3 and 2.9 p.c. in 2007 and between 1.8 and 2.8 p.c. in 2008. As for inflation, it is expected to benefit from the moderating impact of the energy component on the HICP in 2007, partly offset by the upward influence of indirect taxation and wage costs. It is likely to fall within a range of 1.8 to 2.2 p.c. in 2007 and 1.4 to 2.6 p.c. in 2008, compared with 2.2 p.c. in 2006.

In Belgium, economic activity has been particularly strong since the end of 2005, expanding at a steady pace of 0.7 to 0.8 p.c. per quarter throughout 2006. Available indicators, especially the continued high level of business confidence, show that activity should remain dynamic in the first half of 2007. Thereafter, growth is expected to widen its base and become more sustainable, as is evident from the favourable reaction of the labour market. In 2008, it is likely to return to a rhythm more in line with its potential, particularly as a result of some slackening of foreign demand. Overall, real GDP growth is projected to decline from 3 p.c. in 2006, the highest rate for six years, to 2.5 p.c. in 2007. It is expected to be 2.2 p.c. in 2008.

Over the whole period covered by the projections, growth should turn out to be more balanced than in 2006, boosted both by domestic demand and foreign demand. Net exports of goods and services in particular are once again expected to make a positive contribution in 2007 and 2008, after having posted an increasingly negative contribution to growth over the last three years.

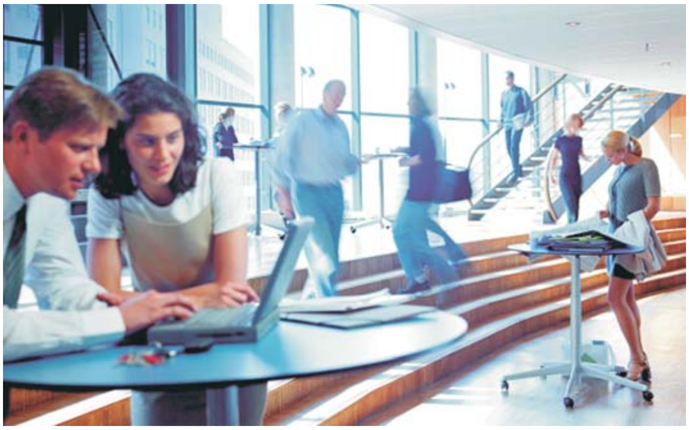
On the domestic expenditure front, private consumption should slow down somewhat in comparison to the vigorous expansion recorded in 2006, in line with the development of household purchasing power. As a result, after having risen sharply in 2006, the private savings ratio is barely expected to gain ground, fluctuating around 14 p.c. of disposable income. On the other hand, the rate of growth of investment in private housing should once again exceed that of households' real disposable income, albeit to a lesser extent than in 2006, in line with a slowdown in the rise in property prices on the market in existing housing. In a context of consolidation of demand prospects and advantageous financing conditions, enterprises are also expected to continue to regularly step up their investment, albeit at a slightly slower pace than in previous years but still above the GDP growth rate.

Disregarding the impact of the sale of federal buildings, public investment is expected to slow down sharply in 2007, under the influence of the electoral cycle of both the municipalities and the provinces. Having trailed behind the exceptionally vigorous expansion of foreign markets at the beginning of 2006, exports picked up during the course of this same year. They should then post sustained growth in 2007, taking advantage of the strong expansion of euro area markets in particular, and a slightly slower rate in 2008. Lastly, the change in stocks is projected to dampen growth slightly in both years, after having made a major contribution in 2005 and 2006.

While the employment situation generally tends to follow trends in economic activity, albeit with some time lag, the rate of employment growth appears to be more sustained than in previous upturns. Following an increase of 46,000 units in 2006, domestic employment should grow by another 115,000 jobs or so over the period 2007-2008. As a result, productivity growth per person, which had reached 1.9 p.c. in 2006, is forecast to fall back to 1 p.c. on average in 2007 and 2008, compared with an average increase of 1.3 p.c. over the last 10 years. Since the number of jobs created is likely to be much higher than the expected growth in the working population, the decline in unemployment which had begun in 2006 should continue. With a cumulative decline of 60,000 jobless, the highest number over a two-year period since 1999-2000, the harmonized unemployment rate is projected to fall from 8.2 p.c. in 2006 to 7.2 p.c. in 2008.

Estimated on the basis of the HICP, overall inflation is forecast to fall markedly, from 2.3 p.c. in 2006 to 1.6 p.c. in 2007 and 1.8 p.c. in 2008. This drop can be explained by the moderating influence exerted by the energy component of the index, unlike in the two previous years. On the one hand, having fallen back from their peak in the summer of 2006, oil prices in 2007 should on average be comparable with the mean level recorded in 2006. On the other hand, the liberalization of the gas and electricity markets in Brussels and Wallonia, as well as a new method of recording these energy prices in the consumer price index, could contribute to bringing down overall inflation by 0.4 of a percentage point in 2007. As for the underlying trend in inflation, this is expected to rise moderately, from 1.6 p.c. in 2006 to 1.9 p.c. in 2007, before falling back to 1.7 p.c. in 2008. This slight acceleration in 2007 is almost exclusively due to increases in excise duties on tobacco and in the environmental taxation.

Reflecting the slowdown in labour productivity alone, as a result of the strong rise in employment, unit labour costs in the private sector are projected to increase somewhat, rising from 1.1 p.c. in 2006 to 1.6 p.c. in 2007 and 2008. Moreover, the growth in hourly labour costs is expected to dip slightly from the 2006 level, coming down from 2.7 p.c. to 2.4 p.c. in 2007 and 2.6 p.c. in 2008. For both of these years, the cumulative increase corresponds to the 5 p.c. target set in the central wage-bargaining agreement, in the



absence of information on the outcome of the wage negotiations being conducted in the various joint committees at sectoral level.

The projections for public finances take account of the recent evolution of tax revenues, the endogenous effect of the macroeconomic environment, trends in expenditure based on historical developments and measures that have already been decided. Any new action that might be taken by the government over the next few months has not been anticipated in the forecasting exercise. In this context, after showing a surplus of 0.2 p.c. of GDP in 2006, general government accounts are likely to show a slight deficit, of 0.1 p.c. of GDP this year and 0.2 p.c. in 2008. Interest charges should continue to drop and tax revenues are expected to benefit from the promising economic outlook, but in the projections these elements are more than entirely offset by the disappearance of the impact of non-recurrent revenues or reductions of expenditure, as well as by a deterioration of the structural primary balance in 2007.

The public debt ratio will continue to fall gradually, coming down by some six percentage points of GDP over the two years of the forecasting period; it would reach 82.7 p.c. of GDP at the end of 2008. ■

Exports in '07 H1 Zoom 30 pc

Canadian SMEs Thrive on Demand from Emerging Markets

Export Development Canada (EDC) has announced that its business volume in the first half of 2007 reached $37.4 billion (all figures in Canadian dollars), a 30 per cent increase over the same period in 2006. Almost one third of that business, $12 billion, was in trade in emerging markets, a 58 per cent increase from last year.

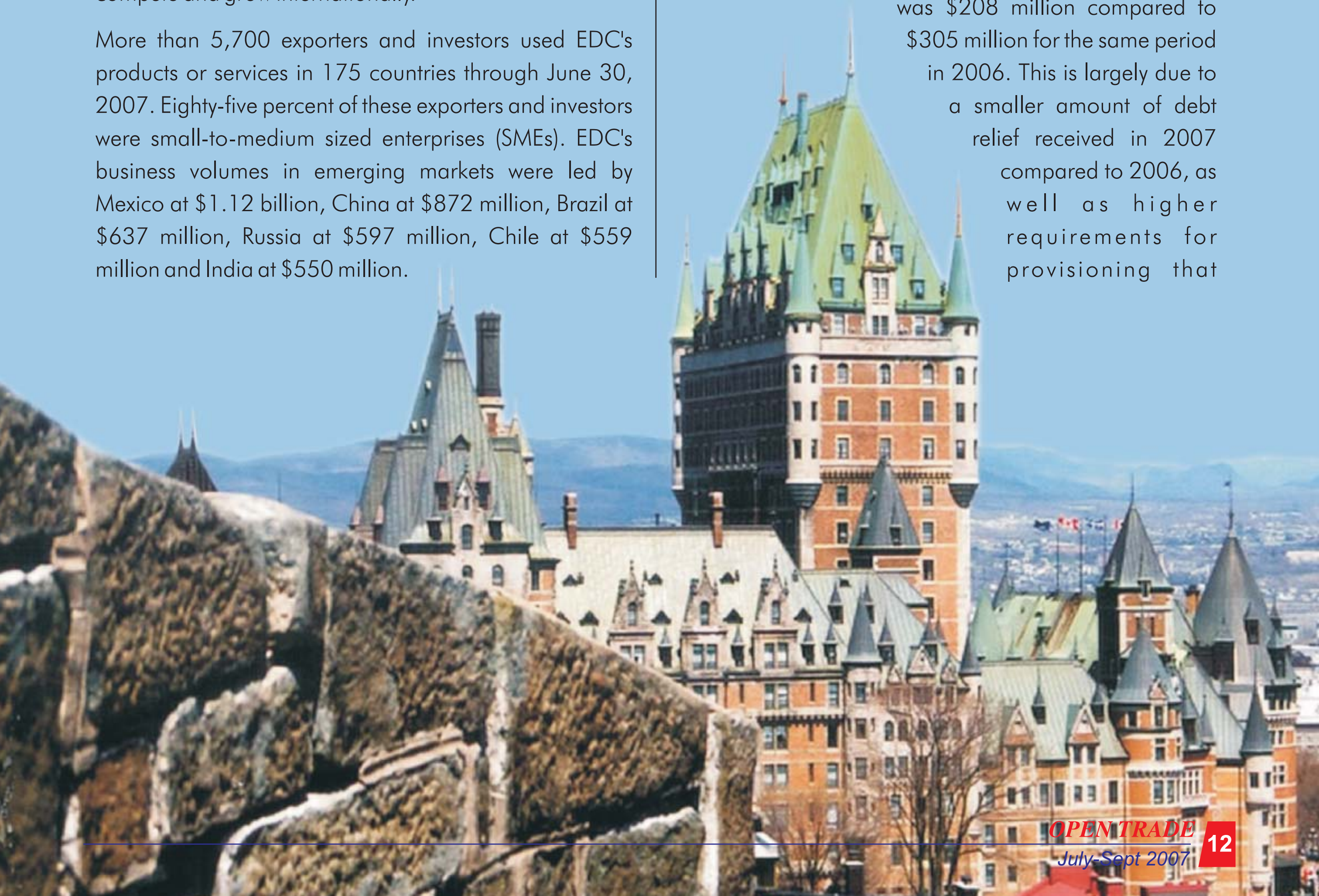
"EDC's efforts to help Canadian exporters and investors in opportunity-rich but often higher risk emerging markets is directly driving this significant increase in our overall business volume," said Eric Siegel, President and CEO of EDC. "These numbers are very encouraging as they show Canadian companies are globalizing their business to compete and grow internationally."

More than 5,700 exporters and investors used EDC's products or services in 175 countries through June 30, 2007. Eighty-five percent of these exporters and investors were small-to-medium sized enterprises (SMEs). EDC's business volumes in emerging markets were led by Mexico at $1.12 billion, China at $872 million, Brazil at $637 million, Russia at $597 million, Chile at $559 million and India at $550 million.

Companies in Ontario accounted for $13.8 billion of EDC's total business volume (up by 47 percent), followed by Western Canada at $13.5 billion (up by 34 percent), Quebec at $8.8 billion (up by 12 percent) and Atlantic Canada at $672 million (up by two percent).

"Heading into this year we said that EDC's strong balance sheet would enable us to take on even greater risk, which is what EDC was designed to do," continued Siegel. "The six-month figures reflect our plan to grow our presence in markets where Canadian exporters want to be but where risks are higher."

Net income for the first half of 2007 was $208 million compared to $305 million for the same period in 2006. This is largely due to a smaller amount of debt relief received in 2007 compared to 2006, as well as higher requirements for provisioning that



Other key results include:

• Total assets at June 2007 were $21.9 billion, a six percent increase from the same point in 2006. The majority of this growth can be attributed to the growth in EDC's loans portfolio and a decrease in the allowance for losses on loans due to the successful airline restructurings;

• Increased business volume in higher risk markets in 2007 has resulted in an increase in EDC's provision charge to $218 million from $34 million in 2006;

reflect this year's increased business volumes and the risk concentrations in EDC's portfolio.

EDC's operating income, excluding debt relief, increased by 63 percent in the first six months of 2007 over the same period in 2006. This is mainly due to previously impaired aerospace loans returning to performing status in the first half as a result of successful airline restructurings.

However, when debt relief is included, EDC's operating income has decreased from $523 million in the first half of 2006 to $426 million for the same period in 2007. This is due to the fact that EDC received $261 million in debt relief in the first half of 2006 compared to $1 million received this year. Debt relief payments occur when the Government of Canada forgives sovereign debts to highly indebted developing countries for debts incurred in prior years. EDC is then reimbursed for an amount equal to the debt relief granted by the Government of Canada. These payments impact both operating and net income.

• The total allowance for loan-related losses and insurance claims at June 30, 2007 was $2.3 billion;

• Total paid-in capital, retained earnings, and allowances at June 30, 2007 were $8.2 billion;

• Impaired loans as a percentage of gross loans receivable decreased to $665 million or three-and-a-half per cent at June 30, 2007, compared to $2.5 billion or 14.5 per cent a year ago reflecting continued improvement in the aerospace industry;

• The number of insurance claims paid was 731, a 9.0 percent increase from the first six months of 2006. The dollar value of those claims was $27 million, consistent with the value of these claims for the same period last year; and

• Administrative expenses for the first six months of 2007 increased by 2 per cent to $99 million from $97 million for the same period in 2006.

EDC is Canada's export credit agency, offering innovative commercial solutions to help Canadian exporters and investors expand their international business. EDC's knowledge and partnerships are used by 6,400 Canadian companies and their global customers in up to 200 markets worldwide each year. EDC is financially self-sustaining and is a recognized leader in financial reporting and economic analysis, and has been named one of Canada's Top 100 Employers for six consecutive years. ■

China Maintains GDP Growth Above 11 pc

China's gross domestic product (GDP) is expected to grow 11.4 percent in the third quarter of 2007, the National Development and Reform Commission (NDRC) has predicted in a recent research report.

However, the growth rate doesn't mean economic overheating as the country's potential economic growth rate has risen to 11-12 percent from its previous 9 -10 percent, said the State Information Center, under the NDRC, in the report.

The consumer price index (CPI) growth so far is obviously structural and therefore will not trigger overall inflation, according to the report.

According to the predictions, economic growth in the third quarter will be close to that of the first half but slightly slower than the 11.9 percent growth during the second quarter. A series of factors are believed to be responsible for the expected slowdown.

First, local governments are curbing the development of highly polluting and highly energy-consuming industries. Second, the tightening monetary policies including the interest rate and bank reserve ratio hikes are expected to reduce liquidity and slow down the economy. Third, trade policies like the export tax rebate cut and curbs on the processing trade beginning in the second half, are projected to put the brakes on skyrocketing exports.

Export growth in the third quarter is estimated to be slower than in the first half of the year and the contribution of exports to overall economic growth is expected to dwindle at the same time, the report noted.

It is predicted that investments in fixed assets will continue to see rapid development in the third quarter, boosted by demand from increasing urbanization, industrialization, and entry into the international market.

Fixed asset investment is expected to climb faster than in the first half, by 26 percent in the third quarter with investment in urban areas projected to increase by 26.8 percent.

About 49.8 percent of entrepreneurs from 19,500 businesses surveyed by the National Bureau of Statistics are optimistic about their business performance, suggesting strongly expanded investment in the future.

While the government restricts the demands from investment and exports, it has been encouraging consumer demand to boost economic growth. Rising incomes of residents in urban and rural areas will also increase their purchasing power.

The above-mentioned factors, together with other aspects, are expected to boost retail sales by 15.6 percent in the third quarter, 0.2 percentage points higher than the first half.

The first three quarters are expected to see retail sales grow 15.5 percent, the fastest growth since 1997.

China's trade surplus increased substantially in the first half, partly due to the fact that many exporters rushed to ship their goods overseas before the country's tax rebate cuts became effective.

This will not happen in the third quarter, so growth of exports and a favorable trade balance will slow, said experts from the State Information Center, a government think tank.

While exports are predicted to grow 26.2 percent in the third quarter, 0.9 percentage point lower than in the first half, imports are expected to climb at a rate 0.5 percentage points higher than in the second quarter, bringing $ 77.1 billion in trade surplus.

Trade surplus in the first three quarters is estimated at $189.6 billion, an increase of 72.7 percent or $79.7 billion over the same period last year.

The CPI, a major gauge of inflation, may rise 4.3 percent in the third quarter from 3.2 percent in the first six months and 4.4 percent in June alone, the NDRC report pointed out.

Strained supply of foods including pork and corn is expected to continue pushing up commodity prices in the third quarter, experts noted.

In the second half of the year, the NDRC will quicken the reform of pricing mechanisms for resources like water, electricity, oil and gas, and as a result the prices of these products will rise. This will also push up the ex-factory prices of industrial products and the CPI, the experts said. ■

China Set to Over Take US by 2050

China, the world's fastest-growing economy, is set to overtake the United States as the biggest economy globally by 2050. According to PricewaterhouseCoopers report, although China's growth is expected to slow down from the current high rate, it will surpass the US based on purchasing power parity by 2050 and lead seven other emerging countries to overtake the Group of Seven, or G7 comprising Brazil, Russia, India and China, Indonesia, Mexico and Turkey as the world's biggest economic bloc.

This group of constitutes emerging, or developing, market economies (EMEs). An EME is defined as an economy with low-to-middle per capita income. Such countries constitute approximately 80 percent of the global population, representing about 20 of the world's economies. China is one of these world's emerging economic powerhouses.

In 2050, China is expected to be the world's largest economy with GDP over $70 trillion (Goldman Sachs, 2007). China's market growth, is forecast to be around 95 percent the size of the US at market exchange rates by 2050 or about 40 percent larger in PPP terms.

The growth strategy adopted by China has been largely similar to that of Japan and South Korea, it has been driven by export growth and industrialization through high savings and investment. However, China has also been more open to trade and foreign direct investment.

China's ambitious growth target for renewable energy production will require an investment of approximately 800 billion Yuan ($100 billion) by 2020. In the long term China has set an objective of having 30 percent or more of its total energy requirements satisfied by renewable sources.

Better education, higher energy efficiency and the development of the country's financial sectors are suggestions offered for a healthy economic expansion. China needs to diversify its capital markets besides focusing on the banking sector.

The gap between China and the developed world will be narrower, both in terms of economic growth and in institutions. ■

Export Strategy 2006-2010

The Gentle Czech Art of Commercial Persuasion

Martin Tlapa, Deputy Minister of Industry and Trade, in an interview to Czech Business and Trade, a leading bi-monthly magazine, talks about his country's five-year (2006-2010) export strategy and the training of commercial diplomats who could facilitate its implementation. We reproduce the interview here.


Martin Tlapa

The Czech Republic's trade balance has recorded a large surplus in the last two years. Czech exports are scoring good results. Export success depends largely on the performance of companies, but what is the state doing for them to succeed in foreign markets?

The Ministry of Industry and Trade (MIT) has prepared the Export Strategy of the Czech Republic for 2006-2010. It determines the main objectives. Czech exporters have successfully established themselves in the EU market, which receives over 80 percent of Czech exports. However, the Strategy demonstrates that it is necessary to expand also to other world markets, such as Asia and Latin America and, for example, also to the vast Russian market, where we still have good contacts from previous years. But strategies are not all that matters. Our goal is also to increase the awareness and knowledge of the export potential of Czech companies abroad, to facilitate the transfer of export know-how from successful firms and to support communication between those who seek the state's services abroad and those who provide these services. That is between entrepreneurs and commercial diplomats, or representatives of the Czech Trade Promotion Agency - CzechTrade. Success depends primarily on people, and we are well aware of this at the MIT.

You are right, success depends mainly on people, so what training do you provide to these commercial diplomats?

The Ministry of Industry and Trade is the first Czech ministry whose section connected with the state's commercial and economic services abroad has successfully passed the certification process according to the ISO 9001 Quality Management Standard. In addition, the Ministry of Industry and Trade together with the CzechTrade agency has prepared an Export Academy

as one of the projects under the Czech Republic 's 2006-2010 Export Strategy. The Academy is intended for commercial diplomats and the staff of CzechTrade offices. Training started in the first half of 2007 and will be compulsory for the above-mentioned professionals before they are appointed positions at diplomatic missions and CzechTrade offices abroad. From autumn 2007,CzechTrade will offer training at the Export Academy as certified foreign trade education also to commercial firms.

Companies will be able to have their managers trained in foreign trade at the Academy. What are the chief competencies that commercial diplomats and representatives of companies will learn at the Academy?

Diplomats and CzechTrade representatives must be able to address various tasks abroad. They include the ability to orientate themselves in a foreign environment, the art to negotiate with local partners, to understand the economic laws of the host country, and first and foremost, the ability to formulate and promote the economic interests of the Czech Republic. This is why the course is based on interactive methods. The trainees are required to be actively engaged in the solution of case studies and model situations from the area of foreign trade. Emphasis is placed on search for ingenious solutions and one of the main competencies to be improved by the training is the ability to react flexibly to changing conditions. The project has been prepared through cooperation of representatives of the state, that is the Ministry of Industry and Trade and the Ministry of Foreign Affairs, as well as CzechTrade, the University of Economics in Prague, Tomáš Bata University in Zlín, and representatives of the private sector. We believe that this combination guarantees a balanced approach and diversity of opinions. Lecturers will include representatives of the above mentioned organisations.

What services can Czech exporters expect from trained commercial diplomats abroad?

From the beginning we have been trying to impress on our commercial counsellors that commercial diplomacy is a public service. In this sense they must approach firms and help them to succeed in foreign markets. If you want examples, then commercial counselors must know very well the business regime and established practices of the particular countries and be able to answer the questions of companies concerning the barriers and pitfalls of entering the particular market, and what they should be careful about in negotiations. I consider this one of the major benefits for Czech companies because it would otherwise be difficult for them to obtain such information or they would dearly pay for it. Then, naturally, it is a search for and mediation of suitable contacts, search of sectoral opportunities, organising seminars and business missions and, last but not least, publicity for Czech firms at fairs abroad. Another task of commercial diplomats naturally is to maintain contacts with prominent representatives of public administration in the given country because one cannot underestimate the importance of personal relations. ■

French Budget Aims for Sustainable Growth

At Prime Minister François Fillon's request a seminar of the French Government was held on 31 July, 2007 to prepare the 2008 budget bill. This provided with an opportunity to present Fillon's ministers with a roadmap and to remind them of the priorities of a real "economic strategy".

The guiding principle of the 2008 budget is to lay the foundations for strong, healthy and sustainable growth. Strong growth will be brought about through "two key instruments: valuing and rewarding work". This is the aim of a bill on work, employment and purchasing power which will come into force in early October. The Government will inject 10 billion euros "to boost the French economy". Bringing down unemployment levels remains a Government priority, the target being to get unemployment down to 5.0 percent by 2012.

Healthy growth will be achieved by strengthening public finances which, in the opinion of the head of government, represents "the key to economic transformation". In 2008, public spending will be frozen in volume. Increased spending in the areas of research & higher learning, justice and education will be counterbalanced by "strictly controlled spending in other areas and a reduction in civil service staffing levels". The government objective is to replace only one civil servant for every two who retire, with some exceptions: two teachers in three will be replaced "to ensure the implementation of personalised academic achievement programmes [projets personnalisés de réussite éducative] and supervised homework programmes". 1,600 additional posts will be created within the prison system and staffing levels within higher education and research will be maintained.

Sustainable growth is centered around three goals: bringing about State reform through a review of public policy, reforming statutory charges and strengthening financial accounts via the introduction of medical charges, and reforming the retirement system. "By freeing up our economic potential and bringing back order into our public spending we will place growth and full employment at the heart of our national pact," the Prime Minister concluded.

Two schemes for innovative businesses

On 24 August, the Minister for Economy, Finance and Employment announced the reform of the research tax credit, as it will be laid down in the 2008 Finance Bill, as well as the creation of academic start up companies. The method for calculating the research tax credit will be simplified.

From now on, the calculation will be carried out solely with regard to the volume of expenditure. Companies will be eligible for 100 percent of their research expenditure.

The rate of the tax credit is 30 percent for R&D expenses up to €100 million and 5.0 percent beyond that. For businesses that are claiming this credit for the first time and for those which have not claimed it in the last five years, the rate is 50 percent. In total, €2.7 billion will be allocated to support businesses in their R&D projects.

The status of innovative start up company will be extended to academic start up companies. Small and medium sized businesses which are less than eight years old, which focus on a new activity and 15 percent of whose expenditure is dedicated to research are provided with numerous tax breaks as a result of the status of innovative start up company. The objective is to extend the benefits of this status to academic start up companies.

This is subject to the following conditions:

- At least 25 percent of the academic start up company must be directly managed or held by a student, by an individual who has been awarded a master's degree or doctorate in the last five years, or by an individual engaged in teaching or research activities;

- The activity of the company must focus in the main on promoting research work, where the conditions for the implementation of this work will be set down in an agreement between the company and the higher education establishment. ■

India, France Committed to Expand Economic Cooperation

France says it will aim to triple the number of French companies that have invested in India within the next two years. French investments in India during the last 15 years have brought $1.76 billion into the Indian market. The Indo-French trade accounted for $ 6.2 billion during 2005-06. A number of French companies have ventured into the Indian market as an outcome of improved India-France trade relations.

The sectors that have attracted the most FDI from France are electrical equipment, the services sector, telecommunications, transportation industry, fuels, chemicals, food processing industries, cement and glass. Further, scope of investment and development of trade and business between India and France lies in areas like small and medium enterprises, manufacturing, information technology pharmaceuticals, environment, aeronautics and life sciences.

Food Processing

Trade relations between India and France further aim at forging ties for the development of the agribusiness and food-processing sector. The Indian food-processing sector produces around 50 million tonnes of fruits and 90 million tonnes of vegetables. But inadequate food processing infrastructure in India could only process 6.0 percent of the perishable products available in India. The Indian agribusiness and food processing sector aims to increase the percentage of processed food available in India to 20 percent over the next 10 years. A huge future demand for processed food is expected with changing socio-economic situations. The government of India's mid-day meal program for primary school children is another prospective area of agri and food-processing Industry. The processed food sector in India offers tremendous scope in organized street food business. Moreover, India France trade relations envisage investment in the environment sector as well. France's expertise in this sector is well acclaimed throughout the world, especially its success in implementing clean development mechanism projects according to the Kyoto Protocol for reducing emission levels of green house gases.

India- France trade Relations is also keen to focus on other areas for the development of trade and business, like - business travelers, professionals, students, tourism, easing visa norms, agreement of French Agricultural Ministry and Indian Export Inspection Council (EIC) for export of Indian fisheries and agricultural products, development of SMEs in India, investment in financial and retail market in India and promotion of Indian whiskey amongst the European countries. ■

Germany Consolidates Gains

A Budget for Better Future

The budget consolidation course taken by the German government in 2006 is beginning to take effect. The continuing economic upswing offers a chance to capitalize further on the success of this policy. As of 2011 the national budget is expected to require no further new debts.

In 2008, net borrowing is to be reduced to 12.9 billion euros 35 percent less than in 2007. This brings the figure down to the pre-reunification level. At 4.6 percent, the percentage of total public spending accounted for by the net borrowing of the federal government is the lowest since 1973.

The stable, broad-based economic recovery must be fully utilized to build on the successes of the previous years. Both net borrowing and the structural deficit of the national budget will be gradually reduced. About 60 percent of the additional tax revenue generated between 2008 and 2011 (i.e. 54 billion of the total of 90 billion euros) will be used to this end.

Breaking Even

In 2011 the national budget is to be balanced without any new borrowing. After 40 years of increasing national debt, this will mark a radical turn-around, which will benefit the generations to come.

"We have the historic opportunity now to put our house in order thanks to the favourable financial climate," declared Federal Minister of Finance Peer Steinbrück confidently, when he presented the budget recently. The draft budget for 2008 and the financial plan for the period up to 2011 offer ideal preconditions. "We can break even if we stick to this path," Steinbrück stated.

Budget deficit tackled

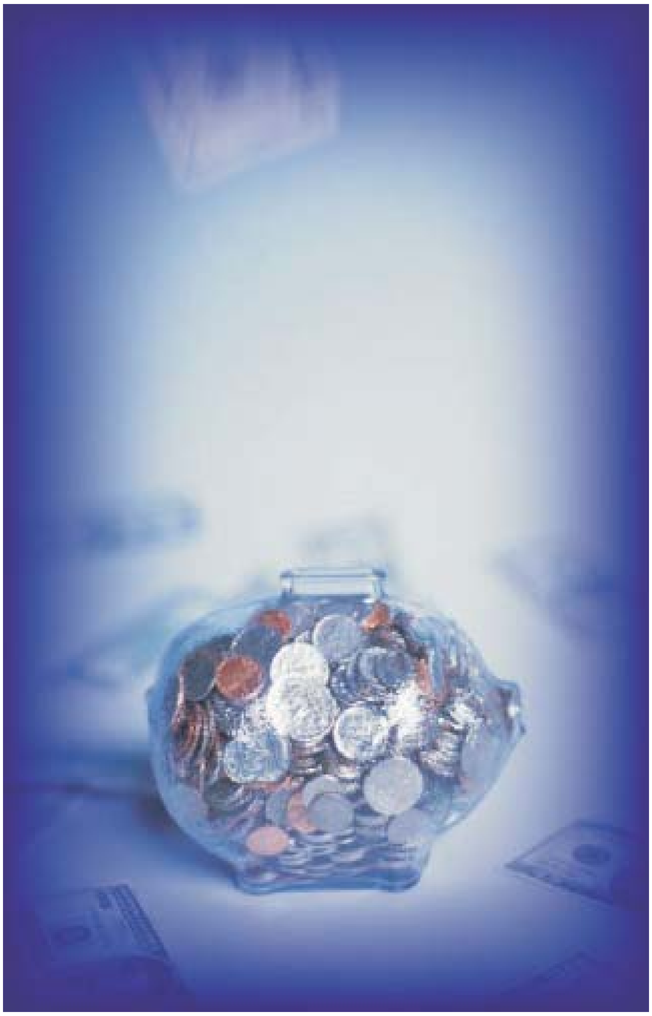
The European Union supports the financial course steered by the German government. The German budget deficit has been reduced credibly and sustainably. By 2010 the national budget will be structurally balanced.

According to the so-called Maastricht criteria, the deficit will then be zero percent. For 2011, a surplus is expected. This is the result of the vigorous financial development at federal state and communal levels, which has been even more robust than the recovery at national level.

Financial policy for the future

In spite of the tight reins on spending, sectors vital for the future of the country will continue to receive targeted support. This applies firstly to the 25 million euros impetus programme for growth and employment. Secondly, the German government is setting additional priorities with its 2008 budget. These will be worth 2.5 billion euros a year and will benefit sectors crucial to the future of Germany as well as those sectors in which Germany's international economic weight has increased.

The budget for development assistance is to grow by 750 million euros every year. To this sum will be added another 120 million euros generated by the sale of emission reduction certificates. In the years to come, this will mean that an additional 3 billion euros are available for German development cooperation. The decisions taken at the G8 summit in Heiligendamm, under the German Presidency, point the way forward in this regard. Thus, within the scope of development assistance for African states, efforts will be stepped up to stem the spread of life-threatening diseases such as HIV/AIDS, malaria and tuberculosis.



Another 220 million euros will be available as of 2008 for research and development. In this way the German government is doing its bit to raise spending on research and development to 3.0 percent of the country's gross domestic product (GDP) by 2010.

Investments will also be made in training the next generations. The German government will raise the funds available for student loans to 1.242 billion euros every year. In the medium term that will mean an additional 300 million euros a year.

Financial scope left in the budget is to be used in no small way to reduce CO2 emissions, because climate policy too is policy for the future. Sharing the costs of promoting employment more equitably.

The Federal Employment Agency (BA) is, for the first time, to bear some of the costs of getting the unemployed back to work and of the administrative costs involved. In future, the BA will bear 50 percent of these costs, which translates as about five billion euros. This new provision is intended to help prevent long-term unemployment by ensuring that measures are taken at an early stage to reintegrate job-seekers into the labour market.

As of budget year 2008, the BA will also pay the contributions for time taken off work by parents to bring up their children at home. This too is fully in line with the excellent income situation of the Federal Employment Agency.

The total spending estimated in the 2008 budget is of the order of 283.2 billion euros. The buoyant economic development is reflected in the expected tax revenues, which are put at 237.1 billion euros.

All in all, spending will rise by some 4.7 percent as compared to 2007. Without the one-off and special expenditure items, the increase would be only some 1.9 percent.

In addition to increased spending on development assistance, research, education and internal and external security, higher interest payments will push up spending. This is the result of rising interest rates and other special factors which will burden the budget. In 2008 investment should stabilise at 24.3 billion euros. ■

FDI up 123 pc at $11 billion in 8 Months

Stability Revives Indonesian Economy

Hari Suwasono
Counsellor Economics/
Head of Chancery

Relations between Indonesia and India have strengthened significantly, especially since the signing of a new strategic partnership agreement between the two countries in 1995. The bilateral strategic partnership has opened many opportunities for economic cooperation between the two countries. It has also triggered a significant increase in two-way trade and investment.

Indonesia's economic stability has revived. The economy is gaining further strength, thanks to its prudent management and favorable political and security conditions within the country. Inflation is under control; the government's reserve are at a high of US$ 40.8 billion in 2006, up from the previous year's US$ 34.7 billion in 2005; the currency exchange rate of the Indonesian Rupiah against the US dollar is stable and now trading at around Rp. 9,000; In addition, the GDP growth of Indonesia has been steadily rising, from 5,13 percent in 2004 to 5,6 percent in 2005 to 5.8 percent in 2006. In 2007, Indonesia's economy is forecast to grow by 6.3 percent and 6.6-7 percent in the following year.

In 2007, the Indonesian economy is predicted to chart higher, better quality growth. Key to this will be faster, more serious implementation of various policies for improvement of the investment climate with the support of stable macroeconomic conditions. In the second quarter of the current year, the Indonesian Economy expanded 6.68 percent from 5.97 percent during the same period the previous year.

The Indonesian Central Bureau of Statistics (BPS) has stated that the main driver of growth was exports, which grew 3.82 percent on quarter and 9.79 percent on year. Non-oil and non-gas exports rose, due to the high global commodity prices and also improving economic performance of the export destination countries.

The private consumption, which has been supporting economic growth since 2000, grew 1.46 percent on quarter and 4.71 percent on year. Investment expanded 6.86 percent on year and 4.3 percent on quarter due to an improving investment climate in the country. The Indonesian Central Bank is projecting 6.2 percent on-year growth for the July-September period. Indonesian Coordinating Ministry for Economic Affairs has said that strong growth in the second quarter, the government's 6.3 percent economic growth forecast for 2007 is within reach.

Investment Climate

The Indonesian economy is stronger now, especially following the issuance of the Investment Law to create conducive atmosphere for investment. Investment, apart from international trade and domestic consumption, will be the main engine of economic growth especially since the promulgating of the new investment law. It gives equal treatment to domestic and foreign investors; simplifies investment procedures, and provides other incentives such as fiscal facility, services for Right of Land Use, Immigration Services, and Import Licensing Facility. Investment, which is expected to fuel economic growth, will increase in the second half of the year.

Meanwhile, the flow of Foreign Direct Investment has shot up 123.16 percent year-on-year to reach US$11.7 billion in the first eight months of the current year. The head of Indonesian Coordinating Board (BKPM), Muhammad Lutfi stated that implementation of foreign investment projects surged 106.8 percent to US$8.13 billion and domestic investment jumped 171.91 percent to US$3.57 billion. Investment was mainly confined to the transport, warehousing and telecommunications sectors, together representing 30 projects accounting for US$3.28 billion.

A government institution that manages investment in Indonesia is the Investment Coordinating Agency (BKPM), established in 1973. This agency, directly accountable to the President, is tasked mainly to: formulate and assess national investment policies; coordinate and perform investment promotion; and coordinate investment development activities among government institutions. At provincial level, there is a Provincial Investment Agency, headed by a chairman of the agency who is accountable to local governor. For further information please visit the site at http://www.bkpm.go.id

Indian Investment

Indian investors first began coming to Indonesia following the signing of a trade agreement between the two countries in 1978, This triggered the first wave of Indian companies setting up shop in Indonesia in the late 1970s and 1980s. Later a follow-up agreement on the promotion and protection of investment in 1999 prompted a new wave of entrepreneurs as the Indian economy began to boom.

The presence of more Indian companies in Indonesia will improve trade and investment relations between the two countries. There are major Indian manufacturing joint ventures in Indonesia with direct Indian participation or financed by overseas Indians. Major investments are in the fields of synthetic fibres, textiles, garments, steel, hand tools and hotels. Major Indian companies with assets in Indonesia include the Aditya Birla Group (Indo-Bharat Rayon), the S.P. Lohia Group (Indo-Rama Synthetics), the Ispat Group (Ispat-Indo), Jaykay Files Indonesia, Gokak Indonesia, ESSAR Indonesia and Oberoi Hotels. Overall, Indian investors hold around $ 1.7 billion in assets in Indonesia and the annual output of these companies is between US $ 1 - 1.5 billion. The Promising areas for investment/joint ventures/services include the energy sector (coal mining) oil and gas (both upstream and downstream), manpower and engineering consultancy services for the petroleum industry, power generation, mining industry, non-conventional energy plantation (particularly CPO), IT, toll roads, ports and railways, telecommunications, pharmaceuticals and healthcare services.

Tata Investment in Coal Firms

Recently, a prominent Indian company Tata power purchased equity in coal companies in Indonesia. Tata Power is buying 30 percent stakes in two Indonesian coal producers for 1.1 billion dollars, giving it access to one of the world's largest exporting thermal coal mines. Tata Power, part of India's sprawling Tata Group conglomerate, has signed agreements to purchase 30 percent equity stakes in PT Kaltim Prima Coal (KPC) and PT Arutmin Indonesia (Arutmin) as well as in a related trading company owned by PT Bumi Resources Tbk (Bumi). The deal opens up opportunities for Tata Power to own and operate a range of world-class, competitive and profitable electricity and energy businesses in India and overseas. As part of the purchase, Tata Power has signed an offtake agreement with KPC, which entitles it to purchase about 10 million tonnes of coal a year. This purchase supports Tata Power's power projects on India's west coast enabling it to generate 7,000 megawatts over the next five years. The Indonesian coal companies rank among the top three largest exporting thermal coal mines in the world. Together, KPC and Arutmin produced around 53.5 million tonnes of coal in 2006 with over 95 percent exported.

Indonesian Industry Minister Fahmi Idris said that the foreign investors are still interested in Indonesia in view of this world largest archipelagic country's increasing economic growth in addition to its vast population. He said that the construction of a TVS Motor Company's factory in Karawang shows that foreign investors are still interested in building a motorcycle factory in Indonesia.

Fahmi Idris made these observations in his address marking the commencement of the operations of TVS Motor factory in Karawang. Venu Srinivasan, President Commissioner of PT TVS Motor Company said that TVS company in Indonesia was the fourth factory of the TVS group outside India. The factory of PT TVS Motor company Indonesia in Karawang, West Java was built with an initial investment of US $50 million.

As a result of the various deregulation packages over the years, there was a remarkable surge in foreign investment in Indonesia in the last decade or so. However, the Indian investment in Indonesia till recent years is marginal as compared to the foreign investment inflows in Indonesia considering the conducive conditions and the potential that exists. India's approved investment in Indonesia during the period 2000 to May 31, 2007 is detailed below;

TREND OF FOREIGN INVESTMENT APPROVALS BY COUNTRY OF ORIGIN
2000 MAY 31, 2007

COUNTRY	2000		2001		2002		2003		2004		2005		2006		2007	
INDIA	33	59.3	30	6.9	37	5.5	29	7.1	28	66.8	18	30.8	38	113.2	16	74.4

Source : Indonesian Investment Coordinating Board (BKPM)
Excluding of Oil & Gas, Banking, Non Bank Financial Institution, Insurance and Leasing, Mining in Terms of Contracts or Work, Coal Mining in Terms of Agreement of Work,
Investment which licenses issued by technical/sectoral agency, Portofolio as well as household investment
P : Total of Investment Approvals = New Project + Change of Status
I : Value of Investment in US$. Million = New Project + Expansion + Change of Status
Tentative data, including approvals issued by regions received by BKPM until May 31, 2007.

Iran Aims to Sustain High Economic Growth

Iran's economy set a record in 2006 when it grew by 7.5 percent; unseen for more than two decades. It's good news, but how to keep it growing is a major task for the government. The Iranian economy registered a 7.5 percent growth in 2006 entering a new phase of development.

But economic pundits say it is not enough. They believe a growth of 8.6 is needed to create jobs for the 3.5 million unemployed, curb the inflation and boost per capita income. One way to keep the ongoing growth, and even increase it, is using local investment and absorbing foreign capital. The Iranian government has paved the way for businesses, particularly, the industrial and production sectors by offering credit lines through the banking system, lowering taxation , dropping charges and supporting the local industry. Some measures have also been taken in recent years to woo investment.

To expand economic ties the Iranian Parliament adopted a bill which supports foreign investment in Iran, while government signed agreements with 46 countries to avoid double taxation and prop up mutual investment. Still, Iran's economy needs to get closer to other countries to keep growing and find opportunities for foreign investment. To that end, Iranian political missions play an important role. Economic diplomacy calls for foreign policy officials, those in the foreign ministry in particular, to pay attention to greater diplomatic ties as well as more economic and trade relations.

An active economic diplomacy could help bring about suitable grounds for joint investment, tap into economic potential and meet the goals included in Iran's economic plans. Economic experts say Iran enjoys high capacity to produce goods based on International standards and enter the global markets. An economic growth rate of 7.5 percent along with an 8.0 percent growth for the next national development plan have led to a surplus of local products. Higher purchasing power and export are two ways to clear such surplus. To access regional and international markets and to get overseas investment calls for strong political and economic ties with other countries.

Experts believe cooperation between economic bodies will increase the share of foreign economy in economic expansion. The statement says the desired goal is to establish cooperation between political and economic bodies to get more Iranian goods overseas. The economic diplomacy is a new issue and more such meetings are needed to discuss its weak and strong points in various areas of diplomatic activities.

The infrastructural measures taken in recent years have put the Iranian economy on the fast lane and if opportunities are grabbed in time, Iran will be an economic hub in the near future. One major step which proved successful, is investment in the oil sector, in the South Pars field in particular. Iran has invested more than $20 billion in this area in six years. Now, two of its phases are operational and Iran bargains for a yearly income of $10 billion for five years from the output of the South Pars field. Iran is set to begin its fourth economic development plan and government seeks to establish a lasting growth by paving the way for an open economy and expanding it based on social justice.

Supreme Leader of the Islamic Revolution Ayatollah Seyed Ali Khamenei told President Mohammad Khatami and his ministers that higher economic growth will be effective only if the problems gripping the public are removed and income is distributed evenly. That is why the Iranian government's main duty would be bringing harmony among its departments and taking into consideration the macro policies of the Islamic system. Ups and downs in Iran's economy are fading away and it looks like the economy is on its way to even out, with more per capita income on the horizon. ■

High-tech Exports Power Israeli Economy

Diamonds Add Glitter to Indo-Israeli Trade

By Daniel Zohar Zonshine

Israel is a country of about 21,000 sq km. with a population of seven million and half the size of Kerala. With the domestic market being very small, Israeli companies needed to focus outwards in the global market in order to establish themselves. This fact had forced Israeli companies to work hard to succeed in the global market. So much so that Israel is second only to Canada with the highest number of non-US stocks listed on NASDAQ.

Israel's economy is growing rapidly and is driven by the business sector. Hi-tech industry is Israel's top exporter and growth generator. It accounts for nearly half of the total exports. Israel offers a unique pool of quality manpower, particularly engineers, physicists and computer scientists, with a proven track record in development and adaptability.

The Israeli economy is rising high as it has outperformed all its predictions in the first half of 2007, registering an annual GDP growth of 6.3 percent, far above the 5.0 percent predicted by the Treasury and the Bank of Israel, as well as non-governmental observers. (courtesy Elul group)

Key Economic Indicators		
Year	**2005**	**2006**
GDPUSD	123 billion	USD 140 billion
GDP per capita	USD17,900	USD 19,900
Unemployment rate	9%	7.7%
GDP Growth	5.2%	5.1%
Exports of goods and Services	USD 57.6 billion	USD 62.6 billion
Imports of goods and services	USD 57.6 billion	USD 61.7 billion
Inflation	2.4%	0.1%

(info: Bank of Israel: Israel Export and International Corporation)

Israel finds itself in a unique position to facilitate major developments particularly in the information and telecommunication technologies fields. Having successfully transformed itself from an agriculture-based, largely collective economic system, to a technologically advanced economy during the first fifty years of its establishment, Israeli entrepreneurs now lead the way in the fields of agro-technology, electro-optics, advanced software applications, nanotechnology, biotechnology, electronic warfare, homeland security and multiple telecommunications applications.

The Economy is in a boom stage with the Business product growing by an annualized 7.9%, exports by an annualized 8.3%, investment by an annualized 5.9% and private consumption by an annualized 7.5%.

Also Israel led the world in investment in proportional R&D

Efficient Water Management Through Technology

Lessons From A Desert Nation

Israel's geographical location, the fact that half of Israel is a desert coupled with acute scarcity of water, has led scientists to develop very advanced systems of water management and supporting technologies to enable life in general and sophisticated agriculture in particular. Environmental Technologies are amongst Israel's relatively new and fast-growing Industries. Nevertheless Israel holds a pioneering role in the environmental field, based on Israel's needs and experiences, in compensating for it's limited resources of energy, land and water. Israel leads the world in the water management industry and has successfully introduced technologies such as drip irrigation, sea water desalination, sewage recycling and many others. "Israel is the Silicon Valley for water management technology," said Oded Distel, Israeli minister of industry, Trade and Labour. Based on its accumulated experience, Israel is poised to play a major role in supplying the world with cutting-edge water and environmental solutions.

Israel has the largest RO desalination plant in the world. The most developed and efficient irrigation methods in the world. The highest reused wastewater rate in the world more than 705 of its sewage is recycled, and the most advanced national water management system in the world. To understand more on Israel's water management expertise, a seminar WATEC based on water technologies and environmental control, will be held in Israel. It speaks about water management, various technologies in areas of drip irrigation, sea water desalination, sewage recycling and many others and also site visits of various water management companies. This year the WATEC Exhibition and Convention is been held on 30th October 2007 to 1st November 2007. (For more information log on to www.watech-israel.com also you could contact the Consulate General of Israel, Mumbai on www.mumbai.mfa.gov.il.) The WATEC exhibition will create a global market place for state-of-the-art technologies relevant to the Israeli and international environmental industries in such fields as water, reduction of environmental nuisances, alternative energy etc.

Israel has offered cooperation to India in tackling its severe water problem with not just technology to desalinate water but also in areas like waste water treatment, drip irrigation and conservation.

Based on Israel accumulated experience and the ensuring unique advantages, Israel is poised to play a major role in supplying the world with cutting-edge water and environmental solutions.

investment, according to figures released in early August by the Central Bureau of Statistics. The Israeli expenditure on research development of just over USD 6.7 Billion amounting to 4.5% of GDP. That topped Sweden, Finland, Japan, the United States and Canada. According to the figures, the business sector contributed 77% of the R&D expenditure.

Israel - India Bilateral Trade:

India and Israel are celebrating 15 years completion of full Diplomatic Relations established on 29th January 1992. In last 15 years, both countries have enjoyed visits of dignitaries and have signed a number of agreements in the vast fields of trade, commerce, culture, science and education. That led to a growing number of JVs, Investments, visits of business delegates and trade.

Bilateral trade between Israel and India grew by 15% and touched USD 2.7 billion in the year 2006.

Top 5 items of imports from India to Israel are:

Diamonds and precious metals, chemicals, textiles, rubber & plastic and base metals.

Top five items of export to India from Israel include:

Diamonds and precious metals, Machinery, Chemicals, Medical Equipments and Base Metals.

Diamonds constitute 65 percent of Indo-Israel trade. Also there is a big trade and cooperation in the area of defence.

Israeli exports to India totaled USD 753 million in the first six months of 2007, as part of total bilateral trade of USD 1.6 billion, according to figures released by Israel's Trade, Industry and Labor Ministry. Imports from India, at USD 833 million declined by 4.4% compared to the parallel period in 2006, while exports rose by 8.6%. For all of 2006, bilateral trade with India amounted to USD 2.7 billion. (courtesy Elul Group)

India-Israel Bilateral Trade for the Year 2005 & 2006

Description	Imports from India 2006		Export to India 2006	
	%	USD	%	USD
Total Trade		1,462,829.51		1,246,852.45
Major Components				
Rubber, Plastics	5.02	73,421.38	1.14	14,194.52
Base Metals	3.00	43,833.98	1.97	24,624.96
Textiles	8.30	121,486.39	0.33	4,061.50
Chemical Products	11.41	166,970.94	12.44	155,051.13
Machinery	1.85	27,020.15	19.75	246,221.47
Precious Stone	65.46	957,544.27	61.19	762,944.98

(info: Bank of Israel)

Israeli investment in India has crossed one billion dollars. Israeli investments are made in diverse areas of real estate, software, agro business, defence technology, precision tools etc.

Prospects for the future look bright. The booming economies of India and Israel have a lot in common and are complementary to each other. Geographic proximity and openness of business people are among the elements that can contribute to these prospects.

Calendar Events for the year ahead

Event	Date	Location	Details
WATEC Israel 2007	October 30th November 1st 2007	Tel Aviv	Water Technologies & Environmental Control - Exhibition
The Prime Minister's Conference	November 1st 2007	Tel Aviv	Export & International Cooperation
The 18th Agro-Mashov	January 9th 10th 2008	Tel Aviv	Israel's Annual International Exhibition on Agriculture
PORT 2 PORT	February 27th -28th 2008	Lod	International Logistics and Transportation Conference & Exhibition
ISRAWINEXPO	February 26th 28th 2008	Tel Aviv	International Wines Exhibition
The 12th Aqua Israel Ecological Annual Trade Fair	June 4th 5th 2008	Tel Aviv	Exhibition on Quality of the Environment, Infrastructures and Water Technology

Revenue buoyancy Helps Italian Economy Recover

Revenue inflows in Italy have remained strong in the first months of 2007, confirming that the revenue buoyancy appears to be continuing, according to an assessment of the Italian economy by OECD. Nevertheless, there is some degree of uncertainty which the 2007 budget takes into account, as to how much of this buoyancy will be repeated in the year as a whole.

Based on the approved budget, things are looking up for fiscal performance in 2007. Preliminary indications for the first few months suggest that some of last year's tax buoyancy might carry forward to this year. The budget will also be helped by new measures to raise revenues. This includes a mix of higher tax rates, further steps in the fight against evasion and the transfers of part of the flow of worker severance pay contributions (TFR) to the government. The TFR transfers are earmarked to specific projects, mainly infrastructure, set out in the 2007 budget, while at the same time representing general government revenue. However, their positive budgetary impact is expected to fade away over the next 8-9 years, when additional revenues and expenditure obligations attached to TFR liabilities will balance out.

Consolidation of Gains

At the occasion of its periodic review of budgetary prospects, in March, the government reduced its budget deficit projections from 2.8 percent to 2.3 percent of GDP, reflecting the strong outturn of the past year and upward revisions in the growth projection. The authorities should seek to build on last year's fine outcome and make

further consolidation in 2007, so as to preserve hard-won gains and make further steps towards achieving fiscal sustainability. This will not be easy, as there is already political pressure for a boost to spending, or early tax reductions. The parliamentary commitment to enact tax cuts for the amount of extra revenues coming from the fight against tax evasion, is a source of concern. Such policy changes would be premature and would make the medium-term budgetary prospects more difficult, in particular if the revenue windfall gains turned out to be temporary. Insofar as revenues continue to over-perform in the present budget, this should be entirely used to reduce the deficit further rather than for ratcheting up public spending or cutting taxes, in view of the still high level of public indebtedness.

Beyond these short-term prospects, the government aims at increasing the primary surplus to 5.0 percent of GDP by 2011, its level upon EMU entry, which would accelerate the projected downward trend in the debt ratio.

According to a recent economic bulletin of the Italian government, the pace of economic activity in the industrial countries slackened in the first quarter of this year. The slowdown was less pronounced in the euro area than in Japan and the United States, and was probably followed by a recovery in the spring. According to assessments by analysts and businessmen, however, only the United States is likely to see a significant deceleration in GDP over the year as a whole, with the rate of growth falling from 3.3 to 2.1 per cent.

The emerging economies, benefiting from continued easy conditions in the financial markets and high raw material prices, are likely to continue to provide impetus to world economic growth, with rates of increase of around 10 percent in China and India. World trade is forecast to continue to expand at a rapid pace, albeit slightly less strongly than last year; inflation expectations remain subdued everywhere.

The exceptional acceleration in the Italian economy in the latter part of 2006 was followed by a particularly abrupt slowdown in the first quarter of 2007, with growth falling from 4.4 to 1.2 per cent on an annual basis. The main contributory factor was a fall in exports due to a pause in growth in Germany in connection with the introduction of new VAT rates. The cautious attitude of firms, which preferred to meet demand by drawing heavily on stocks, caused a sharp fall in industrial production. The slowdown in GDP growth was accompanied by a fall in employment. The available indicators suggest that GDP growth was running at an annual rate of more than 1.5 per cent in the spring, thanks mainly to the recovery in exports.

According to national accounts data, the cooling of activity in the first quarter did not halt the rise in productivity in the economy as a whole. The profit margins of non-financial firms, which have increased for three successive quarters, continued to widen; self-financing rose from the low levels of 2006. Investment growth weakened, but firms' borrowing requirement remained high. Bank borrowing increased by 10 per cent; by contrast bond redemptions slightly exceeded new issues. In the second quarter, with the cost of bank borrowing rising only slightly, the recovery in activity signalled by the economic indicators is likely to have given fresh impetus to demand for capital goods.

In the first three months of the year the growth in household expenditure accelerated unexpectedly to 2.8 per cent on an annual basis, fuelled by purchases of durable goods and services. One factor was the recovery in disposable income, which is estimated to have risen by around 0.5 per cent in real terms compared with the end of 2006. Leaving aside the effect of specific factors, such as incentives to scrap motor vehicles, the qualitative and quantitative indicators signal the persistence of a degree of caution in spending decisions. Bank borrowing slowed down slightly.

The stimulus from exports is likely to be joined this year by a boost from consumption, thanks to the recovery in disposable income, which was squeezed last year by the sharp increase in taxation. Investment continues to benefit from the cyclical upturn, but its growth is likely to be curbed in 2008 by the increase in real interest rates and less favourable conditions in the real estate market.

Domestic Demand

Overall, final national demand is expected to grow at an annual rate of more than 1.5 per cent over the two-year period. Exports should benefit from the strong growth in world trade, rising at rates of between 3.0 and 4.0 percent. They are being depressed this year by the lagged effects of the loss of competitiveness due to the appreciation of the euro and the rapid increase in our export prices.

Looking to the future, it is assumed that continuation of the restructuring of Italian firms that is now under way will halt the deterioration in Italy's competitiveness and gradually reduce the disparity between the growth in Italian exports and the growth in world demand. ■

Japan looks at India as Promising Business Location

On the back of service industries and domestic demand, the Indian economy has realized a high average growth rate of 8.6 percent since 2003. India's growth has by and large been the mirror opposite of the countries of East Asia, which have pursued growth focused on manufacturing and external demand.

A White Paper prepared by the Japanese Ministry of Economy, Trade and Industry, reviewed the Indian economic scenario and said that due to income increases, the number of consumer durables owned is also increasing and given the size of the Indian population, the appeal of the market is expanding.

In addition, the aging society phenomenon is not as advanced in India as it is in China and for the foreseeable future it is expected to be able to provide a rich source of labor power, increasing its appeal also as a production base.

On the other hand, of the challenges for the Indian business environment, those that are very often pointed out are the lack of infrastructure and lack of transparency in operation of legislation. In the future, in order to continue to attract foreign companies and continue to develop the economy, it will be important for India to improve the business environment.

In addition, in realizing sustainable growth it will be necessary to deal with issues of poverty in order to further expand domestic demand in a sustainable manner. Furthermore, it is necessary to eliminate the fiscal deficit in order promote infrastructure development with an eye to achieving improvement of the business environment as above mentioned.

India is advancing measures to open up its economy to the outside world, including liberalization of trade and inward investment. The countries of East Asia, including Korea and Singapore, are rapidly expanding their volume of trade and investment with India, as the expansion in consumption prompted by the economic growth of recent years has heightened India's appeal as a consumer market. Relations between the countries of East Asia and India are continuing to get closer.

Given such circumstances, Japanese companies too are looking to India as a promising business location, and these companies are preparing market strategies for India using a variety of methods, including entering the Indian market itself, but also exporting to India from existing production bases in China and ASEAN, etc. In order to support such activities, various measures have been launched towards developing the business environment, including inter-governmental negotiations on Japan-India/India-East Asia EPA, and the Delhi-Mumbai Industrial Corridor Project.

Global Economy

While on the one hand the global economy continues to grow, accompanying this growth is the continued expansion of the global current account imbalance. For two consecutive years since 2005 the income surplus of the United States has shrunk. It is hoped that each country will engage in structural adjustments and that the expanded equilibrium will be achieved in the global economy.

The Chinese economy which continues on its high growth track has an excessive dependency on exports and investment. Correcting disparities and converting to a domestic demand-led structure would support the goal of achieving sustainable growth in the global economy.

The Indian economy also is currently in a period of high growth, focused on the service industries and domestic demand. In the Indian economy industrial infrastructure improvements and enhanced transparency in the operation of the legal system are required.

Sustainable growth continuing in the global economy East Asian countries are continuing to record high growth (real GDP growth in 2006: 8.8 percent) and global business trends and changes in consumer prices are strengthening this stable growth track leading to sustainable growth continuing (2006: 5.4 percent) in the global economy.

In the White Paper, East Asia is defined as Japan, China, Korea, ASEAN, India, Australia and New Zealand, a total of 16 countries.

Globalization

In addition, there is another view that through deregulation, various obstacles in the goods, services and capital markets have been dismantled, and, as a result, growth potential has heightened, thanks to increased efficiency in the economy as a whole. In addition, the enhanced degree of freedom of action for companies has enabled them to respond flexibly and speedily to changes in the economic environment.

The proportion of the entire economy accounted for by the service industry is rising in every country in the world, and in 2003 the service industry accounted for 68 percent of global nominal GDP. It is thought that the move to a service economy on a global scale is contributing to the stabilization of the global economy.

The global trade in goods and services has risen dramatically since the latter half of the 1990s and in 2005 it reached a volume of approximately US$12.8 trillion, accounting for 28.8 percent of global nominal GDP. In the same period the trade in goods has strengthened its upward trend since the latter half of the 1990s and in 2005 it had expanded its share of nominal GDP by approximately 1.5 fold to 23.3 percent. On the other hand, the proportion of nominal GDP accounted for by the trade in services has risen steadily from 3.7 percent in 1980 to 5.5 percent in 2005, demonstrating that in comparison to the trade in goods, its share of nominal GDP and pace of increase have remained at a relatively low level.

The background to this rapid expansion of the trade in goods has been the rapid increase in the volume of trade in goods, to which developing countries have been contributing. Trade in goods between developing countries has expanded by approximately 10 fold between 1980 and 2005, rising from US$0.2 trillion to US$2.1 trillion.

At the same time, looking at investment trends, we see that with a backdrop of the globalization of corporate activities in recent years the global movement of capital has rapidly developed and this has meant that global external investment as a proportion of nominal GDP has expanded rapidly since the latter half of the 1990s. Moreover, looking at the trends in external investment as a proportion of nominal GDP and splitting it further into FDI and investment in foreign securities, we see that since 2003 while the growth of FDI has slackened somewhat,

investment in foreign securities is the engine that is currently driving external investment as a whole.

East Asia's High Economic Growth

East Asia is maintaining high economic growth and advances are being made towards integration within the region. In East Asia, due to the development of EPA/FTA networks and a multilateral division of labor structure, (i) triangular trade (whereby goods are assembled in China and ASEAN using major parts from Japan and the NIEs, for export to Japan, the US and Europe) and mutual supply of intermediate goods is expanding. In addition, (ii) Japanese companies are increasingly seeing East Asia as a unified market, and are promoting measures to concentrate intra-regional production and supply functions, and establish comprehensive intra-regional sales bases. Furthermore, (iii) with the increasing proportion of locally procured items, development functions are being seen to be expanding throughout East Asia.

The expansion of business into East Asia brings about significant effects such as large increases in production volume for domestic industries, and improvements in profitability, through such means as opening up sales channels in East Asia and increasing the export of intermediate goods, as well as specializing in high value-added products domestically. In addition, the entry into East Asia, which boasts great diversity, also helps to realize innovation that is utilizable both in Japan and in developing countries also, as well as contributing to the securing of human resources who can work effectively on the global stage.

In order to promote vigorous corporate activity in East Asia and realize further development of the regional economy, it is important to develop the business environment and create a seamless economic zone, the White Paper said.

East Asia among other regions is maintaining a high rate of economic growth and just as its global share of real GDP has grown from 21.5% in 1980 to 27.6% in 2005, accordingly its influence is expanding too. These is also an expression of how in terms of some items, East Asia is taking on a large part of the global production share. In addition, it is anticipated that the importance of East Asia will grow not merely in terms of production, but also as a consumer market.

Promoting the "Japan Brand"

In a global environment in which competition to secure outstanding human resources is intensifying, it is important that Japan promotes the "Asia Human Resource Fund" initiative that links higher education with employment assistance in domestic companies, and that through expansion and increased closeness among human networks of outstanding human resources in Japan and Asia, growth for East Asia as a whole can be achieved.

In order to make Japan a country that is open and appealing to the world, it is important to: (i) promote the image of Japan abroad through a Japanese-style top sales approach that links the securing of resources and markets with industrial cooperation; and (ii) the promotion of the "Japan Brand" overseas.

Towards the establishment of a "Japan Brand" overseas active support will be provided for the international development of the contents and fashion industries in Japan, as well as efforts to disseminate the concept of "Japanesque Modern" ■

Korea's economy is expected to remain on a moderate growth path on recovering private consumption and solid exports, although its on-quarter expansion is likely to slow down in the third quarter of 2007 on weaker demand for imports in the U.S. in the aftermath of the sub-prime mortgage crisis, a recent poll showed.

The gross domestic product (GDP) will probably grow 1.3 percent in the July-September period from the preceding quarter, slowing from a revised 1.8 percent expansion in the second quarter, the poll covering 15 domestic economic think tanks said.

Compared with a year earlier, the third-quarter GDP is likely to expand 5.1 percent, accelerating from a revised 5.0 percent growth in the second quarter, the poll said.

GDP, the broadest measure of an economy's performance, is the total value of goods and services produced by the economy in a given period.

"Korea's economy, which has bottomed out in the first quarter, will likely stay on the expansion path throughout the next year on the back of recovering private spending, strong exports and facility investments," said Lee Sung-kwon, an economist at Goodmorning Shinhan Securities.

Exports, which account for some 40 percent of the economy, grew 14.4 percent on-year to $31.2 billion in August, marking the 19th month of posting double-digit growth, according to the government's data.

Lee forecast that China's robust growth and recovering economies of the European Union and Japan will help prolong Korea's economic expansion. China is Korea's largest export destination, followed by the EU and the U.S., according to the Commerce Ministry's latest data.

"The Fed's rate cut will contain damages of the subprime issue from hurting the U.S. economy," Lee added.

The U.S. Federal Reserve recently cut its benchmark interest rate by a larger-than-expected half percentage point to 4.75 percent to stop the financial market turmoil triggered by U.S. subprime mortgage defaults from spilling over into the real economy.

However, Ma Ju-ok, an economist at Kiwoom Securities, voiced concerns on the economy's downturn in the second half on slowing demand from the U.S. "A drop in shipments to the U.S. will likely damp Korea's exports, weakening growth in facility and construction investments while domestic consumption will likely remain little changed."

The central bank in July raised its annual growth forecast for 2007 by 0.1 percentage point to 4.5 percent, citing strong exports and a recovery in domestic spending.

Top 30 Biz Groups to Expand Ties with SMEs

Korea's top 30 conglomerates have recognized the importance of their smaller contractors and are expanding mutually beneficial partnerships, the government said.

At a meeting held at the presidential office, Cheong Wa Dae, business executives said forming strategic cooperative relationships with small and medium enterprises (SMEs) is necessary to ensure sustained growth.

The Ministry of Commerce, Industry and Energy, which is responsible for supporting the partnerships between large conglomerates and smaller firms, said leading businesses such as Samsung, Hyundai Motor Co. SK and LG, plan to spend 2.07 trillion won ($2.22 billion) in 2007 to directly support their contractors. The money is being spent on research and development (R&D), training of personnel and facility upgrades.

This is a 45.3 percent increase compared to 2006 when companies spent 1.43 trillion won, the ministry said. Of the 30 largest conglomerates, 19 have also set up task forces to expand mutually beneficial ties with SMEs, up by four from last year.

"This trend reflects the growing realization among top managers that the well-being of their contractors helps raise the overall competitiveness of the conglomerates," said Kim Yong-geun, Deputy Minister of Industrial Policy.

He said a recent survey showed big companies that paid more attention to assisting their sub-contractors achieved more in profits, market expansion and public relations than those that did not.

To encourage such moves, Seoul has earmarked 286.6 billion won this year to help joint R&D endeavors by big firms and their smaller partners, the official said. This fund is to be expanded by 387.9 billion won in 2008.

The progress comes as President Roh Moo-hyun and top economic policymakers have stressed the importance of forming win-win partnerships that can enhance the competitiveness of Korea's economy, while at the same time doing away with unfair trade practices.

In the past, large businesses, using their superior positions, compelled sub-contractors to cut prices and delayed payment on products delivered and services rendered. This led to bankruptcies and a general drop in wage levels that have adversely affected employment. Weak employment hurts domestic consumption that is a key to growth.

The Commerce Ministry, meanwhile, said that Seoul will do its part to facilitate inter-business cooperation by helping to form so-called R&D consortiums in such areas as display panels, shipbuilding, textiles and robotics.

H1 Exports from Korean State Industrial Complexes Rise 9.9 pc

Exports by companies operating in South Korea's 31 national industrial complexes rose 9.9 percent in the first half of 2007, fueled by greater demand for petrochemicals and transportation equipment, a recent report said.

Companies at industrial complexes shipped out $76.37 billion worth of goods in the first six months of the year, said the Korea Industrial Complex Corp. (KICOX), which manages the complexes.

"Solid demand in transportation equipment and petrochemicals that account for the bulk products made by the 28,182 companies in the industrial complexes helped improve figures," said a KICOX official.

Gains for machinery and electronics trailed off in the cited period. The latest report said production by companies in the complexes also rose 7.1 percent year-on-year to 161.16 trillion won ($170.30 billion). Companies operated at 84.7 percent of capacity, little changed from the 84.8 percent tallied for the first half of 2006.The dip in operating capacity is linked to regular repairs carried out on petrochemical-related companies in June.

KICOX said that output in June gained 7.4 percent year-on-year to reach 27.54 trillion won. Exports rose 6.3 percent for the month to $12.82 billion. Korea exported $178.15 billion worth of products in the first half and expects to sell $367.25 billion by year's end, a gain of 12.8 percent compared to 2006. ■

High Domestic Demand, Investment Spending Boost Malaysian Economy

The Malaysian economy expanded further by 5.7% in the second quarter of 2007 (Q1 2007: 5.5%) supported by strong growth in services, mining and construction sectors. The services sector registered remarkable growth of 9.2% (Q1 2007: 9.7%) due to strong expansion in all sub-sectors, especially real estate and business services, wholesale and retail trade, accommodation and restaurants as well as communication. The mining and quarrying sector rebounded to 7.7% (Q1 2007: -0.6%) contributed by increased production of crude oil and natural gas. The construction sector continued to register steady growth of 4.8% (Q1 2007: 4.0%) backed by strong activity in the civil engineering and non-residential Sub-sectors.

Meanwhile, the manufacturing sector moderated to 1.5% (Q1 2007: 2.0%) due to weak global demand for electrical and electronics (E&E) products. The agriculture sector declined by 0.9% (Q1 2007: 2.2%) on account of lower production of palm oil.

Strong domestic demand

Growth in the second quarter was driven by higher domestic demand which expanded by 10.8% (Q1 2007: 8.7%). This was largely due to strong private investment and buoyant consumer spending as well as higher Government spending.

Private consumption posted strong growth of 13.1% (Q1 2007: 8.6%) on account of higher disposable income arising from firm commodity prices, sustained domestic economic activity, stable employment conditions as well as the favourable performance of the stock market. Total investment expenditure increased to 6.6% (Q1 2007: 9.9%) supported by public and private investment following the implementation of projects under the Ninth Malaysia Plan (9MP). Capacity utilisation in the manufacturing sector increased to 80.4% (Q1 2007: 70.0%).

Buoyant services sector

The services sector recorded a strong expansion of 9.2% (Q1 2007: 9.7%), and contributed 4.7 percentage points to GDP growth. Growth in the sector was broad-based, led by intermediate services, which grew 11.6% (Q1 2007: 13.4%) supported by double-digit expansion in finance and insurance as well as real estate and business services subsectors. Final services grew 8.8% (Q1 2007: 7.0%) supported by expansion in wholesale and retail trade as well as accommodation and

restaurants.

Growth in the real estate and business services sub-sector was robust, though at a more moderate pace of 18.0% (Q1 2007: 27.3%) largely due to higher real estate activity, vibrant stock market performance and active IT-related businesses. During the quarter, 78 new MSC-status companies came into operation (Q1 2007: 45 companies). Similarly, finance and insurance activities registered strong growth of 11.0% (Q1 2007: 13.2%) benefitting mainly from increased product offerings, higher interest and feebased income, which enhanced banking activity. Wholesale and retail trade services registered double-digit growth of 11.9% (Q1 2007: 9.1%), while accommodation and restaurants activities strengthened at 10.3% (Q1 2007: 8.1%).

The sturdy growth of these sub-sectors was supported by healthy domestic consumption spending, expanding retail activity and higher tourist arrivals. During the quarter, tourist arrivals surged 29.3% to 5.4 million (Q1 2007: 20.6%; 5.3 million) with Singapore, Indonesia, Thailand and Brunei accounting for 71.0% of total arrivals. The International Fashion Week, Petronas Malaysian F1 Grand Prix and Malaysia International Halal Showcase (MIHAS) 2007 were among the major events that attracted tourists and business travellers.

The strong performance of wholesale and retail trade was also reflected in import of intermediate goods which rose 6.3% (Q1 2007: 9.0%). Meanwhile, total spending at hotels and restaurants increased significantly by 20.3% (Q1 2007: 19.0%).

Transport & Storage

Growth in the transport and storage subsector was notably higher at 9.3% (Q1 2007: 5.5%), supported by strong expansion in air travel and port activity. Budget air passengers rose sharply by 44.3% to 2.3 million (Q1 2007: 40.7%; 2.2 million). This was on account of aggressive promotional efforts, addition of new routes, increased frequency on existing routes and capacity expansion by AirAsia. The number of international passengers on Malaysia Airlines rose 4.8% to 2 million (Q1 2007: -1.8%). However, air cargo handled by the two carriers continued to contract by 7.5% (Q1: 2007: -8.6%) on account of the moderation in the export of E&E products. Port activity was brisk with container handling at major ports increasing 12.5% to 3.8 million TEUs (Q1 2007: 17.6%; 3.5 million TEUs) backed by capacity expansion as well as improved service quality.

The communication sub-sector registered higher growth of 8.0% (Q1 2007: 5.3%) resulting from expansion in the usage of cellular phone, broadband and internet services. Cellular phone subscriber base rose to 21.2 million, registering 78.2% penetration rate (end-March 2007: 20.8 million; 77.0%) largely attributed to competitive pricing, attractive and innovative offerings as well as intense marketing strategies by industry players.

Growth was also supported by increased performance in short message services (SMS) traffic, which surged 71.1% to 13 billion (Q1 2007: 57.2%; 11.7 billion). Likewise, the internet subscriber base expanded by 3.6% to 3.9 million (end-March 2007: 2.7%; 3.8 million) while the subscriber base for broadband surpassed the one million mark to record 1.1 million with a penetration rate of 4.1% (end-March 2007: 994,000; 3.7%) following wider coverage and gradual adoption of wireless services.

Growth in the utilities sub-sector was sustained at 4.5% (Q1 2007: 4.3%) mainly on account of demand for electricity underpinned by increased economic activity. Sales of electricity grew by 5.4% (Q1 2007: 3.4%) while maximum demand peaked at 13,340 megawatts (MW) in May 2007 (Q1 2007: 13,409 MW; March).

The other services sub-sector comprising community, social, and personal services as well as imputed rent of owner-occupied dwellings recorded sustained growth of 4.8% (Q1 2007: 4.2%). This was largely attributed to increasing demand for private health and education services. The government services sub-sector grew by 2.8% (Q1 2007: 6.0%). ■

Mauritius Moves Towards Reforms, Globalization

Mauritius Deputy Prime Minister and Minister of Finance and Economic Development Ramakrishna Sithanen, in June 2006 presented a bold and reform-oriented budget for 2006-07, which has paved the way for globalization of the country's economy. Following are excerpts from his speech.

It is time for the nation to embrace radical change and build a new, open and competitive service platform that is fully integrated into the global economy, like Hong Kong, Singapore and Dubai. Moving in this direction would benefit all Mauritians. Those with the lowest incomes and those currently unemployed will gain most. More important, by also removing other disincentives to small businesses and to hire workers, we will increase employment, reduce vulnerability and alleviate poverty.

This is why the first Budget of l'Alliance Sociale is not, as many feared, about austerity but instead launches the changes needed for a new era of growth, wealth and employment creation.

Mauritians should understand why bold reforms are necessary to create jobs, why jobs will come from opening the economy and why we have to take some calculated risks to generate employment and return to high growth.

This budget ushers in forty major reforms that sweep away a non-functional system which is very complicated, hard to understand and open to abuse and even corruption through excessive discretion. We want to make things simple, transparent and rule based.

Investment Facilitation

On investment facilitation, we will

1. make it easier to start a business by getting rid of trade licences and do away with a very cumbersome system with complex and long procedures;

2. facilitate access to existing business premises by doing away with the need for a development permit;

3. rationalise the 40 activities covered by development permits into three clusters: services, industrial and commercial;

4. work towards pre-designated development areas where the development permit would not be necessary and would be integrated into the building permit;

5. facilitate foreign investment by establishing clear guidelines that allow starting up without government clearance;

6. integrate the EPZ and non-EPZ sectors and do away with all investment certificates except for the Integrated Resort Scheme (IRS) and the Freeport;

7. do away with the discretion and powers of remission of the Minister of Finance and have clear rules and

regulations that will be enforced uniformly.

Opening up the economy

To open the economy we will attract foreign talent, know how, ideas, technology and money to absorb the unemployed, upgrade skills and raise earnings of our workers;

As a nation we will need to spend around Rs 150 billion over the next ten years, most of which will be front loaded in the first three to five years. We cannot mobilise such sums on our own. We need both foreign investment and support from our external partners to make it possible to move from a four pillar economy dependent on sugar, textiles, tourism and financial services to a diversified economy that is resilient to shocks. To unlock such support, we need to be bold, to show resolve and above all to overcome our resistance to competition from outsiders and instead swing our doors wide open. It is time to be fully open.

Finally, as the reform package delivers higher growth, the policies we put in place now will ensure that rising incomes would be shared more with the low-income workers, the unemployed, and other disadvantaged groups that are making the biggest sacrifices.

The single over-riding purpose of this year's Budget is to create jobs, promote employment and return to growth by securing the transition from a preference dependent to a globally competitive economy.

In reversing this situation our three main objectives are to

1. Encourage private investment in new pillars;

2. Democratise growth to ensure that low-income workers and the unemployed participate fully in the recovery; and

3. Release growth by eliminating the high costs of regulations.

Achieving these outcomes rests on improving the ease of doing business and opening the economy.

Mauritius ranks 23rd in the 2006 Doing Business Survey. We must do better to mobilise the 80 billion rupees of private investment required to restructure our economy, mobilise our own SMEs and encourage the unemployed and recycled labour to start their own business. We need to be in the top ten.

We will make sure new businesses can start immediately contributing to the economy instead of wasting time with income tax, customs, National Pension Fund, local authorities, health, police, fire and numerous departments and ministries. We have to put an end to suffocating bureaucracies that stifle enterprise. Henceforth, data will move and not people.

Today, we are freeing enterprises and new investors from bureaucracy. The new approach allows businesses to start operations on the basis of self adherence to comprehensive and clear guidelines rather than prior, long and complicated authorisations. The authorities will then use ex post control to check for compliance.

Except for a limited number of regulated activities such as gambling and liquor sales, we are introducing new measures to allow our entrepreneurs, particularly micro-enterprises and SMEs, to start new activities within three working days compared to at least 46 days currently, and sometimes up to two years:

As we give our outward looking strategy a global perspective we must open our country not only to investment but also to foreign talents, know how, ideas, and technology. The Doing Business reforms I have announced will improve the investment climate to world standards. While helping SMEs and job seekers these reforms will allow FDI to flow in more easily. However, money is not enough. We also need to attract the people who can contribute to our development by bringing ideas that germinate and flourish elsewhere.

We must allow the foreigners we need and the Mauritian diaspora to come in without hindrance.

Restructuring Sugar & manufacturing

We will respond to the dismantling of the Multi Fibre Agreement and the implementation of the 36 percent cut in the price of sugar by a complete reengineering of the textile and clothing industries and of the sugar cane cluster. We will also reform, diversify and consolidate the tourism and financial sectors to put them on a yet more solid base for further development.

For the sugar sector, Government has submitted a Multi-Annual Adaptation Strategy to the European Union in view of negotiations for accompanying measures. The plan includes actions to reduce cost, increase revenue, optimise use of by-products, alleviate debt burden and adapting regulations.

In the manufacturing sector, restructuring is most pressing for textile and clothing. But other EPZ firms as well as local manufacturers also have to face the dictates of an inexorable and relentless globalisation process. As trade barriers fall, so will the frontiers between local manufacturing and the export sector. This is a change that we must welcome rather than resist.

Eliminating Customs Duties

We will also eliminate customs duty on all inputs for the manufacturing sector as a whole. This measure will facilitate outsourcing and the integration of EPZ firms with enterprises serving the domestic economy, particularly SMEs.

Tourism Goal

For the tourism sector, our goal of two million tourists by the year 2015 is achievable. Government will continue to open air access to increase carrying capacity, diversify the sources of visitors and bring down travel costs to Mauritius through greater competition.

Over the next ten years, the private sector will have to invest in the equivalent of over 25,000 rooms that will generate direct employment of about 50,000 and indirect employment about twice that. However, this will require training over 3,000 annually at three levels.

For yet another year, the Mauritius Tourism Promotion Authority will have Rs 300 million to finance a promotion campaign to expand and diversify our markets. Emphasis will be on developing a recognisable image of Mauritius as a unique destination that combines leisure, business and shopping tourism.

Financial services

The financial services sector must also grow, modernise and diversify. The Securities Act which now provides for the setting up of Securities Exchanges only will be reviewed to empower the Financial Services Commission (FSC) to approve the setting up of other types of Exchanges.

Global Business Sector

The Global Business Sector is pre-eminently the corridor to the world economy. We are therefore acting on five fronts to give this activity a renewed fillip for progress.

• First, we are expanding the range of banking activities conducted from Mauritius by making amendment in the Banking Act to provide for private banking services.

• Second, we will review our commercial law to provide for a mode for notification in the case of assignment of debts and on the pledging of shares that will encourage the use of Mauritius in major cross border financial transactions.

• Third, I am proposing to extend with slight modifications the regime of the Gage Special presently existing in favour of banks to transactions involving global business companies.

• Fourth, the FSC will encourage the exchanges to create special boards for the listing of global business companies.

• And fifth, we are amending the regulatory framework to enable Management Companies in the global business sector to provide fund administration services to funds established in other recognised financial centres. ■

The 10 Commandments For Economic Success

The Budget Memorandum 2008 of the Netherlands shows a surplus being ached again in 2008. It spells out the objectives of the coalition agreement. It also incorporates the additional measures agreed to ensure sound government finances from 2011. Moreover, arrangements have been made to ensure that the purchasing power of the lowest-income groups will not be affected in 2008. This Budget Memorandum also defines the financial latitude and budget rules for the government's term of office thereby ensuring that the government's ambitions of growth, sustainability, and solidarity fit within the objective of realizing a structural budget surplus of 1.0 percent of GDP by 2011.

Table EMU-balance 2007-2011 (in percentage of GDP)	2007	2008	2009	2010	2011
Actual EMU-balance	-0.4	0.5	0.6	0.7	1.0
Structural balance	-0.3	0.4	0.8	0.9	1.1

Overview

With a booming economy, the Netherlands is one of the most prosperous countries in the European Union. In 2007, the economy is expected to grow by 2.75 percent. Despite the recent unrest in the financial markets, the economy will remain strong in 2008, with an anticipated growth of 2.5 percent of GDP.

Public finances have also improved. Following a temporary dip in the 2007 EMU-balance, 2008 is expected to once again yield a budget surplus of 0.5 percent of GDP. This reflects an improvement of the GDP of almost 1.0 percent in the space of one year. The budget will continue to show a surplus over the next four years.

Debt will amount to 45 percent of GDP in 2008. The EMU-debt is expected to be reduced to less than 40 percent of GDP in 2011 (39.2 percent), the lowest in more than thirty years. The outlook for the Dutch public finances is better than average for the Eurozone. This applies to both the budget balance (Eurozone -0.8 percent of GDP) and the debt (Eurozone 65 percent of GDP).

Firm Measures

The government is taking firm measures in order to be able to realize its ambitions and objectives defined in the coalition agreement. With the economy booming, now is the time to implement these measures. Moreover, the cabinet has taken a number of measures in addition to the coalition agreement, which from 2011 will help cover the costs of the ageing population, and therefore contribute to the welfare of future generations. Where possible, the plans also ensure that lower-income groups will not be affected in 2008. In addition to a substantial package of measures combining extra investments and easing of the tax and premium burdens, this also involves cutbacks and increases in the tax and premium burden.

Ten Initiatives for 2008

Growth, sustainability, solidarity and respect are central in the government plans.

1. Commencement neighbourhood approach
2. Extra funds for peace operations and crisis control operations
3. Extra funds for research and social innovation programmes
4. Introduction environment-specific measures: taxes on packaging and airline tickets
5. Energy-saving measures
6. Introduction compulsory work/education programme up to age 27
7. Efficiency measures in healthcare
8. Extra funds to tackle juvenile crime
9. Phased introduction free school books
10. Increase of earned income tax credit ■

Poland: The Most Attractive European Investment Destination

Poland is the most attractive location for investment among the 31 countries of Europe, according to the latest ranking of the Federation of European Employers (FedEE), Apart from Poland, in the group of the five most popular countries can be found are Denmark, Great Britain, Slovenia and Switzerland.

Poland received a rating of +6 in the FedEE rankings, ahead of all its competitors in the region: the Czech Rep., Hungary and Slovakia.

Poland has the most competitive workers in Europe when taking into account the total costs of work in comparison to the quality of work Polish Information and Foreign Investment Agency (PAIiIZ) President Pawel Wojciechowski commented on the findings of the report.

“We continue to have great reserves of highly qualified staff systematically raising their levels of qualifications. It's this raising of qualifications and professional mobilisation that are the best ways of fighting against unemployment,” he said.

The FedEE rankings embraced the 27 EU countries and also Iceland, Norway, Switzerland and Turkey. In the survey 15 different factors were taken into account e.g. the availability of labour, human resources, relations on the work market and its elasticity, inflation and the work costs. Poland's strongest assets were seen as the availability of a young work force, the presence of women on the labour market and the availability of temporary workers. The status of joint working agreements, the position of trade unions and the average hourly rates of pay, were also seen positively. Moderate marks were given to Polish investments in education, the possibility to recruit from other employers and the limitations on terminating employees contracts, together with the lack of ability to use the internet.

FedEE is a leading employer's organisation in Europe, it emerged with the help of the EU Commission. The Federation embraces almost two thousand of the largest employers operating in Europe. Its members employ an average of 7,500 personnel. More than half are firms with American or Japanese capital. FedEE has been operating since 1989.

A record number of PAIiIZ projects

The Polish Information and Foreign Investment Agency (PAIiIZ) finished the first half of 2007 having served a record number of projects. Their most significant results were the creation of 10,500 workplaces and the inflow of investment funds of 746 million EUR (compared to the first half of 2006 an increase of 319 percent).

In the first half of this year PAIiIZ assisted as many as 31 different projects. Their completion will mean the creation of 10,500 new work places and an inflow to Poland, of investment funds of 746 million EUR. By comparison in the first half of 2006, the Agency completed 12 projects, the effects of which were the creation of 5,500 work places and the inflow of 178 million EUR in investments.

According to Ms. Iwona Chojnowska-Haponik, Director of PAIiIZ's Foreign Investment Department, several factors have led to this year's success: "The increase in the flow of investments in the first half of 2007, is due to the snow ball effect investments in Poland by the concerns of LG and Sharp drew in many smaller firms from that sector. The healthy economic climate is also not to be ignored".

The anticipated effects will also lead to long term activities in the Agency concentrated on arousing interest in Polish markets from investors of: Japan, China, South Korea and India. "Currently we may observe a new tendency, in the drawing to Poland of the BPO type markets" summed up Director Chojnowska-Haponik.

Half of the projects have been realized within the special economic zones. The most projects were run for American firms six; these were followed by investors from Japan five, China three, and Germany three. Amongst the aforementioned 31 projects, nine were in the economics sector, four BPO, and three each in the sectors of chemicals, automotive and R&D.

"We are particularly pleased with investments in the research and development sector" said Pawel Wojciechowski, President of the PAIiIZ Board. "Innovativeness is our great chance for development. We're currently focusing on gaining investments in the field of advanced technology" he added.

The most new investments were located in the voivodships of: Mazowsze - seven, Kujawsko-Pomorskie five, Dolny Slask and lódz four each, and Lubuskie three.

Indo-Polish two-way trade to touch $1billion by 2010

Bilateral economic relations between India and Poland have progressed remarkably - with an almost six-fold increase since 1992. At the end of 2006, total trade turnover topped $670 million. Growth of trade was particularly high in sectors such as pharmaceuticals, automotive components, engineering goods, chemicals and textiles. But this figure is much below the true potential, according to analysts.

During the visit by Indian Commerce and Industry Minister Kamal Nath to Warsaw in May 2006, when the Indo-Poland Trade Agreement was signed, both sides had explicitly declared their eagerness to expand the basket of commodities beyond the 40 items they had been trading in.

It was also decided to set up a new Joint Commission to help promote trade and economic cooperation. Thus, one can see that there is every possibility that bilateral trade may touch the $1 billion mark by 2010.

Polish exports to India had touched a high $200.8 million in 2005 and crossed $202 [z³.563] million in 2006. By all counts, Poland and India are among the economically fastest-growing countries in the world with some of the highest rates of growth.

During the last decade, there have been sweeping changes on the economic front both in Poland and India. Poland is thus India's most important economic partner in Central Europe. Possibilities exist for the two sides to forge joint ventures or cooperate through technology-transfer agreements in sectors like automobiles, chemical and pharmaceuticals, earth-moving and construction machinery, electronics, exploration of oil and natural gas, environment- friendly technology for power stations, food processing, alcoholic beverages, biotechnology and coal-mining.

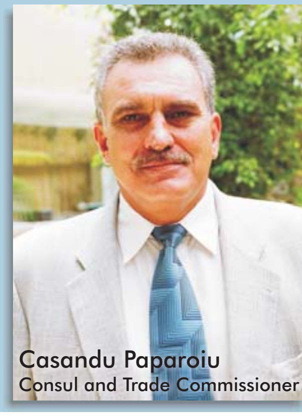
While the opportunities in Poland itself are enormous, Poland can be used as a springboard for venturing into other neighboring EU states as well. It is important for Polish businessmen to look at the Asian markets and India in particular, which would be the future growth engine as far as trade and business opportunities are concerned.

A significant increase has been recorded in recent years in the field of investments from India to Poland. Over the last two years, more than a dozen companies from India have invested capital in Poland in diverse fields. Indian investments were made chiefly in Poland's IT, steel and defense sectors. Interest in investing in Poland has been declared by companies in the pharmaceutical, metal, mineral, beverage and packaging sectors.

There are already a few Polish investments in India. The economies of both countries are expanding rapidly and hence the need and opportunities for investments in both countries are vast. The main reasons of course are a qualified labor force, a large internal market of 40 million people, a favorable attitude on the part of provincial authorities and good investment laws.

Romania Gears up for FDI Inflow

The Historic Gateway to Europe's Trade Routes



Casandu Paparoiu
Consul and Trade Commissioner

Since early 1990, Romania has had a free market economy despite continuing government presence in the industrial sector. Successive governments have taken steps to liberalize and privatize the economy. Romania sits on the crossroads of many historic trade routes that allow access to another 200 million consumers within a 1,000-km radius of Bucharest.

The main channels of these routes are the Danube river and the port of Constanta, one of the largest ports on the Black Sea, which is linked to the North Sea by a new navigation route through the Rhine-Main-Danube Canal. Romania has a large skilled workforce experienced in areas such as engineering and manufacturing and cheaper labour costs compared to many other East European countries.

Many of the country 's big cities boast of a large industrial infrastructure, which along with Romania 's considerable natural resources offer substantial potential for exploitation and development.

Like many countries in Eastern Europe and the former Soviet Union, Romania had been struggling to turn its command economy into a market economy. Successive governments have found it difficult to turn the economy around because of a lack of hard currency and the inability to secure external funds due to the country's high budget deficits, much of it accrued from financing loss-making state industries. Old economic and financial structures have been slow to change just like the bureaucratic culture inherent in many old institutions. In the last five years, the overall business climate has improved and the economic indicators look healthier.

Leading industries.

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, automotives, metallurgy, banking and finance, food processing, heavy engineering, telecommunications, construction and consumer goods manufacturing.

Investors have expressed interest in newly-privatised industries as well as in greenfield projects.

State-Owned Units & Privatization

Romania 's government has reaffirmed its commitment to privatize the remaining state-owned companies, particularly those in energy, heavy industry, pharmaceuticals and utilities.

The relevant privatisation strategies are formulated, approved and executed every year by the concerned ministries in collaboration with the state privatization authority, the Authority for the Disposal of State Assets (AVAS). Most of the companies up for privatisation are listed on the two major capital markets Bucharest Stock Exchange and RASDAQ. Privatization is often carried out on these markets through electronic auction, public equity offer and/or firm commitment underwriting. Moreover, in the case of big state-run companies undergoing privatization, direct negotiations are a common practice.

Foreign direct investments increased by 75% last year to EUR 9.1 billion, including EUR 2.2 billion from the privatization of the Romanian Commercial Bank (BCR), according to the National Bank of Romania. In 2005 Romania attracted EUR 5.2 billion in FDI. For 2007,FDI is projected to be around EUR 6.5 to 7 billion. Last year, foreign investors showed a special appetite for the automotives sector, electronics and household appliances, construction, pharmaceuticals and bio-diesel production.

Automotives was appealing to investors because of its long tradition in Romania. Production of consumer electronics and household appliances benefits from the ample availability of skilled workforce. The construction sector flourished due to the continuing boom in the real estate market and bio-diesel production benefited from large areas put to fuel-yielding crops.

The Information Technology and Communications (IT&C) sector has also attracted foreign investment due to the availability of highly qualified IT specialists. AVAS has announced that it would put up 62 companies for privatization in 2007, hoping to collect RON 1 billion this year, 60% of it coming from privatisations. The procedure to release shares are already under way in the case of nine of these 62 companies, while share packages of another 26 companies should be put up for sale by the end of the third quarter. Moreover, AVAS is expecting to put up for privatization another 27 companies which were taken over from the National Office of State Shareholding and Privatisation in Industry (OPSPI) portfolio. The most important companies from the OPSPI portfolio are the power plants in Turceni, Rovinari and Craiova and power distributors Electrica Muntenia Nord, Electrica Muntenia Sud, Electrica Transilvania Nord and Electrica Transilvania Sud. Regional and international trade agreements and associations Romania has been a signatory to the General Agreement for Tariffs and Trade, the World Trade Organisation, the European Free Trade Agreement and the Central European Free Trade Agreement. Besides, Romania has entered into over 80 agreements for the avoidance of double taxation and the prevention of tax evasion on income and capital. Romania is also a member of the International Monetary Fund, the World Bank (i.e. the International Bank for Reconstruction and Development and the International Finance Corporation), and the European Bank for Reconstruction and Development. As a EU member state, Romania adheres to the bloc 's Common Commercial Policy and accepts the European Commission as a collective negotiating body for important international trade-related matters, particularly negotiations within the WTO. It also conforms to the anti-dumping and anti-subsidy measures adopted by the Community, and does not adopt any trade defence measures or instruments against other EU member states.

Major Trading Partners

On 1 January 2007, Romania along with Bulgaria became EU member states, taking the number of countries in the bloc The accession process involved undertaking a vast array including harmonizing Romania 's legislation with the entire body of EU law.

Toward Romania 's integration into the EU, a wide spectrum of changes has been put in place throughout 2006 and will continue to be announced in the near future. These changes concern the creation of EU Internal Market conditions in Romania. The business areas where these changes have come into play are accounting and financial reporting, audit regulations and the role of auditors, Company Law, corporate governance, customs procedures, employment and social security, reporting for VAT and other

Romanian SME Economic Mission to visit India in October

An economic mission, comprising mainly small and medium enterprises (SMEs) from Romania is visiting India from 20 to 28 October 2007 to explore investment and joint venture opportunities.

Official delegation includes: Mrs. Mihaela Lazea Director, Ministry for Small and Medium-Sized Companies, Trade, Tourism and Liberal Professions; Dorin Refca Senior Counselor, Ministry for Small and Medium-Sized Companies, Trade, Tourism and Liberal Professions and Ms. Catalina Grigore, Counselor, Romanian Centre for Trade Promotion.

Companies participating in delegation:

• Employers' Association From Machine Building Industry • Forsev S.A. • World Machinery Works S.A. • Uzinsider S.A. (Group of companies) • Promex S.A. • AMC Development • Romanian Drink Service Import Export SRL • CRD Afaceri indirect taxes, intellectual property rights, competition, consumer protection, etc. Some of these aspects are dealt with in detail in the subsequent chapters.

Doing Business in Romania & Investment Incentives

There are no specific investment approvals required for setting up a business in Romania. Foreign and domestic investors are offered equal opportunities to invest in Romania. In general, incentives are intended to boost economic development of the country, particularly the acceleration of industrialization in underdeveloped zones, as well as the development of small and medium enterprises (SMEs) and micro enterprises.

Romanian laws provide customs duty incentives for direct investment in the equity of a Romanian company exceeding USD 1 million (or the equivalent in Ron or other convertible currencies), which contributes to the development and modernisation of Romania 's infrastructure and creates new employment. No customs duties are imposed on "new goods " (eg. technology and automation equipment, installations, measuring and control devices, software products, etc.). In order to benefit from this incentive, these assets have to meet two requirements: (i) must have been manufactured a maximum one year before entry into Romania; and (ii)must not have been used before Romanian legislation provides certain financing incentives to SMEs such as state assistance and loans guaranteed by the state. a Romanian legal entity, called the administrator-company. No shareholder company using the facilities and/or infrastructure of the industrial park can hold direct or indirect control over the administrator-company.

Tax Waivers

The following incentives currently apply to the setting up and development of industrial parks: exemption from taxes due on conversion of agricultural land to be used for industrial parks; buildings, constructions and land located inside industrial parks are exempt from local property tax; other incentives which may be granted in compliance with the law by the local administration. An industrial park may be set up through collaboration between central and local administration authorities and research and development institutes and/or other interested partners. An industrial park is administered by the local administration.

Scientific and Technological Parks.

A scientific and technological park may be set up by a partnership agreement between an accredited university and/or another research and development centre and a consortium of companies, associations or individuals, Romanian or foreign. A scientific and technological park needs to be authorised by the Ministry of Education and Research, which is empowered to monitor.

Free Trade Zones

The Free Trade Zones regime is regulated by Law 84/1992, subsequently amended. 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.

Banking

Since 1990, Romania 's banking system has undergone major restructuring. The key elements of this restructuring process are :enforcing legislation to give the NBR the statute of country 's central bank; opening up the banking system to private and foreign banks; and :privatization of state-owned banks.

Stock Exchange

Most of the banks currently operating in Romania are privately owned and belong to foreign shareholders. The main capital market in Romania is the Bucharest Stock Exchange (BSE) which includes the order driven and over-the-counter (RASDAQ) In addition, Financial and Commodities Exchange in Sibiu is Romania 's premier futures and options exchange. The BSE was established in 1995 with Canadian assistance and uses a computerised trading system that connects brokers (through remote terminals), the shareholder registry and the clearing and settlement system. ■

Russian Economy Rides High On Investment Boom

Kamil R. Galiev
Trade Commissioner

The Russian economy has experienced robust growth in the first half of 2007, driven by an investment boom and strong domestic demand. Energy sector growth is sluggish causing the current account surplus to shrink rapidly, although massive capital inflows have kept the balance of payments high.

Ahead of elections in December and March next year, large increases in government spending were announced in the President's 'State of the Nation' speech and the 2008-2010 three-year budget. This fiscal relaxation is expected to stimulate the economy further, which may allow yearly growth to reach or surpass 7.2 percent - the magic number by which the economy must grow to meet the President's target of doubling by 2010. But government spending and capital inflows will add to existing inflationary pressures. The three-year budget also changes the management arrangements for surplus oil and gas revenues by splitting the Stabilisation Fund.

Moscow ranked last out of 50 major world business centres as a place to operate and has once again been named the most expensive city in the world for expatriates.

Key Figures

Despite sluggish energy production, Russian GDP growth hit a six-year high of 7.9 percent year-on-year in the first quarter of 2007, compared to 5.0 percent in the same period last year and 7.8 percent in the last quarter of 2006 (with overall growth for 2006 at 6.7 percent). The construction sector in particular benefited from the warmest winter since Russian records began in 1879, with growth over the first four months of the year averaging 23.7 percent. Large gains were also registered in the same period for manufacturing (12.5 percent) and retail trade (13.6 percent). Agriculture was up to 2.2 percent growth for the first four months compared to 1.3 percent for the same period last year. Key growth drivers included booming investment, with fixed-capital investment soaring to 20.8 percent year-on-year growth by the end of May; and rapid expansion of domestic demand, with improving access to consumer credit, and real wage growth of 18.5 percent in the year to April 2007.

Strong domestic demand is also reflected in further rapid growth in imports of goods and services. Imports were up 38.8 percent in the first half of 2007 over the same period last year. Exports, by contrast, rose by 8.3 percent, with energy exporters still struggling to increase production volumes. Faster import than export growth has shrunk Russia's current account from US$30.5bn in the first quarter of 2006 to US$21.8bn in same period of 2007.

Capital inflows have more than compensated for the weaker current account, however, pushing the balance of payments to further record highs. In the first half of 2007 the influx of private capital was US$67.1bn, surpassing US$42bn for the whole of 2006. The main factors contributing to the sharp increase in capital inflow in Russia were auctions for the assets of bankrupt oil company Yukos, and several large initial public offerings (IPOs). The IPOs included those of state-run retail savings bank Sberbank and government-controlled foreign trade bank Vneshtorgbank (VTB), the latter bringing in US$8bn alone.

Inflation has remained relatively under control, coming to 5.7 percent in the first half of the year (down from 6.2 percent Jan - June 2006), with year-on-year inflation to June 2007 at 8.5 percent . Consumer prices spiked 1.0 percent in June, however, fuelled by a 12 percent price hike on fruit and vegetables after the Government's spring crackdown on foreign labour in food markets and news of a poor wheat harvest. Furthermore, the large capital inflows into Russia may make it difficult for the Central Bank to meet the Government's inflation target of 8.0 percent, as the Government's Stabilisation Fund (which minimises inflationary pressures due to oil revenues) does not absorb such inflows.

Despite increasing demand for labour and Russia's negligible growth in the working population, official unemployment levels have remained stable in the range 7.2 -7.6% since 2005, with 7.1% recorded for first 4 months 2007.

Russia-India Co-operation Enters A New Phase

Towards A B2B Dialogue

Russia and India have greatly concurring interests in political and economic spheres and this together with a considerable legal base forms favorable conditions and predetermines the necessity of the all possible development of relations in these areas in order to strengthen their strategic positions in the world.

India's external trade experiences rapid growth, which is reflected in sharp increase of the commodities turnover mainly at the expense of export. Main interest of the country lies in expanding trades with the countries, among which are the leading world powers, including Russia.

Traditionally, India held an important place in trade and economic relations of the former USSR and later on - Russia. Besides, starting from 1991 Russian-Indian trade and economic relations were characterized by decrease of commodities turnover. The objective causes underling such position were the changes occurring in the Russian economy, which were accompanied by breaking old ties, reorientation of external trade towards Western markets.

At present, the volume of trade between Russia and India amounting to 8.0 percent does not completely reflect all potential, which exists in our trade and cooperation. Therefore, an increase of the mutual commodities turnover represents major task to be handled by India and Russia. Both countries have to enhance practice of establishing joint export-oriented enterprises and in particular in pharmaceutical area, food industry, engineering companies etc. It is significant, that direct dialogue of Russian and Indian businesses, of specific individuals working in specific spheres may seriously influence change of commodities turnover pattern between the countries and also affect general background, upon which political cooperation is rapidly developing.

If effectiveness of external trade relations is provided, further expansion and deepening of Indian trade with Russia may become a stimulus to broaden industrial and economic potentials of both countries,

Military-Technical Cooperation

During the previous decade, military technology cooperation between Russia and India acquired a new quality. Russia does not merely supply India arms, military equipment or state-of-the-art technologies any more. Joint development of military equipment is expanding. In future, the two countries may consider coordinated entry of the global arms market. Russia believes that military and military-technical cooperation with India is an important component of strategic partnership between two countries.

Arms produced in the former USSR and in Russia account for a significant part of Indian land forces, Navy and air force munitions. During the previous decade, cooperation between Russia and India in the area of military technologies acquired new quality. Our countries move from military equipment and technologies supply to joint development of state-of-the-art munitions and joint research and development activities.

A billion-dollar contract has been implemented since September 2002. It stipulates supply and licensed production of Su-30MKI multipurpose aircraft. In October 2003, Russia, India and Israel signed a large-scale contract to produce airborne early-warning aircraft on the basis of the Russian 11-76 for Indian air force. That is the first case of multi-lateral military technologies cooperation in the history of Russia. Russia also supplies to India antisubmarine and transportation helicopters, as well as participates in MiG-21bis aircraft serial upgrade program. At the high level, Russia and India achieved mutual understanding of expediency of joint implementation

of the future projects aimed at development and manufacturing of Il-214-based multipurpose transportation aircraft and the 5th-generation military aircraft complex. Russia intends to participate in Indian tenders for supply and licensed production LMRCA multipurpose light military aircraft (MiG-29M has better combat effectiveness that Eurofighter and Rafael aircraft), as well as offer Russian technologies for developing light (LCA) and medium (UT) military aircraft and most modern helicopters manufacturing.

BrahMos Joint Venture

The flagship of Russia - India strategic partnership, BrahMos Joint Venture /BrahMos Aerospace Ltd./, has been operating successfully since 2001. It was established in order to produce supersonic antiship missiles Brahmos. Serial production of those missiles will be commenced in the nearest future. Multichannell mid-range seaborne antiaircraft missile complex Shtil-1 has been tested successfully. It is installed at three frigates built by Baltiysky Plant for Indian Navy. Two of those vessels have already been transferred to India.

Russia always responds actively to proposals on upgrade and supply to India antiaircraft defenses and rocket-launching artillery (Pechora-MIA antiaircraft missiles complex, Tor-Mi antiaircraft missiles system, Buk-MI antiaircraft missiles complex, Smerch multiple launch rocket system). Participation in establishment of the Indian integrated national antiaircraft system using most recent Russian developments (antiaircraft missiles systems) is of strategic importance for Russia.

The new generation submarine Sanct-Petersburg (project 677 Lada) was for the first time demonstrated at IMDS-2005. Currently the Federal State-owned Company Admiralteyskie Verfi finishes its construction for the Russian Navy. Admiralteyskie Verfi offered the export variant of that submarine (project 1650 Amur) for sale to India. However, Indian Navy preferred to buy six Scorpene from France and currently they are completing negotiations of that transaction for the total amount of US $ 1.8 - 2 billion. Nevertheless, during that exhibition Admiralteyskie Verfi signed contracts with India and China to supply spare parts for diesel-electric submarines of 877EKM project and their newer version (project 636) that had been sold to those countries previously. Each of these contracts is worth approximately US $ 1 million. Indian Navy has 10 submarines of 877EKM project, and two more submarines will be supplied to India this year from the Russia's Navy inventory.

Russia establishes a maintenance center for frigates built at the Russian shipyards. Similar maintenance stations are constructed for aircraft and other types of Russian munitions. Establishment of such centers is extremely profitable and promising. They will support both India and the South-Eastern Asia countries, i.e. Malaysia and Indonesia. India is prepared to do that and the decision depends mainly upon the Russian authorities.

In 1977, five 11-38 aircraft were supplied to the Indian Navy, and in 1987-1988 eight Tu-142ME were supplied. 11-38 is an antisubmarine aircraft of the near marine area. It is based upon passenger aircraft Il-18B. The USSR Navy passed them in operation in 1969. Currently, the Russia's Navy has 35 such aircraft. In early 1990s, Leninets developed the project for upgrading those aircraft named Il-38N. That project included installation of the new search and aiming system Novella, as well as aircraft repair in order to extend their life up to 40 years. One aircraft repair and upgrade cost US $ 17 million. That would enable to use Il-38N till 2010-1014.

Energy Boosts Existing Synergy

The energy sector is a highly sensitive area of the Indian economy. The country accommodating more than one billion population has less than 1.0 percent of the global oil reserves. The Indian consumption of fuel and power (resources is 345 million tonnes of oil equivalent per year (3.5 percent the global consumption). Oil accounts for 32 percent of the power balance. According to the estimates, oil demand will increase in India by 5% per annum during the next 20 years, and demand for natural gas will increase by 3 - 4% annually. In the next 10 years oil demand will double. It will reach 3.1 million barrels per day. If the current production rates are preserved (approximately 750 thousand barrels per day), Indian proven reserves will not last more than 11-12 years. Although Indian domestic oil production is 32-33 million tones per year, its estimated current needs are 120-130 million tonnes per year, i.e. India has to import approximately 2 million barrels of oil per day covering 70% of the domestic demand. Oil is predominantly imported from the Persian Gulf states.

Indian domestic production of natural gas is approximately 90 million cubic meters per day (33 billion cubic meters per year), and the current demand is 150 million cubic meters per day. Natural gas accounts for 8% of the national power balance. In 2005, demand for natural gas in India is projected to increase up to 37 billion cubic meters. It is also projected to increase up to 43 billion cubic meters in 2006, and up to 110 billion cubic meters in 2010.

In course of his visit to Delhi that took place in December 2004, Russian President V. Putin mentioned that enhanced energy partnership between Russia and India was beneficial for both economies. "Russia, being a long-time and tried partner of India, is prepared to participate in enhancing energy stability of rallying Indian economy and in development of its fuel and energy complex," announced the President of the Russian Federation. According to him, Russian companies would bring to India advanced technologies for enhancing oil well productivity, revival of old "idle" oil fields, and for development of oilfields having scavenger oil. It should be mentioned, that the leaders of major Russian companies (Vagit Alekperov (LUKOIL), Semen Veinshtock (Transneft), Alexei Miller (Gazprom) and other) were members of the Russia's delegation accompanying Vladimir Putin in course of that visit. ■

Three Singapore Initiatives Among Top 20 Global Innovations

Three Singapore initiatives have made it to the top 20 global innovations being considered for the international "Innovations in Transforming Government Award". The top 20 were selected from more than 100 applications from 30 countries.

The three Singapore initiatives, grouped by the award administrator into a single submission, were:

• The Citizen Connect initiative which increases the reach of Government electronic services to Singapore residents, especially for those with difficulties transacting online,

• Mobile Government for citizens to access Government information and services conveniently through mobile devices and

• The Enterprise Challenge which provides funding to test innovative ideas that have potential to improve the delivery of public services

The first two initiatives were part of the Ministry of Finance's effort to bring convenience to citizens and increase the reach and diversity of electronic services available. The Enterprise Challenge (TEC) is an initiative driven by the Prime Minister's Office.

On the nomination and the spirit of innovation in the Singapore Public Service, Lim Hup Seng, Deputy Secretary (Performance), Ministry of Finance said, "We are very pleased to have made it to the top 20. The Government places great emphasis on innovation in the course of our work. We must constantly strive to innovate, finding new and better ways to deliver public services to citizens, improving efficiency while reducing cost.

These projects are good examples of innovative and creative solutions which benefit our citizens and help to enhance Singapore's competitive edge. Even as we work to tackle new challenges that arise, the spirit of innovation must stay strong in the public sector. The CitizenConnect and Mobile Government have transformed the delivery of public services and people can now access them anytime, anywhere." he added.

"In seeking ideas to improve the delivery of public service, our fundamental belief is that promising ideas can come from anywhere and anyone. For example, 38 or about 40 percent of all the TEC projects have been implemented in the Public Service, bringing about some $170 million worth of cost savings for the Public Service," said Chan Heng Kee, Deputy Secretary (Development), Public Service Division, Prime Minister's Office.

Apart from the above initiatives, an entry from the Singapore Institute of Technical Education also made it to the top 20 list.

The "Innovations Award in Transforming Government" is administered by the Ash Institute for Democratic Governance and Innovation at Harvard University's John F Kennedy School of Government and sponsored by IBM. The award recognizes the world's most transformative government initiatives in operation worldwide. Nominees for the Award must demonstrate exceptional results in five key areas comprising innovation, effectiveness, scope, collaboration and transferability.

The Three Initiatives

CitizenConnect

CitizenConnect is an initiative that aims to increase the reach of government electronic services to Singapore residents, especially for those with difficulties transacting online. 28 CitizenConnect centres were set up at accessible locations where residents live or work, and each was equipped with two personal computers with Internet access and online payment peripherals such as cashcard readers. CitizenConnect officers are around to offer help and guidance so that the user will be better equipped for future transactions. As a result of this programme, many of the citizens who have been helped have expressed greater confidence about using online services and are able to reap the its benefits.

Mobile Government (m-government)

The m-government programme was initiated to utilize the huge potential of the mobile delivery channel. With over 100 percent mobile penetration rate in Singapore, citizens today are be able to access a wide variety of government information and services conveniently through mobile devices. Currently, there are more than 150 services offered and the target is to increase to close to 300 mobile government services by 2008. Some examples of mobile government services include accessing Central Provident Fund (CPF) account balances, checking the latest Certificate of Entitlement (COE) prices and booking of Individual Physical Proficiency Test (IPPT) via mobile phones. In addition, the SMS channel is used to reach out to citizens more proactively and to solicit their feedback on government policies and topics of interest.

The Enterprise Challenge (TEC)

The Enterprise Challenge (TEC) is an initiative that provides funding for testing innovative ideas that have the potential to improve the delivery of public services. It also assists individuals with innovative ideas in identifying and providing suitable test-beds within the Public Service. TEC works closely with innovators to nurture their proposals and bring out the uniqueness and value propositions to the Public Service. Successful trials will pave the way for implementation in public agencies.

Since its inception in March 2000, TEC has received some 1,400 proposals from public sector officers and from the private sector (individuals and companies). These projects cover a broad range of public service areas, including education, healthcare, environment, community, safety and security.

Some $32 million have been invested in some 86 innovative projects, half of which were proposed by private sector innovators. To date, 57 of the 86 projects have completed the trial testing. Of the 57, 38 have been implemented in the Public Service. Without TEC, these projects would not have been given a chance for a trial, much less actual implementation. Some TEC-funded projects have gone on to win awards. For example, the “Drowning Early Warning System” (DEWS) project, funded by TEC in 2001, received the Institution of Engineers Singapore (IES) Prestigious Engineering Achievement Awards in 2006. DEWS uses an intelligent camera to pick early signals of drowning behaviour of swimmers at swimming pools, thereby averting the loss of lives. ■

Global Economic Zing Extends To S. Africa

Global economic activity continued to be fairly robust in the first half of 2007, and continued to support international trade volumes and commodity prices. This buoyancy extended to most countries in Africa. While global inflation remained fairly benign, there was nevertheless an acceleration in many parts of the world as international oil prices again trended strongly upward from their recent lows in January 2007. Simultaneously, partly in response to prospects of more agricultural output being diverted to biofuels production, food price inflation picked up significantly.

Some concern regarding the health of the housing market in the United States (US) continued to linger, and intensified in August 2007 when a number of institutions with significant exposure to the risky sub-prime mortgage market in the US ran into financial difficulty. This initiated an international repricing of risk and also reduced liquidity in the credit markets to such an extent that in several of the mature economies, central banks decided to inject liquidity into the financial markets and relax their lending conditions.

In South Africa real economic growth eased slightly from an annualized rate of 4.75 percent in the first quarter to 4.5 percent in the second quarter of 2007 a rate which is probably well-aligned with the country's current growth potential, although structural changes which may raise the potential growth rate further are in progress. In the second quarter the construction sector recorded the fastest rate of growth with agriculture, financial services and transport also expanding briskly. Growth waned in the manufacturing sector as the production of vehicles responded to lower domestic sales, along with a deceleration in several other sub-sectors. Consistent with the slowdown in real final demand, the trade sector also registered slightly slower growth over the period.

Following an extended period of expansion at annualized rates of more than 7.0 percent, real final consumption expenditure by households rose at a more sedate pace of 5.5 percent in the second quarter of 2007. Households' purchases of durable goods contracted during the quarter under review. Final consumption expenditure by government also declined during the second quarter as no expensive military items were procured, unlike in the preceding quarter. Strike action by civil servants also weighed on real expenditure and real production of government services, and simultaneously bolstered the number of mandays lost due to strike action to 11. 5 million in the first half of 2007.

During the second quarter capital expenditure rose at a slower pace than before, but nevertheless continued rising strongly, consistent with high levels of capacity utilisation in the economy. Inventories continued to accumulate, although at a slightly slower rate than in the first quarter. Early harvesting of the maize crop supported the inventory investment in the second quarter of 2007.

The deceleration in growth in domestic expenditure was reflected in a slight decline in the volume of imports during the second quarter, alongside a moderate increase in export volumes. Overall import volumes declined despite a significant increase in oil imports during this period. Given a modest improvement in South Africa's terms of trade, the international trade deficit narrowed significantly in the second quarter of 2007. At the same time net service, income and current transfer payments to the rest of the world rose considerably, offsetting much of the improvement on the trade account. This was mainly due to increased payments of dividends to non-residents who had increased their investment in South African shares over time and were rewarded with strong dividend growth on account of rising corporate profits. The net effect of these developments was a narrowing of the deficit on the current account of the balance of payments to 6,5 percent of gross domestic product in the second quarter of 2007 well below the most recent peak of 7.8 percent in the final quarter of 2006.

The deficit on the current account continued to be more than fully financed by financial inflows from abroad. In the second quarter of 2007 inward portfolio investment dominated the financial flows, as non-residents increased their holdings of both South African equity and debt securities. However, significant amounts in direct and other investment into South Africa were also recorded, partly related to private equity funding and black economic empowerment activity.

South Africa's net gold and foreign-exchange reserves continued to rise during the second quarter as well as in July and August 2007. The exchange value of the rand displayed limited fluctuations during this period, although the re-pricing of risk on financial markets in August was initially accompanied by a fairly sharp depreciation of the rand much of which was subsequently reversed.

Partly as a result of the earlier depreciation of the rand in 2006 and partly due to the increases in the international price of oil from January 2007, inflationary forces intensified. This was further fuelled by rising food prices at all levels, from producers in agriculture and manufacturing to the consumer level. From early 2007 twelve-month production price inflation straddled 10 per cent, while CPIX inflation breached the 6-per-cent upper limit of the inflation target band from April 2007 and amounted to 6,5 per cent in July. Furthermore, the acceleration in underlying measures of inflation during the first seven months of 2007 suggested that the price pressures were becoming more pervasive, with a significant risk of sustained second-round effects. Wage settlements also appeared to be drifting higher during the first eight months of 2007.

Assessing the outlook for inflation, the Monetary Policy Committee of the South African Reserve Bank (the Bank) deemed it necessary to raise the repurchase rate by 50 basis points in June and again in August 2007. This brought the cumulative increase in the repurchase rate from the first time policy was tightened in June 2006 to 300 basis points.

In May 2007 the Bank began to accept certain parastatal bonds in its repurchase auctions, thereby expanding the range of assets that may be used as eligible collateral in its refinancing operations.

Growth in the money supply remained at relatively high levels, reflecting continued strength of nominal domestic income and expenditure, buoyant turnover in the financial markets and positive wealth effects. Banks' extension of loans and advances also maintained strong upward momentum in the second quarter, despite some securitization transactions which reduced the level of advances stated on the balance sheets of the banks. Mortgage and general advances, in particular, registered strong increases, the former being mainly absorbed by the household sector and the latter by the corporate sector. At least initially, the introduction of the National Credit Act from 1 June 2007 did not appear to have much impact on the extension of loans and advances by banks. As the household debt service ratio edged higher, however, signs of moderation in the pace at which the household debt ratio increased were observed.

House prices continued to rise throughout the first eight months of 2007, although the pace of increase slowed. Bond yields rose considerably during 2007 to date, mainly reflecting a worsening of inflation expectations. Share prices in most parts of the world receded significantly in August 2007, reflecting turmoil in the financial markets in general and concerns regarding exposure to US sub-prime mortgages in particular. South African share prices also receded in sympathy with the global trend. However, some of the losses were later regained as most commodity prices remained firm, corporate profits continued to rise and central banks injected liquidity into the financial markets.

Government finances continued to be supportive of financial discipline and the pursuit of the inflation target. During the first four months of the 2007/08 fiscal year the national budget deficit broadly followed the same pattern as in the corresponding period a year earlier. The generally conservative management of the country's finances was recognized by two international ratings agencies who changed South Africa's foreign-currency ratings outlook from neutral to positive in mid-2007. ■

UK's Economy Robust, But Growth Pace May Slow Down

The UK economy is set to slow more than expected in 2008 as higher interest rates and recent turbulence in the financial markets take their toll on growth, the west's leading thinktank has said recently, adding that borrowing costs may need to fall to ease the impact.

The Organisation for Economic Cooperation and Development (OECD) said that although many indicators of economic activity in Britain have been robust this year, the credit market turmoil means the economy is likely to expand at a more subdued rate.

Its current forecast is for 2.75 percent growth in 2007 and 2.5 percent next year. Although it did not change these projections, OECD said that it was now likely that growth would be sluggish. The OECD also singled out the housing market as an area that was likely to suffer the most in a slowdown. There are already signs that the housing market is starting to cool as higher borrowing costs start to bite.

"There is now a risk that growth will be weaker going forward, which could imply a need for interest rate reductions," the Paris-based organisation said.

The Bank of England has raised interest rates five times in a year to 5.75%. Many analysts also believe that rates have reached a peak and that the next move will be down, possibly as early as November.

"A slowing in growth, together with reduced profitability in the City, could also reduce tax revenues and imply a rise in the budget deficit, which is still relatively high by international comparison."

The OECD warned that the UK needs to reduce its government deficit. Although the shortfall has fallen to 2.7 percent of gross domestic product in the year to March 2007 from 3.4 percent in 2003, it is still significantly larger than in most other OECD countries.

Meanwhile, another report said that consumers, investment and the housing market will suffer in 2008 as turmoil in the financial markets could cut economic growth by almost half.

The report by the Centre for Economics and Business Research (CEBR) comes as many analysts forecast that the Bank of England could cut interest rates as early as November.

In its latest outlook for Britain, the CEBR has revised its prediction for growth next year down to 1.4%. The economy is currently growing at 2.7%

a year.

"What we see for the next two years is a bit of a double whammy hit on economic growth," says Jonathan Said, senior economist at the CEBR, "first from the financial markets in 2008 and then from the Asians taking the foot off the gas in 2009."

The report says that the drying up of interbank lending is likely to affect economic growth in a number of ways. Consumer spending will be hit as banks clamp down on lending to people with poor credit history. This will also affect the housing market, reducing transactions by around 20%.

The CEBR says there will also be knock-on effects on business investment, which has already started to slow. The report forecasts a dramatic fall in investment to 1.6% in 2008 from 6.6% this year. "Some M&A [merger and acquisition] and private equity deals are likely to be postponed to the tail end of 2008," Mr Said warns.

As a result, the size of the financial sector, which accounts for a tenth of UK growth, is likely to be squeezed. "We expect the financial market crisis to mean the undoing of most of this recent growth [in the financial sector]," says Richard Snook, an economist at the CEBR.

Many other analysts are also revising down their forecasts for growth and interest rates. Although the US Federal Reserve cut interest rates last week and the Bank of England injected more liquidity into the money markets, analysts say it is too early to conclude that the crisis is over.

"Concerns over exposures to the US sub-prime mortgage market could mean that banks will remain reluctant to lend to each other for some time yet," said Roger Bootle at Capital Economics. "Even before the market turmoil, we thought that the economy would slow a bit more sharply than the monetary policy committee expected over the next year or so and recent developments have increased the downside risks. The upshot is that UK interest rates now look likely to fall rather sooner than we had previously anticipated. Should things fail to improve, the MPC could act as soon as November."

Alistair Darling has warned that the UK economy's growth has been damaged by this summer's financial turmoil.

Speaking ahead of the imminent pre-budget report (PBR), the chancellor hinted that he will cut the government's growth forecast for 2008.

He blamed the global credit crunch and the weakening US housing market, warning that they would make it harder and more expensive to borrow money in the UK.

"If you look across the world given the importance of the US economy and given what's happened here in relation to the effect it will have on the availability of credit it would be fairly add if you didn't take account of that," he told the Financial Times

The government's forecast for UK economic growth currently stands at 2.5% to 3%.

Independent analysts have already been revising it lower, following a summer in which the US sub-prime mortgage crisis deepened, banks refused to lend to each other, and Northern Rock had to seek help from the Bank or England. Some have

suggested that growth will be around the 2% mark. The OECD last week predicted that UK growth would reach 2.5% in 2008.

Treasury insiders have indicated that Mr Darling will deliver the PBR early next week, most probably on Monday. In it, he will outline the government's spending plans for the rest of this parliament.

Prime Minister Gordon Brown said last month that the PBR will include new measures to prevent the private equity industry abusing tax loopholes.

Earlier the International Monetary Fund (IMF) had predicted that Britain's economy will grow by a robust 2.9 percent this year, In its final draft of its annual health check on the economy, the IMF praised Britain's economic performance as "impressive" and revised up its 2007 growth projection from an earlier 2.75 percent. The report provided a boost for Gordon Brown ahead of the budget.

However, the IMF's praise was not unqualified. It warned of the need to press the case for wage restraint to avoid a recent spike in inflation fuelling a wage-price spiral.

The present British Prime Minister Gordon Brown, as the Chancellor had been lucky in many respects in the past. He inherited an economy in which many of the hard choices had already been taken and he has presided over the UK economy during a time of broadly benign global economic circumstances.

In fact, as the Chancellor he claimed that the British economy was growing faster than all the other G7 economies and he forecast growth of 2.5-3.0 percent for both 2008 and 2009 after growth of 2.75-3.25 percent this year.

Not surprisingly, in the Budget Speech, the Chancellor claimed that inflation would fall back to be on target for 2008 and 2009. He has already imposed the toughest pay settlement on public sector workers for a decade, unveiling average pay increases of just 1.9%. "Continuing to communicate the importance of wage restraint will help minimize the need for additional increases in interest rates," the IMF said. "Depending on evolving prospects for wage growth, some further tightening of monetary policy [increases in interest rates] may be required."

The IMF was also less laudatory about public finances, urging the government to curb spending growth and make "disciplined choices" in the Comprehensive Spending Review -- the three-year settlement to be unveiled this summer.

For the past six years, continuously, somewhere around 74-75 per cent of the entire population between 16 years and statutory retirement age has been in work - this is likely to be a record outside wartime. The Chancellor told us that in the last year employment has risen, with 220,000 more men and women in work.

Economic figures showing the UK economy putting in a far stronger performance for 2006 than the Chancellor forecast in his previous Budget also help. Economic output in Q4 2006 rose by 0.8%, above trend and the strongest performance for more than two years. Growth has now been above its trend rate, estimated by most commentators at between 0.6-0.7%, for five quarters running and is one of the reasons why some believe the Bank of England will raise interest rates further.

On a year-on-year basis, economic growth was confirmed at an annualized 3%, the highest rate of growth since Q3 2004. The main driver was the service sector, which now accounts for around 74% of the total UK economy. Over 2006 as a whole, the UK economy grew by 2.7%, in line with Chancellor's Pre Budget Report forecast.

At the same time, business investment has surged ahead to reach its fastest pace since the technology boom of the late 1990s. Investment by companies rose by 3.3% in Q4 2006, taking the annual growth rate to 11.1%. Excluding public corporations, business investment was up by 11.6% over the year, the fastest pace since 1998. In his Pre-Budget Report, Gordon Brown estimated business investment growth of a more modest 5.75% for the year. In his Budget speech the Chancellor said business investment is forecast to rise again by more than 7% this year.

The last public finance data before the budget, which coincided with the Chancellor's 56th birthday, showed there was a net cash surplus of £21.4 billion last month after a 9% surge in income tax from record City bonuses. January is traditionally a strong surplus month since self-assessment income tax for the previous tax year has to be in by the end of the month.

This year the tax deadline was disrupted by a civil service strike and it is possible that some of January's tax receipts will not yet have been recorded but will show in the February figures. The government's preferred measure - public sector net borrowing - recorded a surplus of £10.3 billion, the highest for six years.

Chancellor Gordon Brown said that Britain's net borrowing, which in the early 1990s went as high as 8% of national income fell to 2.7% in 2007 and that it would fall to 1.4% by 2012.

Yet storm clouds may be gathering on the economic horizon - one is the trade deficit on goods and services, which rose by a quarter to £56 billion last year. Over the past 25 years, since the pound was floated, the trade deficit has topped 2% of national income ten times. Of these, five have come in the past eight years. However, in no single year has the deficit come as high in real terms as at the end of the unsustainable booms of the early 1970s and late 1980s. ■

US Economy Expanding At Moderate Pace

The U.S. economy, the world's largest, generally performed well in the first half of 2007. Activity continued to increase moderately, on average, over the period; businesses added jobs at a steady pace; and the unemployment rate remained steady at 4-1/2 percent. Overall inflation, however, picked up as a result of sizable increases in energy and food prices. At the same time, core inflation (which excludes the direct effects of movements in energy and food prices) held at about the same rate as in 2006; this measure smoothes through some of the volatility in the high-frequency data and thus is generally a better gauge of underlying inflation trends.

Although real gross domestic product appears to have expanded at about the same average rate thus far this year as it did in the second half of 2006, the pace of expansion has been uneven. In the first quarter, consumer expenditures and business fixed investment, taken together, posted a solid gain. However, homebuilding continued to contract, and manufacturing firms adjusted production to address stock imbalances in that sector that had emerged over the course of 2006. In the second quarter, housing activity declined further in response to the continued softness in home sales and still-elevated inventories of unsold new homes; personal consumption expenditures (PCE) also slowed. Even so, the available data point to solid gains overall in other components of final sales, and with manufacturing inventory imbalances significantly reduced, growth in real GDP apparently sped up.

Job growth in the first half of 2007 was driven by sizable increases in service-producing industries. In the goods-producing sector, manufacturing employment contracted, especially at firms closely tied to the construction industry and at producers of motor vehicles and parts. Employment in residential construction, which had turned down in mid-2006, decreased only modestly further over the first half of 2007 despite the substantial decline in homebuilding.

Real hourly compensation increased over the year ending in the first quarter, the most recent period for which complete data are available. In the second quarter, however, gains in real compensation were probably curtailed by a steep, energy-driven rise in consumer prices. Employment continued to rise apace in the first half of 2007 in the face of moderate growth in output. As a consequence, growth in labor productivity--which had slowed in 2006 from the rapid rate observed earlier in the decade--appears to have remained modest. The cooling of productivity growth in recent quarters likely reflects cyclical or other temporary factors, but the underlying pace of productivity gains may also have slowed somewhat.

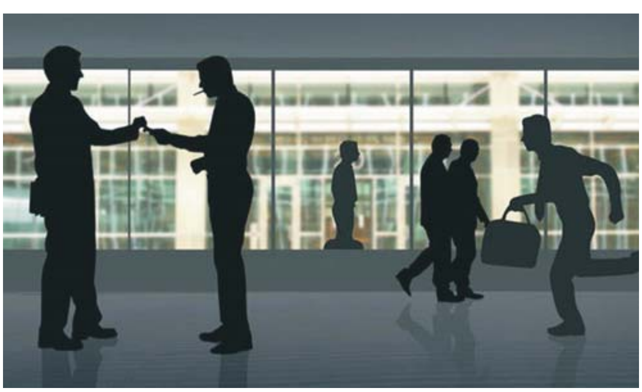
Financial market conditions have continued to be generally supportive of economic expansion thus far in 2007, though there was a notable repricing in the subprime-mortgage sector. In recent weeks, the deterioration in that sector has been particularly marked, and markets for lower-quality corporate credits have also experienced some strains. Nonetheless, spreads on such corporate credits have remained narrow on the whole, and business borrowing has continued to be fairly brisk. On balance, equity markets posted sizable gains through mid-July, in part because of continued robust corporate profits and an upward revision to investors' outlook for the economy. The improved outlook led market participants to mark up their anticipated path for the federal funds rate, and intermediate- and long-term interest rates rose significantly. The foreign exchange value of the dollar has declined moderately this year as the pace of economic activity abroad has strengthened.

Overall consumer price inflation, as measured by the PCE price index, picked up noticeably in the first half of 2007, largely because of a sharp increase in energy prices. After moving down over the second half of 2006, the prices households pay for energy subsequently turned up and by May were 14 percent (not at an annual rate) above their level at the end of last year. Food prices also contributed to the step-up in overall inflation this year. The faster rate of increase in overall prices has had only a

modest effect on inflation expectations: Surveys suggest that near-term inflation expectations have risen somewhat in recent months, but measures of long-term inflation expectations have remained within the range of recent years.

The rate of increase in the core PCE price index ticked down from 2.1 percent over the twelve months of 2006 to an annual rate of 2.0 percent over the first five months of 2007, primarily accounted for by more-favorable readings between March and May. Although higher energy prices this year added to the cost of producing a wide variety of goods and services that are included in the core index, these effects were offset by other factors--most notably, a slowdown in the rate of increase in shelter costs from the very high rates seen in 2006.

The U.S. economy seems likely to continue to expand at a moderate pace in the second half of 2007 and in 2008. The current contraction in residential construction will likely restrain overall activity for a while longer, but as stocks of unsold new homes are brought down to more comfortable levels, that restraint should begin to abate. In addition, the inventory correction that damped activity in the manufacturing sector around the turn of the year appears largely to have run its course. Thus, stock adjustment is unlikely to be a drag on production in coming quarters. Consumer spending should also keep moving up. Employment and real wages are on track to rise further, and, although the difficulties in the subprime-mortgage market have created severe financial problems for some individuals and families, the household sector is in good financial shape overall. Businesses are also continuing to enjoy favorable financial conditions, which, along with a further expansion in business output, should support moderate increases in business investment. The positive outlook for economic activity abroad bodes well for U.S. Exports.



Core inflation is expected to moderate a bit further over the next year and a half. Longer-run inflation expectations are contained, pressures on resource utilization should ease slightly in an environment of economic expansion at or just below the rate of increase in the nation's potential to produce, and some of the other factors that boosted inflation in recent years have already receded or seem likely to do so. As noted, increases in shelter costs, which helped push up core inflation in 2006, have slowed appreciably this year. In addition, the paths for the prices of energy and other commodities embedded in futures markets suggest that the impetus to core inflation from these influences should diminish. And although unit labor costs in the nonfarm business sector have been rising, the average markup of prices over unit labor costs is still high by historical standards, an indication that firms could potentially absorb higher costs, at least for a time, through a narrowing of profit margins.

Nonetheless, the possibility that the expected moderation in inflation will fail to materialize remains the predominant risk to the economic outlook. The more-favorable readings on core inflation in recent months partly reflect some factors that seem likely to prove transitory. Moreover, the economy appears to be operating at a high level of resource utilization, which has the potential to sustain inflation pressures. In addition, an upward impetus to costs could emanate from other sources, including higher prices for energy and other commodities or a slower rate of increase in structural productivity. Another concern is that high rates of headline inflation, if prolonged, could cause longer-run inflation expectations to rise and could thus become another factor sustaining inflation pressures.

Significant risks also attend the outlook for real economic activity. On the downside, the fall in housing construction could intensify or last longer than expected. In addition, persistent weakness in the housing sector could spill over to other sectors, especially consumption. But upside risks also exist. For example, consumer spending appears to be rising less rapidly of late after a period of large increases that pushed the personal saving rate into negative territory; increases in consumption could return to their earlier pace. Exports could also boost aggregate demand more than anticipated, especially if economic conditions abroad continue to exceed expectations. ■

HFI & DMAG Venture Out For TRADE SHOW in India

S.J. Patil

PROMISES WORLD CLASS PLATFORM FOR INDIAN INDUSTRY

Hannover Fairs India Pvt Ltd. (HFI), a wholly owned subsidiary of the Deutsche Messe AG, the leading trade fair company from Germany has now started its operations in India. Based in Mumbai, HFI is the latest addition to the Deutsche Messe group of companies that already has well established subsidiaries in Europe, the USA, China and Australia. With establishment of HFI, Deutsche Messe has accomplished yet another stage in its global expansion plan.

Indian economy, and especially the manufacturing industries are witnessing high growth rate as never before. Exports too are growing steeply and reaching destinations all over the World. Automotive, telecom, IT, consumer goods, transport, pharma, food processing, retail and many other sectors growing at a double digit rate are offering huge business potential to domestic as well as overseas enterprises.

Such environment becomes ideal for launching new trade fairs, which provide B2B platform and play catalyst role in further accelerating growth in these sectors. As S J Patil, Managing Director, HFI puts it, “realising the huge potential in India for organizing international scale trade fairs, Deutsche Messe A G decided to step into Indian market as it's the most appropriate time.”

According to Patil, the prime objectives of HFI would be to organise international trade fairs in India with Deutsche Messe A G and to promote Indian participation in international fairs of Deutsche Messe in Hannover, Shanghai, Istanbul, Sydney and Singapore. Nearly 500 Indian companies participate in these events every year which also draw large number of business visitors from India.

THE TRADE SHOWS

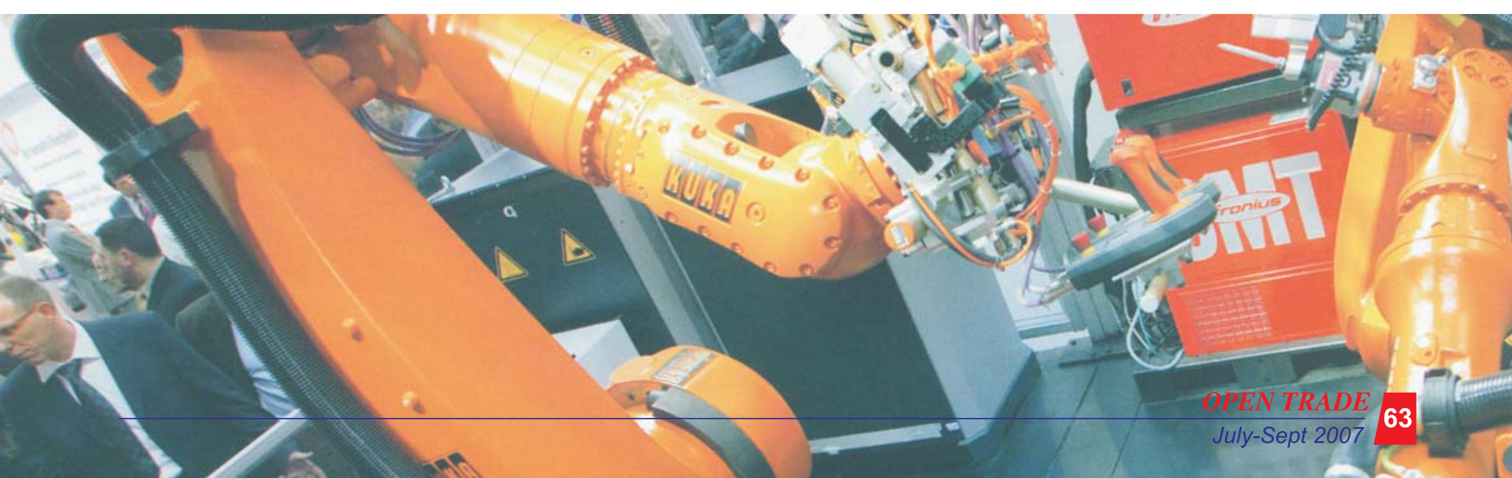
HFI and Deutsche Messe A G will organize three concurrent specialized trade fairs in Bangalore from 4 - 7 December 2007 which includes

MDA INDIA 2007 - International Trade Fair For Motion Drive And Automation

CeMAT INDIA 2007- International Trade Fair For Material Handling And Intralogistics

Industrial Automation INDIA 2007 - International Trade Fair For Process And Production Automation and Industrial Building Automation.

DMAG organizes annually 50 fairs in Hannover and 45 fairs in China, Turkey, Singapore and Australia. With their global contacts and expertise in trade fairs, DMAG and



HFI will create a world class platform for business and technology for Indian industries.

MDA INDIA 2007

MDA, the world's leading trade fair for Motion Drive and Automation held in Hannover will now stage its first Indian edition MDA INDIA in December 2007 in Bangalore. The product profile of MDA INDIA will cover the complete range of drives, gears, motors and mechanical transmission systems, hydraulics and pneumatics, bearings, sealing technology , lubrication , compressed air and vacuum technology , services and software.

The boom in Indian manufacturing sector is generating a large demand for plant and machinery required by diverse industries. Given the pivotal role it plays, motion drive automation industry too is expected to grow at 20 % per annum in the coming years. In this scenario what is needed is a B2B platform that facilitates face to face dialogue between motion drive and automation industry and the user industry. MDA INDIA will fulfill this very need and will offer an opportunity to present new products and services to diverse user industries that are looking for energy efficient solutions to meet their own challenges.

CeMAT INDIA 2007

CeMAT is world's leading trade fair for material handling and Intralogistics. There is a rise in Indian economy, especially in the sectors like automotive, consumer electronics transport, retail and infrastructure, resulting in generating huge demand for material handling systems equipment and services. For the next few years this sector is expected to grow at 15% per annum. Against this backdrop, CeMAT INDIA will be an ideal B2B platform for suppliers to present their latest range of products and services to their potential customers. The exhibit profile of CeMAT INDIA will cover mechanical handling, warehouse technology and workshop equipment, packaging and order picking equipment, loading technology, entire systems for material handling technology, traffic engineering, intralogistics systems and software and logistics services and outsourcing.

Industrial Automation India 2007

International Trade Fair For Process and Production Automation and Industrial Building Automation

To sustain the steep growth rate and deliver quality products, it is imperative for the Indian manufacturing sector to invest in automation processes in a big way. The demand for automation products and services is therefore expected to grow at 25% per annum in next few

years. Industrial automation INDIA will be an ideal platform for suppliers of automation technology to present their new products and services to the user industries and have a face to face dialogue on the new technology trends.

The exhibit profile of Industrial Automation INDIA will cover complete range of products and services in Process Automation, Factory Automation as well as Industrial Building Automation.

The combined presentation of closely connected events will generate considerable synergies for exhibitors and visitors of all the three events. The fairs have been supported by leading industry associations from Germany, Spain, Italy and UK, besides the Indian organizations relevant to topics of the fairs.

The fairs will be held at the newly set up Bangalore International Exhibition Centre (BIEC) that comprises three halls with over 40,000 sqm of display space plus the 5,000 sqm conference centre. BIEC is well equipped with modern facilities to host international trade fairs.

BIEC is owned and managed by the Indian Machine Tool Manufacturers' Association and is marketed internationally in cooperation with Deutsche Messe A G and HFI.

Being a part of Deutsche Messe A G group having representatives in 73 countries and collaborations with several international associations and media channels, HFI has ready access to this global network. This international back up would be of immense benefit to the fairs in India and the exhibitors there in. The experience and expertise in organizing some of the world's best known fairs like CeBIT, Hannover Messe, EMO, Ligna, Biotechnica that Deutsche Messe A G has acquired over past six decades is instantly available to HFI, which in turn will be deployed for providing international class trade fair environment to Indian industries. ■

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Industrial Automation India will be the gateway into an innovative international outlook with enormous trade potential ready to be explores. This exhibition invites leading players to showcase their state-of-the-art technology, design & innovation at this extensive platform for the entire industrial automation industry, at the same time converging trade buyers, manufacturers, agents, distributors, importers & exporters from around.

Venue: Bangalore International Exhibition Centre, Bangalore, Karnataka, India.

Cemat India

Date: 04-DEC-07 to 07-DEC-07

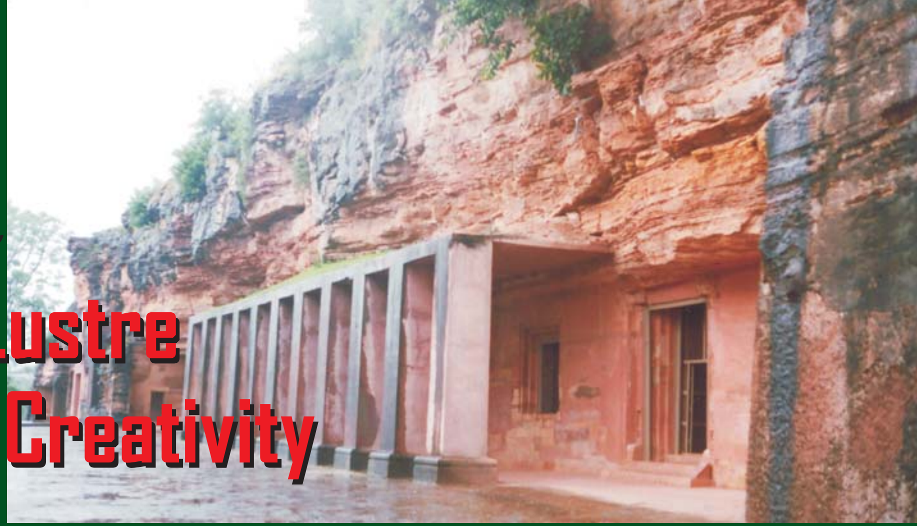
Cemat India will offer domestic and overseas manufacturers and suppliers an unique chance to showcase their latest products and services to diverse user sectors who are looking for solutions to their new challenges in the areas of material handling and intralogistics.

Venue: Bangalore International Exhibition Centre, Bangalore, Karnataka, India.

MDA India

Date: 04-DEC-07 to 07-DEC-07

MDA India is one of the largest exhibition focusing on mechanical components, materials and fabrication technologies. It is recognised as one of the most important exhibitions among designers and developers from all areas of the manufacturing industry.



Bagh Prints
Where Herbal Lustre Matches Tribal Creativity

- Veerendra Bhargava

If you are looking for something exclusive in your dress or furnishing, the answer is Bagh prints, known for their block prints with vegetable dyes. The Bagh print derives its name from the village Bagh, situated about 150 km from Indore, commercial capital of Madhya Pradesh. The village name can be traced to its ancient temple dedicated to goddess Bageshwari Devi. Bagh is also known for its caves, which housed till a few years ago, ancient Buddhist paintings. Inhabited in the region are largely Bhil tribal communities.

Varieties of dress material in Bagh prints range from sarees, kurtas, skirts, shirts and punjabi suits in cotton to silk, while in furnishing they are available in various forms of tapestry, curtains, table cloth, bed sheets, bed and pillow covers, etc. Even Bagh prints are used as elegant corporate gifts in the form of glass framed pieces. A few printers are also making innovations in office stationary by making file folders and file covers with Bagh prints.

The process of prints involves lot of running water at each stage. Quality (softness, hardness and chemicals present in the water) of the water is an important factor which decides the brightness of colours and its longevity.

Technique for Printing on Cotton & Jute

Cotton cloth/jute is cut according to the size required. It is washed in river water, and dried on the riverbanks. When the cloth/jute dries it is rolled in bundles and soaked into the paste of caster oil and goat dung. It is then spread out on mud floor for twenty four hours.

Next day the cloth/jute is soaked again in the same paste and this process is repeated two to three times. This process is called the salt process. The cloth/jute is again washed in flowing river water after which it is temporarily dyed in harda (herb found in forest areas of Eastern Madhya Pradesh) paste and left to dry in the sun. This rigorous and methodical process makes the cloth/jute ready for the process of printing.

For printing there are two kinds of pastes made up of dhavda gum (extracted from dhavda tree and found in Bagh). One is the red paste and other is black paste, both of which have dhavda gum. This paste is filtered and poured into a wooden tray. The tray itself is organized according to specific requirement of printing .The cloth/jute is now printed with blocks and intricate designs are made by the skillful craftsmen. After printing, the cloth/jute is left to dry in the sun. Thereafter it is again washed in flowing river water and left to dry. After this the process of coloring begins.

One requires massive copper vessels to boil the ingredients which are: alizarin and dhavdi flowers. These are boiled with the printed cloth/jute for four to six hours. The color of the

water becomes clear as it boils in the vessel. The printed red which has alum takes its color from alizarin and dhavdi flower which works like bleach on the unprinted portions which have been dyed in harda, makes it white after this process of boiling.

After the proper clarification of the color into red, white and black with the help of dhavdi flowers and alizarin, the cloth/jute is taken to

the river bed to be spread in order lo sprinkle water on it for three days. After this it is dried on pebbles and the cloth/jute is ready for the market in all its glorious colors and designs.

Bagh prints are available at Mriganayanee stores of Madhya Pradesh Handicraft & Handloom Development Corporation. ■

A Bengal Commitment to Boost Industry

Nirupam Sen

Nirupam Sen, Minister in charge Commerce and Industries in the West Bengal government, believes that the state's commitment to encourage FDI has paid good dividends. In an interview with **Anurag Sinha**, Sen talks about government's policies that have stirred up the industry.

The Industrial scenario in West Bengal within a very sort span of time has undergone a radical change. How did it all happen? According to you what are the key factors responsible for this positive change?

This did not happen all on a sudden. Within a framework of a federal structure and our limitation, we have realised that we have to emphasise on industries to keep the state economy going in order to tackle the problem of poverty and unemployment.

Our success in the primary sector of agriculture has been one of the key factors in this regard; the decentralised planning pattern and the support of the masses has strengthened our conviction. Keeping in tune with the New Economic Policy of 1991, the state govt has also formed its own Industrial policy. The NEP paved the way for Industrial Investment by the private sector in a large way. In our state also. The policy which we formed provided a level playing ground for the private investors and thereby augmented a more favourable industrial investment climate. Apart from this, there has been a sustained effort to provide a better infrastructure in all respects.

Being a successful Industry Minister of the state for long, what are the challenges you have faced and how have succeeded in showcasing West Bengal as the most preferred investment destination in India?

It is too early to comment on the success. There have been many challenges and many more are forthcoming. We have tried to avail of the opportunities that came our way. In our State, we have laid stress since 1994, through framing a policy document, formulation of guidelines, introduction of a number of incentive schemes, offering a convergence of activities and inter departmental coordination. At the same time, political stability, availability of skilled labour force, a comparatively better law and order situation, a non-casteist and non-communal atmosphere that prevailed in the state, fortified our position in the national as well as in international arena.

Sir you also happen to be the chairman of WBIDC and under your regime WBIDC has contributed significantly to the growth of industries in West Bengal. How do you plan to take forward this good work in the near future to further the process of industrialization in the State?

We are constantly trying to improve the position .You must admit the sustenance of success is far more difficult than achieving it. A vision document is being prepared .Camp offices of WBIDC are being opened in the districts where large scale investment are on the anvil. We have already opened a branch office at Siliguri to help the investors in the North Bengal district. These efforts will strengthen the central office in Kolkata. We have

also started to implement the Public Private Partnership (PPP) in setting up of industrial parks in different places. E-Governance is also being introduced so as to lessen the time taken to process the large number of proposals and to improve the linkage.

In its endeavour to provide international class industrial infrastructure for few industries, WBIDC has set up several sector-specific industrial facilities like Manikanchan, Shilpangan, Sudha Ras etc. How do you feel these projects will facilitate industrial growth and create employment opportunities in the State?

The sector-specific industrial cluster, be it Manikanchan, or Shilpangan or Sudha Ras or the leather complex, have been able to generate a fair amount of positive response from the sector concerned. All these clusters have addressed the problem of unemployment to a certain extent, so far as these sectors are concerned. We are also receiving a good degree of enthusiasm from a number of entrepreneurs and industrial group to set up their units in foundry Park. Steel Park, Garment Park, Plastic Park and Auto component, Manufacturing Park which we will establish in different places.

How do you highlight the State's Industrial resurgence to woo foreign investors at the time when local media is creating an impression, which is not true according to our sources ?

We are trying to put fourth our success stories in the formation of Haldia Petrochemical Ltd., Mitsubishi Chemical, Asia Petrochem, IBM, Cognizant, Phoenix Yule etc. We are also requesting interested investors to visit and inspect the probable sites, interact with the local people, and thereby have first hand experience of the prevailing situation. We would like to have all concerned seriously involved in the process of development.

What are the major areas which the government has declared as thrust sectors?

We have identified iron and steel, petrochemicals and chemicals, automobiles, leather, food processing and IT & ITES as our major thrust in the industrial field. Together we are trying to build associated infrastructure in the form of township, industrial parks, Centre for excellence in education and healthcare.

Being a successful Industry Minister of West Bengal Where do you see West Bengal in the next 10 years?

As a Minister of West Bengal, I do hope that our State would once again occupy the leading position of being the most industrially developed State in our country.

Every one who knows West Bengal as the preferred business destination, knows that you are the reason for making the State reach that brand positioning. What further broad steps are you going to take in order to promote Investment in the State?

It is a collective effort, led by the Chief Minister. It has been so for the last decade. We are looking Eastwards, too. Further promotion of Public Private Partnership (PPP) model, ever increasing economic cooperation with different countries; building a social overheads and infrastructure like Airport, Intra-State Connectivity more international flight, expansion of Highways, establishment of petroleum, chemicals and petro-chemicals Investment Region (PCPIR) Deep Sea Port along with building state of the art infrastructure like international convention centre, logistic hubs, centre of excellence in various disciplines to keep pace with the various changes in science and technology and their application in the industrial process ,and to provide the required skill to the younger generation: modernization and expansion of the existing facilities and creation of new durable assets in the rural and urban areas. These are the some steps we have taken and going to take in the near future. ■

Soon we shall be able to Position Bengal on the Tourist Map of the World

- Dr. G.D. Gautama

Dr. G.D. Gautama, IAS, Principal Secretary in West Bengal Government's Department of Tourism and Cottage & Small-Scale Industries, is a man of vision, who was responsible for IT turnaround in the state now with additional zeal and aggressiveness revolutionizing the tourism sector with his innovative and radical approach. Dr. Gautama's interaction with **Anurag Sinha** our regional head - excerpts

The State of West Bengal has always been regarded as one with tremendous potential. Your comments?

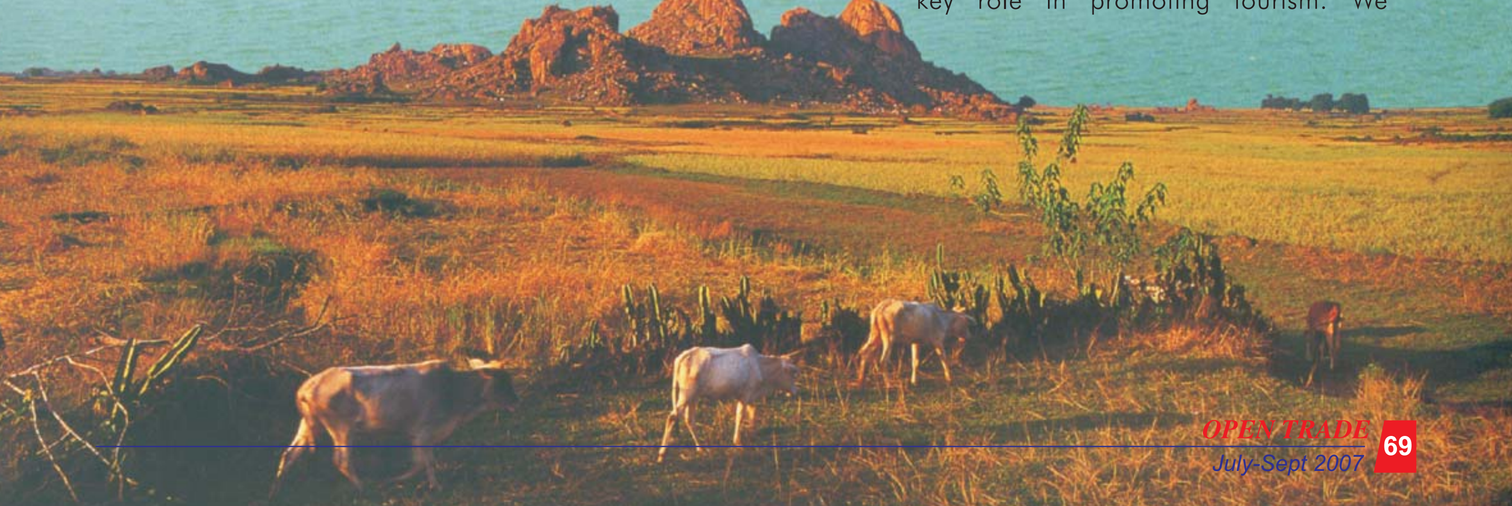
Our state has tremendous potential and is blessed with the snow-capped Himalayas, sea beaches, forests and many other landscapes which are a delight for the tourists. In fact we have all the natural beauty which would attract a tourist. We are working on an aggressive marketing policy and other strategies to harness the potentials of the state.

What are your plans?

To mention few of the initiatives we have undertaken - we had appointed Ernst & Young as consultants to work out our road map in the tourism sector and they have suggested certain recommendations and we are in the process of implementing them. We have also appointed a professional PR agency to assist us to tap both domestic and international market more effectively. We are also working towards an aggressive website besides increasing our participation in both domestic and international fora to project what West Bengal has to offer in the tourism sector.

What are the other marketing initiatives undertaken?

Earlier this year we had taken up couple of marketing initiatives with dual objectives as a) to attract tourism and b) attract investment in the sector, as infrastructure plays a key role in promoting tourism. We



participated at ITB Berlin this year, which was in the first quarter of the year. During the exposition, we presented the tourism potential of our state to the international community. India was a partner country at the fair this year. There were a number of queries about West Bengal. We were able to showcase our state to the international community. This helped both ways i.e. increased tourism and investments. We have also participated in various seminars/exhibitions showcasing the huge potential our state has in the tourism sector.

What are the important places of tourism in the state?

We have lots of places of tourist interest like Darjeeling Himalayan Railway, Sundarbans. Apart from the these we have a number of circuits like the Wildlife tourism circuit, the Tea tourism circuit of North Bengal, the Kolkata circuit, the Hill tourism circuit and the Heritage circuit. They offer huge delight and pleasure to the tourists.

What are you doing on other segments of tourism?

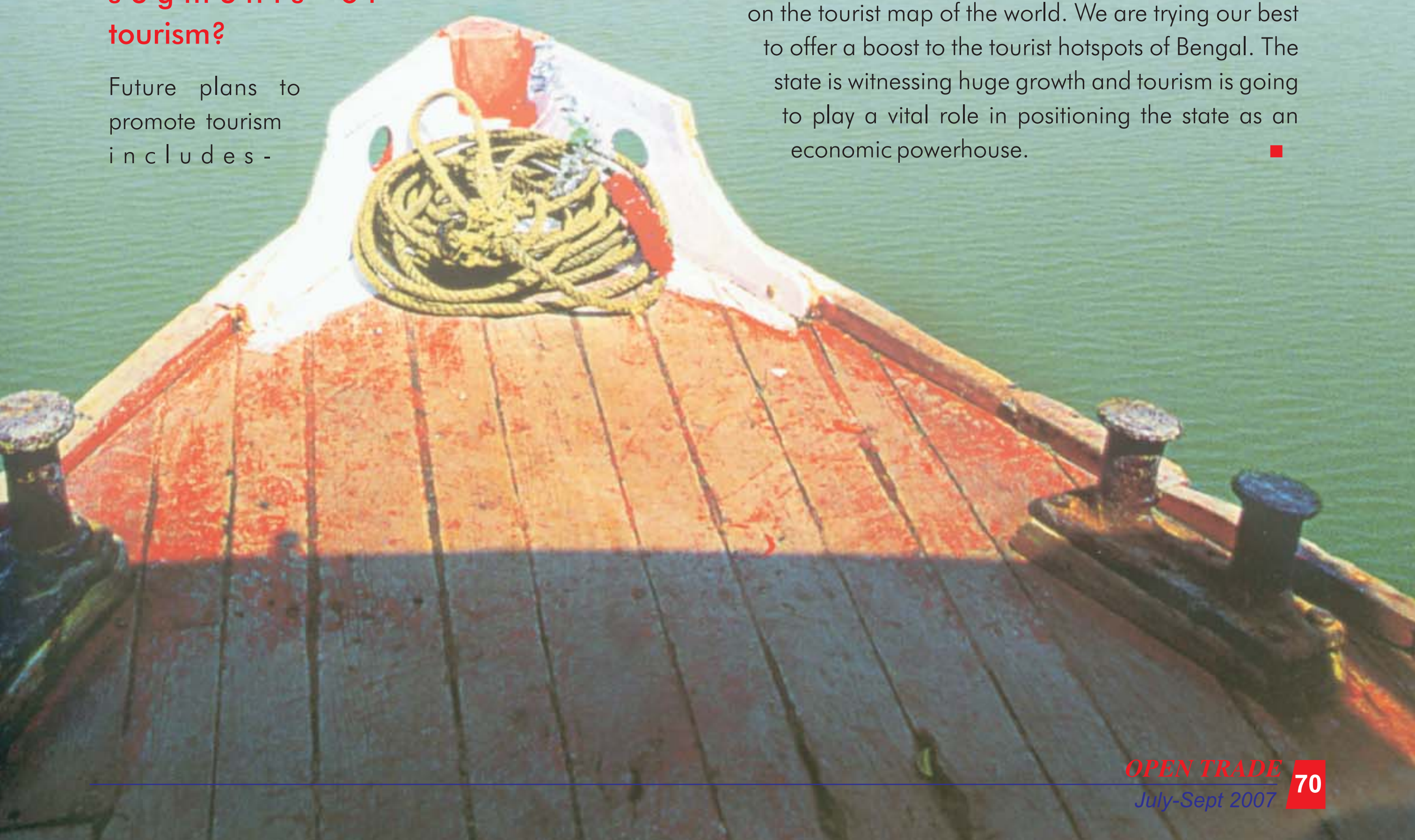
Future plans to promote tourism includes - promoting tea tourism, heritage and medical tourism in the state in a big way. River tourism also has a huge potential and there are exciting heritage sites on the banks of the river Ganges offering glimpses of the Colonial era right from Kolkata to Murshidabad. There are some interesting plans to showcase the historic battlefield of Plassey and exhibit the artistic works of our terracotta craftsmen at Birbhum and Bankura. The age-old imperial buildings of Kolkata and the fabulous heritage sites at Malda, Murshidabad, Nadia and Bishnupur are no less remarkable. We are going to project them as tourist destination in a very big way.

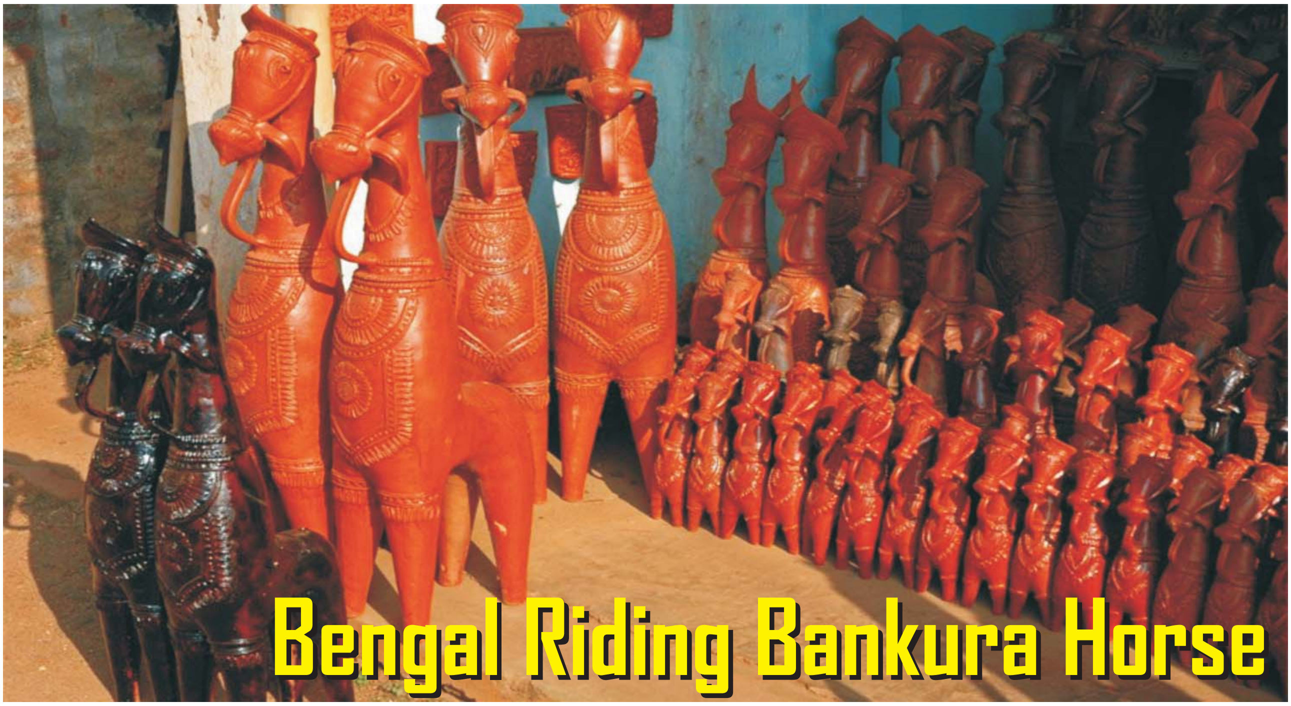
Tourism Infrastructure has been one of the weak links in the state. What kind of infrastructure development are you planning?

To create a degree of safety and comfort for travellers we have chalked some plans to improve facilities like highway amenities with restaurants, waiting rooms, parking area, landscaping and handicraft centers. Eco resorts can bring in instant market recognition. A number of other capital intensive ventures are being planned on the PPP mode.

How would you visualize tourism growing as an industry in the state in the next few years?

As the Indian economy continues to open up in an effort to integrate with the world economy, benefits of doing business with and in India are increasing. With the results, hundreds of thousands of jobs are moving to the Indian shores from the West. This brings in its wake transit travellers, business travellers, business meets and holiday seekers. We are very hopeful that soon we shall be able to position Bengal on the tourist map of the world. We are trying our best to offer a boost to the tourist hotspots of Bengal. The state is witnessing huge growth and tourism is going to play a vital role in positioning the state as an economic powerhouse. ■





Bengal Riding Bankura Horse to Promote Tourism

By U.S. Pandey

There is much more to Bengal tourism than Darjeeling touted as the Queen of the Hills and Sundarbans the biggest delta in the world and also a world Heritage site.

The state tourism department is going all out to exploit what has hitherto been a relatively low-profile sector. Promoting tourism through handicrafts is the new mantra of the state government.

And topping the priority list is Bankura the birthplace of painters Jamini Ray and Ram Kinkar Bej. Situated at about a four-hour drive from Kolkata, the place, despite so much of heritage and culture, is relatively unknown to the outside world.

There is, however, a more interesting side to the district situated in the southwest part of West Bengal.

"Bankura district contributes most varied and widest range of crafts not only in West Bengal but also in India. Bishnupur, the well known crafts town of the district, had a glorious history of co-existence and simultaneous development of a number of handicrafts activities," says Dr. G.D. Gautama, Principal Secretary, Departments of Micro, Smallscale Enterprises and Textiles and Tourism.

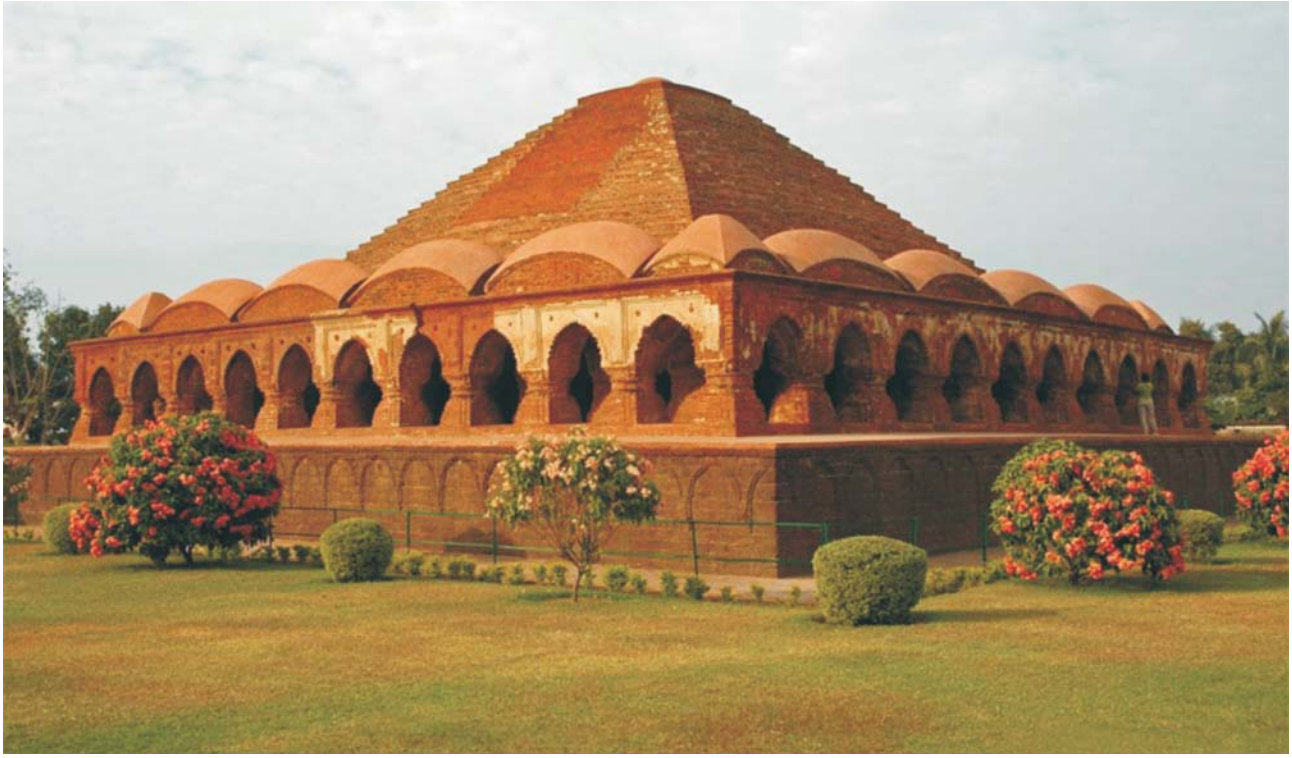
Bishnupur was the capital of the Mallabhum kingdom, once the most important Hindu dynasty in Bengal. King Raghunath I founded the Malla dynasty in 694 AD. However, it was much later in 994 AD that the place was named Bishnupur. The name is derived from 'Vishnu', the majority of people belonging to the 'Vaishnava' sect. Surrounded by old fortifications, the town has more than a dozen terracotta temples. The 16th-century Jor Bangla and Ras Mancha are excellent examples of brick temples of the Bengali style. The town is also known for its stylized Bankura horse. The most powerful king of the dynasty was King Raghunath Singh Dev II. His reign started in 1626 AD, at the same time Bengal was in the hands of Shahjahan's son Shuja. It was during this period that the Jorebangla Temple was erected.

The most famous art form of Bishnupur is its terracotta work. According to the State Tourism Department as many as 1,540 artisans belonging to 157 families are engaged in creating exquisite terracotta figurines. These are clustered in the Panchmura and Sindri areas of Bankura.

However, the most famous product of this area is the 'Bankura Horse' fashioned out of terracotta. The long-necked Panchmura Horse is made hollow with some circular vents to facilitate uniform firing in the country kilns. The horse stands on its four legs with the neck held high; the ears and the tail erect.

There are three other varieties of these horses Rajgram, Sonamukhi and Hamirpur types. But they are considered less sophisticated and bought locally.

The original function of these terracotta horses were a highly ritualistic one. People would offer them as a token of their devotion to *Manasa* and several other local deities. The Bankura Horse is widely recognised as a symbol of devotion. It has also become the symbol of matchless rural handicrafts of India.



One of the most expensive saris in India called the Baluchari saris are created by craftsmen of this place. The silk strands are dyed separately and then put into a loom.

Designs are woven with the help of a series of punch cards that are hung from the top of the loom. These punch cards are rectangular pieces of cardboard with hundreds of holes punched according to the design.

The coloured strands pass through these holes and fall into place very precisely on the loom. One sari may have an entire episode from the Mahabharata woven into its border and pallu.

There are about 5.5 lakh craftsmen and over two lakh handicraft units in West Bengal. Considering the large number of artisans engaged in the handicraft sector in the state, and the potential to provide large scale employment opportunities the government has been implementing various development schemes for the artisans," Dr Gautama said.

Design development workshops, district and state level handicrafts competition, providing awards and prizes for innovative artisans and facilitating participation in national and international competitions and setting up common facility centres are some of the measures taken by the department.

And with immense potential for linking tourism with handicrafts, the state government is out to fully exploit the interestingly poised sector.

Among the various temples dotting the Bishnupur area are:

Rasmancha: It is the oldest brick temple. Built in the late 16th century by King Beera Hambira. The temple has an unusual elongated pyramid=shaped tower, surrounded by hut-shaped turrets, which were very typical of Bengali roof structures of the time.

Pancha Ratna Temple of Shyam Rai:

Built in 1643 by King Raghunath Singha. The walls are richly decorated with terracotta carvings featuring aspects of Lord Krishna's life.

Other temples are: *Jorebangla Temple:*, *Nandalal Temple*, *Radhamadhab Temple* *Kalachand Temple*, *Radhagovinda Temple*, *Sarbamangala* *Krishna-Valaram Temple*, *Mrinmayee Temple*, *Radhashyam Temple*

Radha Laljiu Temple, *Sanreswar*, *Radhalaljiu*, *Madangopal*, *Chhinnamasta Temple*

Madanmohan Temple:

King Durjana Singh Deva built the temple in 1694 AD in the ekaratna style, a square flat-roofed building with carved cornices, surmounted by a pinnacle. Impressive carvings on the walls depict scenes from the Ramayana, Mahabharata and the Puranas.

Other sites worth visiting are: *Malleswar*, *Dalmadal Caman*, *Lalgarh* *Lalbandh*, *Acharya Jogeshchandra Museum*, *Gumgarh* *Pathar Darwaja* (Main Gateway of Bishnupur) *Garh Darwaja* (Small Gateway of Bishnupur) and *Nutan Mahal* ■

A Destination offering Every Tourist's Choice

West Bengal is distinctively marked for its unique and variegated tourist attractions. From the snow capped-peaks of the Eastern Himalayas to the sand and surf of the Bay of Bengal, from a grand historic legacy and centuries-old culture to a modern commercialism, from a wealth of wildlife to vibrant country life, West Bengal offers itself as a complete tourist destination. The state has something for everyone; it is a land steeped in history, heritage and visual delights replete with enormous riches. The tourists get a destination of their choice. The state is a multicolored attraction for tourists looking for their favourite haunts or activities. Of late, a concept of classifying the tourist destinations into categories like eco-tourism, heritage tourism, medical tourism, adventure tourism has become vogue. The state has sufficient resources in almost every sphere of tourism. Let us have a glimpse what the state has in store for the tourists.

Nature & Eco-Tourism/ Beach Tourism

Among famous destinations are Darjeeling the Queen of Hills, Kurseong, Kalimpong, Mirik, Lava, Lolaygaon, Munsong, and Mongpu in the Eastern Himalayas; the Dooars at the foothill, where nature has kept its doors wide open; the Sunderbans, the world's largest mangrove forests; the western forests and hilly tracts of Medinipur, Bankura and Purulia, Digha, Shankarpur, Bakkhali and Sagar Island some of the most famous beaches on the east coast of India.

Digha - the most famous beach on the eastern coast of India has flat, hard beaches. The beach is girdled with casuarina plantations along the coast. The sea is calm and shallow for about a mile from the beach making it quite safe for swimming. The beauty of this place was discovered as early as the days of Warren Hastings and was known as Beercool.

Shankarpur, a virgin beach cupped with casuarina plantations offers nearly all the pleasures of a private beach. It is also a regular fishing harbour.

Junput beach offers beautiful sea-view and lines of casuarina trees. Brackish water fish cultivation and research are done here by government.

Bakkhali beach is long and sandy with the waves twinkling in the sunlight. Dense casuarina groves drape the beach. Red fiddler crabs march in line on the beach.

Frazerganj, the white sand beach, is entirely different from the other beaches. It is pristine pure and holds the charms of a beach unspoilt.

Ganagasagar-Sagardwip, a lovely destination combining pilgrimage and fun. Sagardwip presents a quiet, silvery expanse of beach and the calm sea. On Makar Sankranti day in winter (mid-January), pilgrims from all over India congregate at Sagardwip to take a holy dip at the confluence of the river Ganga and the Bay of Bengal. The lighthouse at Sagardwip provides a panoramic view of the surroundings.

Forest & Wildlife Tourism

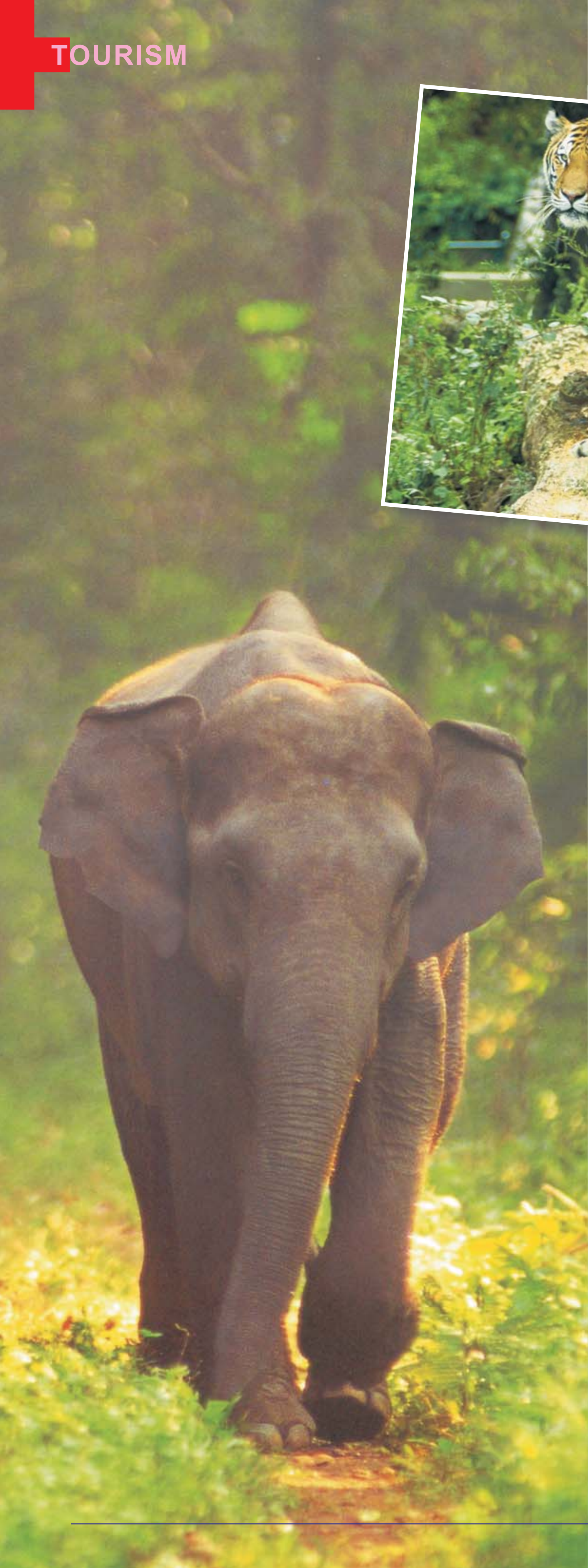
The Eastern region of the Himalayas - Darjeeling and the nearby hills mentioned above abound in a variety of flora and fauna from the alpine to the tropical; the dense natural forests and the sanctuaries of the Dooars region provide home to a variety of wild animals and birds; the Sunderbans are world famous for the mangrove forests, the Royal Bengal Tigers, crocodiles and birds; the western forests and hilly tracts also abound in wildlife.

Sunderbans, owes its name to Sundari trees, consist of a large flora population like Genwa, Dhundal, Passur, Garjan and Kankra. The Sundarbans National Park - mangrove forest is the habitat of nearly 200 Royal Bengal tigers. The tigers at the park are good swimmers and practically amphibious! The estuarine crocodile is often seen along the mud banks. The Park is also noted for its conservation of the Ridley sea truffle.

Dooars are the forest areas of Northern West Bengal which presents a plethora of Wildlife. An unending stretch of virgin forests is crisscrossed by the river Teesta and her innumerable tributaries. Mauve hills stand at the end of velvet green plains. The forests echo with the melody of birds and fabulous wildlife sanctuaries.

Jaldapara, wild Life Sanctuary was constituted in the year 1941 for the protection of Wild Life, particularly one-horned rhinos, an animal threatened with extinction. River Toorsa runs through the Sanctuary. The forest is mainly savannah covered with tall elephant grasses. The wild life, in addition to one-horned rhinos, consists of Royal Bengal Tigers, wild elephants, deers, sambhar, barking deer, spotted deer and hog deer, wild pig, bisons and a number of birds, peafowls. Elephant ride is arranged for viewing of wild life preferably at dawn. Elephant safaris can be enjoyed at the Sanctuary.

Buxa Tiger Reserve, was set up in the year of 1982-83 at the north eastern corner. This picturesque reserve with its proigous Terai, Bhabar as well as Hilly landscape, is dissected by numerous rivulets. This part of the country has high degree of plants & animal bio-diversity where 60% species are endemic to



the area. Astonishing bio-diversity of animals comprise of a reach avifauna of more than 230 identified species, 67 mammals (out of which 21 are endangered), 36 species of reptiles (10 numbers are endangered). Apart from Bengal Tiger there are plenty of Leopard, Fishing Cat, Leopard Cat, Jungle Cat, Indian Civet, Palm Civet etc. The Hornbills including greater Pied Hornbill abound the area. One of the rarest bird of India the Black-necked Crane has been sighted in the Reserve during the early winter. The migratory beautiful Black Stork is a visitor of the area. The monsoon ends and beautiful Minivets, Sultan tits arrive, during summer rare Ashyminivet is also sighted.

Hill Stations

Kalimpong, a beautiful hill town in North Bengal offers a quiet and relaxed holiday. A place called the Viewpoint or 'Lovers Meet', offers excellent view of the confluence of the Rangeet and the Teesta rivers, as also of the Himalayan mountain range from Durbindara summit. Kalimpong's attractions include three Buddhist monastries, orchid nurseries, a sericulture centre and Dr. Graham's Home, school set up for educating the children of tea workers.

Kurseong means the place of White Orchid. Kurseong enjoys a milder and very healthy climate throughout the year. It is the peace, serenity and the healthy climate that attracted many a great person to this place. Some of the famous poems and songs of Guru Rabindranath Tagore were composed in Kurseong.

Sandakphu, means the Height of the Poison Plant

- a direct reference to the profusion of the poisonous aconite plants that grow near the peak. The loftiest peak of the Singalila Range, Sandakphu is the culminating point of most of the trekking routes in the Darjeeling-Sikkim region. Sandakphu epitomises the wild elemental grandeur of the snows. Sandakphu is resplendent with the ethereal beauty of magnolias, rhododendrons, primulas and other sub-alpine flowers. It also contains more than 600 varieties of orchids, the largest to be found in a single geographical area in the world.

Siliguri is an important transportation hub in North Bengal. The surrounding areas of the city are beautiful. Mahananda Wild Life Sancturay, Madhuban Park, Umrao Singh Boat Club, Sukna, Tea Gardens, Salugara Monastery, Teesta view Point, Sevoke, Kali Mandir, Monkey Point, Coronation Bridge, Hong Kong Market, Consumer Goods Market, Railway Exhibition, Art Gallery and ISKCON Hare Krishna Mandir are the important and happening places.

Vishnupur, is known by terracotta, metal ware & temples. The temples are built mostly of brick & at times, of laterite. Clay & laterite are the only building materials available here besides wood and bamboo. The architecture is modeled on the pattern of Bengali huts built of bamboo & mud and roofed with thatch. Vishnupur will remain ever famous for its distinct style of music, i.e. the Vishnupur Gharana, if not anything else. The name of Jadu Bhatt, the music teacher to Rabindranath Tagore, is remembered with respect to this day. A discerning visitor may find traces of the past splendour and glory that was Vishnupur in its superb temples and unique handicrafts.

Murshidabad named after Nawab Murshid Quli Khan, the Dewan of Bengal, Bihar and Orissa under Emperor Aurangzeb, is intimately related to events that ultimately changed the history of India. At Plassey near Murshidabad was fought the historic battle between Nawab Siraj-ud-Daula and Lord Clive. The relics strewn today speak of those times. But the history of this region dates back perhaps a little farther. The travelogue describes Karnasubarna near Murshidabad as the first capital of ancient Bengal.

Adventure Tourism

Darjeeling and nearby hills offer immense opportunities for trekking, rock-climbing, mountain-biking, hang-gliding, etc., and the River Teesta attracts the young and the brave for white-water rafting, canoeing and kayaking

Fairs & Festivals

West Bengal is a land of exquisite fairs and festivals, the most well-known being the Durgapuja festival, Kalipuja, Gangasagar Mela, Kenduli Mela, Rash Mela, Poush Mela, Vasanta Utsav or Holi, Rathajatra, Christmas, Id & Muharram. Besides, these religious festivals there are cultural and tourism festivals most famous of them being Kolkata Book Fair, the Kolkata Film Festival, National Theatre Festival, Vuishnupur Festival and Teesta-Ganga Festival.

Durga Puja & Deepavali: The largest Bengali festival is Durga Puja, held in the Bengali month of Aswin (October). Images of the ten-armed goddess are worshipped in ancient houses and at pandals, erected specially for the Puja. Durgapuja is the most important festival in the city of Calcutta. The festival that follows is Deepavali, the festival of lights. The worship of goddess Kali is marked by display of fireworks and crackers.

Gangasagar Mela: The largest fair of the State, Gangasagar Mela is a three-day event held in mid-January, on the occasion of Makar Sankranti, at Sagar Dwip. Lakhs of pilgrims come for a holy dip at the confluence of the Ganga and the Bay of Bengal and offer 'Puja' at the nearby ashram associated with the legendary sage Kapil Muni.

Vasanta Utsav: Holi is celebrated all throughout India and at Santiniketan in the district of Birbhum, it is Vasanta Utsav. Students of the Visva Bharati University welcome the spring, season of colours through songs and dances, throwing abir and spraying liquid dyes at each other.

Teesta Tea & Tourism Festival: Every year in November December, Teesta Tea & Tourism Festival is celebrated with a view to promote tourism in this region as a composite tourist destination, with its bounties in tea, timber and tourism.

Vishnupur Festival: In the temple town of Vishnupur a festival is organised every year where exhibitions and sale of local handicrafts and performance of the rich musical tradition are immensely popular festival.

Heritage Tourism

West Bengal has a rich history and heritage reminiscent of Hindu, Buddhist, Muslim, Christian, Vaishnava as well as tribal cultures. Among the most famous heritage sites are Kochbihar, Gosainmari and Jalpeshwar in the Dooars; Gaour, Adina and Pandua in Maldah district; Lalbagh in Murshidabad district; Palashi, Krishnanagar, Nabadwip and Mayapur in Nadia district; Bardhaman and Kalna in Bardhaman district, Bandel, Chandannagar, Chunchura, Srirampur and Kamarpukur in Hooghly district, the temple town of Vishnupur in Bankura district;

and a large number of heritage sites in and around Kolkata. The Sunderbans and Darjeeling Himalayan Railways (Toy Train) have been given world heritage status by UNESCO.

Art & Cultural Tourism

The West Bengal has played a dominant role in the field of art and culture, giving both to a large number of movements in literature, painting, sculpture, theatre, cinema, as also in politics, science and industry. Ravindranath Tagore's Shantinoketan is an epitome of art and culture and Kolkata is rightly regarded as the cultural capital of India.

West Bengal also offers exquisite opportunities for conferences and conventions with city life, shopping, multiple cuisines and amusement all over the state. It is well-known for its superb arts and crafts made of silk, ivory, shola, conchshell, dhokra and beautiful clay models. Also worth-mentioning are Baluchari saris, woollen carpets, blankets and knitted garments. Vishnupur is famous for conchshell products and for Baluchari saris. Malda takes pride in silk materials and Murshidabad can boast of producing exquisite ivory items. For clay model items, Krishnanagar is the place. The hilly areas of the State specialise in blankets and woollen knitted garments and 'tanka' paintings (scrolls), decorative kukris and copper plates studded with stones with engravings of replicas of deities.

With the declaration of tourism as an industry, the state has been a perfect destination for investors and also the gateway to the Eastern Himalayas, the North East and the South East Asia.

Shantiniketan is an International University founded by Nobel Laureate Rabindranath Tagore where the cultures of the East & the West could meet and mingle. Named Vishva-Bharati, the University represents Indian traditions while incorporating the best of other cultures. Shantiniketan, the abode of peace, was initially an Ashram or hermitage founded in 1863 by Maharishi Devendranath Tagore. In 1901 his son, Rabindranath converted it into an experimental open-air school with just five students. He widened the scope of studies which gradually formed the nucleus of a University. Another interesting feature about Santiniketan is that splendid sculptures, frescoes, murals and paintings of Rabindranath, Nandlal Bose, Ramkinkar, Bindobehari Mukhopadhyaya and others adorn the campus.

Air Connections

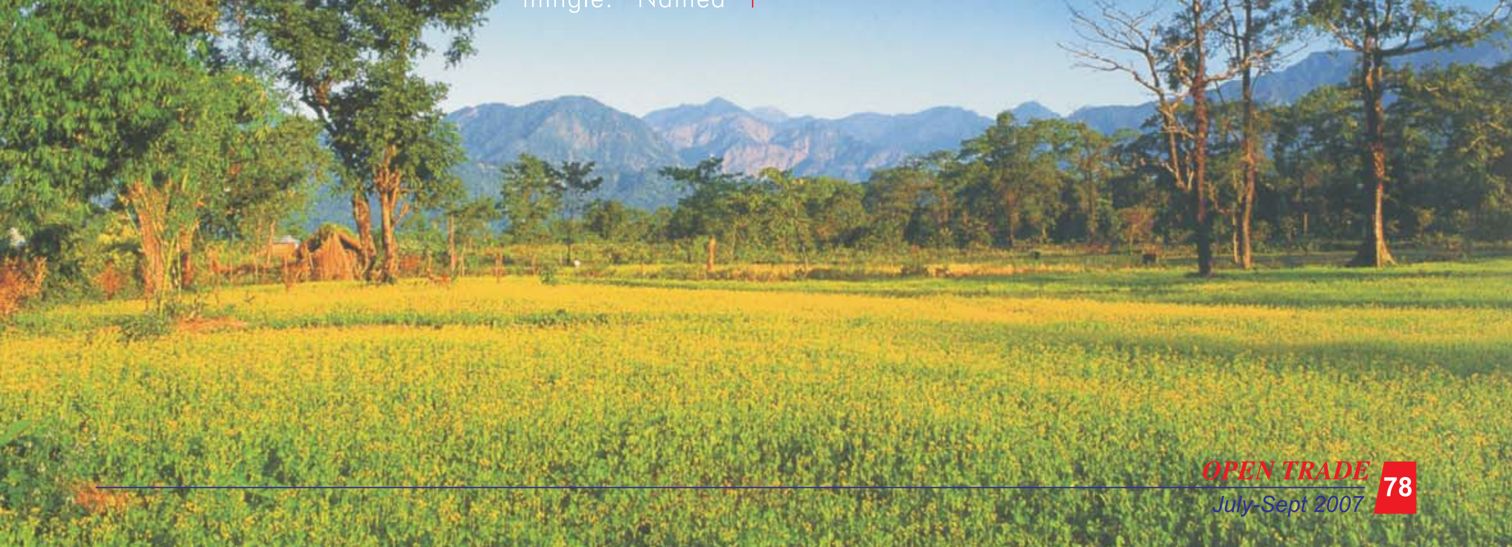
The Netaji Subhas Chandra Bose Airport is an international airport linking various global destinations by direct flights. Two domestic terminals in Kolkata and Bagdogra. Kolkata airport is connected with almost all the major cities in the country. Bagdogra airport, located in North Bengal, has direct connections with Kolkata, New Delhi & Guwahati. A helicopter service also operates between Bagdogra and Gangtok in Sikkim.

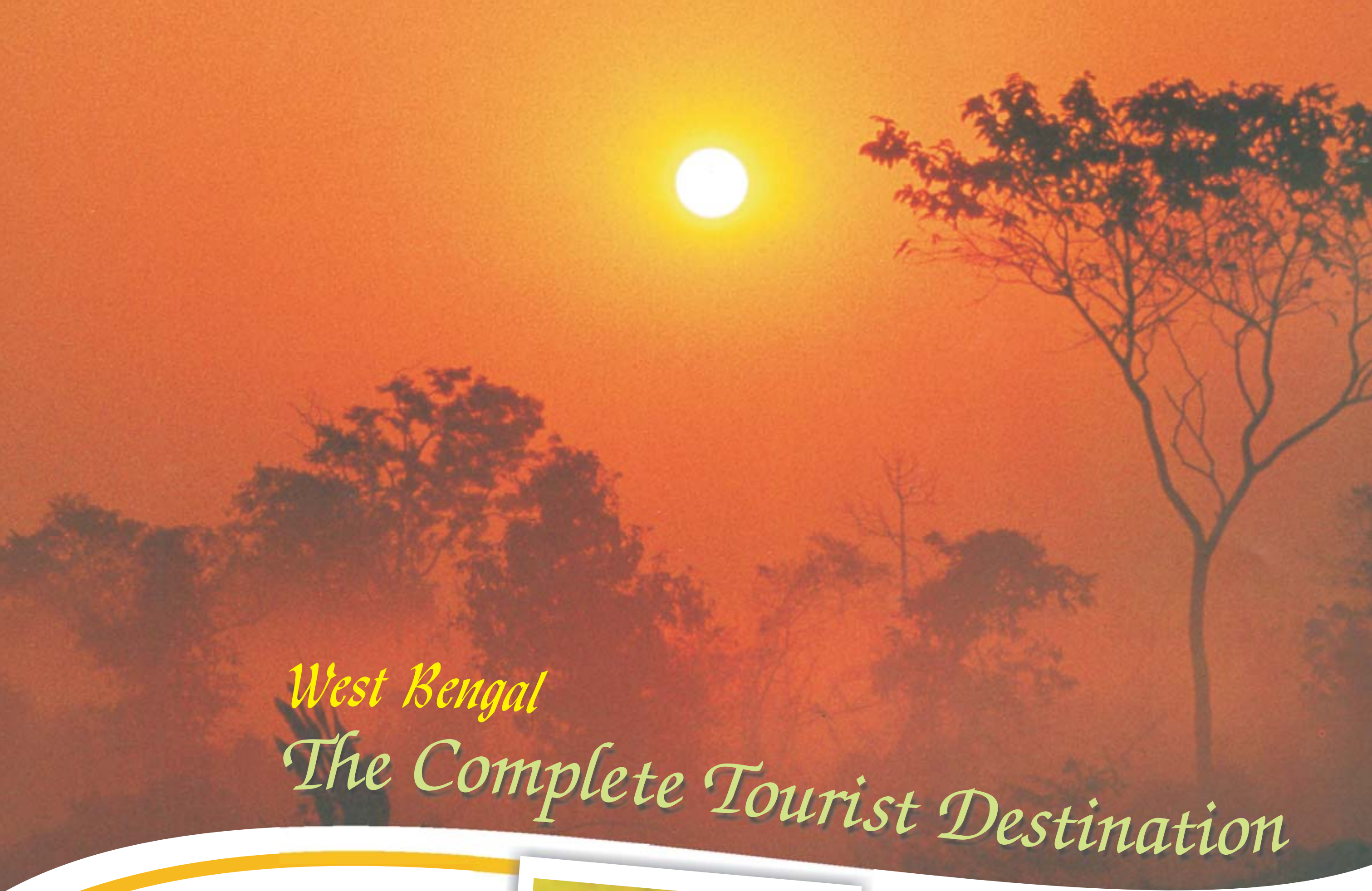
Rail Connections

Howrah and Sealdah in Kolkata and New Jalpaiguri (near Siliguri in North Bengal) are the major railway hubs of the state. Several important super-fast trains connect these stations with almost all the parts of the country including North East. The state has a very good railway network within the state connecting almost all important tourist destinations.

Road Connections

The state is well served with a wide network of National and State Highways. All tourist destinations are easily accessible by road. Motor launches and mechanized boats take tourists to the Sunderbans and Sagar Island. ■





West Bengal
The Complete Tourist Destination

West Bengals distinctively marked for its unique and variegated tourism resources. All over from the snow-capped peaks of the East Himalayas to the sand and surf of the Bay of Bengal, from a grand historical legacy Wand centuries-old culture to a modern commercialism, from a wealth of wildlife to a serene yet vibrant country life, West Bengal offers a complete tourist destination. The state has something for everyone; it is a land steeped in history, heritage and visual delights replete with enormous riches: the magic of snowcapped mountains, hills and valleys; lush green tea gardens; the mystery of the dense natural forests and a wealth of wildlife; a legacy of rich history and heritage; rivulets, rivers, beaches and the sea; a large variety of flora and fauna; rare mangrove forests and the Royal Bengal Tigers; the fertile soil, the greenery and the unending cornfields; Kolkata, the intellectual capital and the city of joy; the art and culture.

Beautiful Bengal

For Information, please contact

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