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# The Way Leading to Business

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**FOR THE SAARC COUNTRIES**

**Current and perspective Business Opportunities  
in MENA and Far East Countries**

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## AGENDA

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### 1. COUNTRY OVERVIEW

- ❑ POLITICAL OUTLOOK
- ❑ ECONOMIC OUTLOOK
- ❑ FOREIGN TRADE

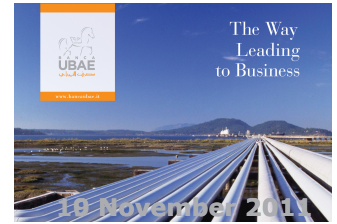
### 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- ❑ CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES
- ❑ MAIN ISSUES
- ❑ CONSULTANT ROLE AND SUPPORT

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

### □ **India:**

- India, which happens to be the largest democracy in the World enjoys a stable government and the ruling party the Indian National Congress-led United Progress Alliance “UPA” is likely to complete its five-year term which end in 2014;
- However this is largely because the opposition the Bharatiya Janata Party “BJP” is weak, divided and plagued by scandals of its own;
- The government will face a number of challenges such as delivering on its promise of inclusive economic growth and dealing effectively with the Maoist insurgency in eastern and central India, that is in addition to managing the uprising in the troubled Kashmir region;
- Corruption has long been a challenge for the government and recent events called into question not only politicians corrupt practice but also handling of the situation;
- Unfortunately corruption in India is not only the preserve of the Indian National Congress party but also that of the opposition which had its reputation tarred by a recent scandal in July;
- On the international scene the relation between India and Pakistan has always been marred by the Kashmir issue, however recently both government have resumed talks and this is probably a good sign;



## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK (INDIA)

- In addition relation between India and China remain problematic since China claims territory in the Indian-administered area of Kashmir, whereas India says that China is illegally occupying part of its land;
- On the domestic front the question of the succession of Mr. Manmohan Singh who is now 78, is a matter of concern, although there are a number of contenders such as Rahul Gandhi (Mrs. Sonia Gandhi's son) or Mr. Pranab Mukherjee, Finance Minister or Mr. Chidambaram, home affairs minister;
- Given the great effort exerted in important fields such as economic achievements and the fight against corruption, we are of the opinion that the UPA will be re-elected in 2014;
- In the final analysis India's political situation will remain relatively stable in 2014-2016 even in the event the opposition BJP wins the next general poll.

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

### □ Bangladesh:

- The ruling party the Awami League "AL" which controls 229 out of the 300 parliamentary seats is expected to serve its full five year term up to 2014;
- However there are two main potential sources of instability before the next parliamentary poll;
- These are the escalation in social unrest and a new campaign of violence by militant groups;
- The causes of social unrest could be summarized in: food price inflation, power or water shortages and low (very) salaries which have resulted in several strikes paralyzing the main industry i.e. the ready made garments;
- The government will sustain and even step up its efforts to implement a wide range of development projects aimed at improving infrastructure and alleviating poverty;
- However the above means that the fiscal position will remain weak during the present tenor of the Government;
- With the control of a large majority i.e. 229 seats in Parliament the AL is in a very strong position and could amend the country's constitution to strengthen further its position for next election;
- However the economy will maintain a sustainable growth expanding by some 6.5% a year probably up to the next election, thereby strengthening further its position;

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK (BANGLADESH)

- Unfortunately inflation will accelerate to exceed 10% in 2011, however it is hoped that it will subsequently moderate to 6.5% for the next three years;
- On the international front Bangladesh foreign policy will remain focused on improving economic and diplomatic relation with both India and China;
- As an evidence of the above, India's prime minister, Manmohan Singh made his first official visit to Bangladesh where he signed a number of trade agreements on trade and cooperation ;
- The discovery of significant onshore gas reserves estimated to hold 1trn cu ft of gas was announced by a subsidiary of the state-owned Bangladesh Petroleum Corporation (Petrobangla)
- Once exploited and put on stream this will improve the shortage of energy witnessed at present, which is slowing down the industrial production mainly in the ready made garnment;
- In the final analysis we are of the opinion that the political outlook in Bangladesh is stable for the present tenor of the Government at least and may be even next.

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

### □ **Pakistan:**

- Elections for the National Assembly took place in 2008, and the next National Assembly election is due in 2013;
- From May 2011 the government consisted of a coalition led by the Pakistan People's Party (PPP) and including the Pakistan Muslim League (PML) and the Muttahida Qaumi Movement (MQM), which left the government in June of 2011;
- Relations between Pakistan's main political parties remain volatile and political conflict during the period 2012 – 2016 will remain largely personalized;
- However the PPPs recent actions have demonstrated that it will prioritize the aim of preserving the coalition over other considerations;
- One has to remember that Pakistan has a long history of military coups, having been ruled by generals for around one-half of its existence as an independent country;
- Thus the possibility of a continued mismanagement by a civilian government might prompt the army to assert itself politically, once more, cannot be discounted;
- Pakistan will remain heavily dependent on concessional loans and emergency aid from multilateral institutions and bilateral donors;

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK (PAKISTAN)

- Such dependence is of a major concern for any ruling government, which has to maintain good relations with its main benefactor the US which for the time being deteriorated mainly in view of the situation in Afghanistan;
- In this context Pakistan will welcome further offers of investments and aid from China, a relatively uncritical ally;
- In addition we have to bear in mind the fact that both Pakistan and China see neighboring India as an adversary, will continue to underpin their friendship;
- Pakistan had a Stand-by Agreement (SBA) with the IMF in place from November 2008, until September 2011, and out of the amount allocated of US\$ 11.3 bn around US\$ 7.9 bn had been disbursed until August 2010;
- The facility has been put on hold since the Government failed to meet the fiscal policy requested by the IMF, an action which may weaken further the Government;
- However in our opinion the present coalition will remain in power until the next election, and may even try to consolidate its position from now until that date, in fact the coalition is holding regular rallies as a show of force in face of the opposition.

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

### □ Sri Lanka:

- The president and the parliament are elected for six-terms, but elections may be called early provided certain constitutional conditions are met;
- In the 2010 presidential election the UFPA candidate, Mahinda Rajapakse, secured re-election with a clear victory winning just under 58% of the vote;
- The next presidential election will take place by November 2015, the next parliamentary election will be held by April 2016;
- The president, Mahinda Rajapakse has enjoyed great popularity as the man who in May 2009 defeated the Liberation Tigers of Tamil Eelam (LTTE);
- However and more recently the splits in Sri Lankan society are set to deepen as a result of the President hardline approach to the opposition;
- In addition the dominance of the government by Mr. Rajapakse and his relatives has irked many who resent the concentration of power in a small group linked to the president;

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK (SRI LANKA)

- With the view to improve its image the ruling United People's Freedom Alliance (UPFA) claims that it will address Tamil grievances by devolving more power to the island's provinces;
- If the government can promote economic development in the east and north of the country this could help to lessen resentment in the Tamil community;
- However the LTTE is not expected to re-emerge as a major threat, but we have to remember that the Tamil separatist movement has deep roots, and isolated terrorist attacks may occur across the Island;
- Given the unusually large size of the government's majority at present, it is likely to complete its current term, therefore the UPFA is most likely to stay in power throughout its term in office;
- Most probably Mr. Rajapakse will again be the UPFA's candidate, and will begin as favourite to win the election owing to rapid economic growth and the advantages of incumbency;
- In the final analysis, in our opinion, the political outlook in Sri Lanka is positive for both the short and the medium term.

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

### □ India:

- India's population should reach and estimated 1.200 bn inhabitants in 2011, making it the second most populated country in the World after China, in fact it is expected that by 2025 India's population will surpass that of China;
- Following high growth in GDP, Nominal GDP will reach in 2011 some US\$ 2,043 bn, an increase of some 8% over figures of 2010;
- As for GDP per head (PPP) again by the end of 2011 should reach US\$ 3,833/- which is in line with other countries in the Indian Sub-Continent;
- In 2011 GDP growth will reach 7.9% and it is expected that this high level of GDP growth will be maintained at least until 2015, probably exceeding that of China;
- Goods exports have been increasing year after year and these are expected to reach some US\$ 307.2 bn by the end of 2011 an increase of 13.5% over figures of 2010;

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK (INDIA)

- As for import of goods these will reach by the end of 2011 some US\$ 471.1 billion which represent an increase of some 13.5 over figures of 2010;
- Foreign currency reserves including gold holdings will reach and exceed even by the end of 2011 some US\$ 350 billion;
- Unfortunately inflation remains high at over 9.5%, and although it is expected to come down somewhat in 2011 it is expected to reach 8.4%;
- India's economy is one of the fastest growing economies in Asia and will probably match or even exceed the growth seen in China, therefore the economic outlook for India whether in the long, medium or even long term is positive.

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

### □ Bangladesh:

- According to the latest census population in Bangladesh has reached some 162 inhabitants, making Bangladesh one of the most populated countries in the area;
- As for nominal GDP this should reach some US\$ 110 bn by the end of 2011, whereas per capita GDP is US\$ 1,595 (PPP);
- GDP growth rate has been kept high thanks to three elements namely remittances of Bangladesh national living in the GCC, Europe including the U.K.;
- The second important factor which has kept a high growth in GDP is the ready made garments which has been able to compete favourably against Chinese products;
- A third element to be taken also into consideration is the aid and assistance provided by donors from the EU and the USA;
- Exports will probably reach some US\$ 23.8 bn by the end of 2011, which represent an increase of some 12.5 over figures recorded in 2010;

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK (BANGLADESH)

- As for imports these will reach some US\$ 31.7bn by the end of 2011, which represent an increase of some 12.9% over those reached in 2010;
- Foreign currency reserves stood at close to US\$ 10 bn or a cover of about 4 months of imports;
- Turning to inflation given the high energy cost and some of the raw material on a year-on-year basis by the end of 2011 should reached 10.7%, something which may cause more social unrest;
- The Bangladesh Taka has remained somewhat stable at a exchange rate of :
- 1 US\$ = BTK 75; and 1 Euro = BDT 103;
- Finally the economy is forecast to remain on a sustainable growth path, expanding by an average 6.5% a year in fiscal years 2011 to 2015, therefore in our opinion the economic outlook of Bangladesh is positive for the next four to five years.

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

### □ **Pakistan:**

- According to the latest census Pakistan population should reach some 180 millions by the end of 2011, not including all those refugees from Afghanistan;
- Nominal GDP should reach by the end of 2011 some US\$ 211 bn, whereas per capita GDP (PPP) should reach US\$ 1,000/-;
- Unfortunately GDP growth for 2011 has been quite low compared to other countries under study and should stand at 5% in 2011, up from 2.4% in 2010, however it is expected that in the next two to three years GDP would grow at a much faster tempo and reach 6.5 to 7%, i.e. closer to other SAARC countries;
- Total export of Pakistan for 2011 should be very close to US\$ 30 bn which represents an increase of 13.6% over figures reached in 2010;
- As for imports of Pakistan for 2011 these should reach US\$ 39.5 bn representing an increase of some 12% over imports in 2010;

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK (PAKISTAN)

- Foreign currency reserves rose significantly over the last three years to reach US\$ 21.4 bn representing 6.5 months of imports;
- The increase in foreign currency reserves is mainly due to the important increase in home remittances by Pakistan national living abroad, which are now exceeding US\$ 1 bn monthly;
- Inflation will be subject to mixed influences in the next five years, but it is estimated that consumer inflation will moderate to 12.4% in 2011 and will continue to slow over the next three to five years;
- After weakening for three years, in the past, the Pakistani Rupee has now stabilized against the US currency at some 86 Pakistani Rupees whereas it fluctuates against the Euro to some 120 Rupees for one Euro;

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

### □ Sri Lanka:

- According to the latest census Sri Lanka's population should reach some 20 million inhabitants, making it the less populated country in the group of country under study;
- As for Sri Lanka's nominal GDP this will reach some US\$ 60 billion by the end of 2011, whereas GDP per capita (PPP) is around US\$ 5,634 probably the highest in the SAARC region;
- GDP growth for Sri Lanka has reached an impressive figure of 8.1% making it also the highest among those countries under study;
- This high growth witnessed in 2011 is mainly the result of the end of the civil war which has brought about an important increase in tourism as well as development projects;
- However over the next three to four years growth will be around 7 to 7.5% , and according to various economic studies it will be peaking to 8% toward 2016;
- In 2011 exports are likely to reach US\$ 11 billion a figure which represent an increase of 13.1% over those reached in 2010;

## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK (SRI LANKA)

- Whereas imports for the same period i.e. 2011 will reach close to US\$ 17 billion representing an increase of close to 14% over those figures for 2010;
- Given the fact that many Sri Lankan expatriates have been bringing home, over the last two years their US dollars, foreign currency savings, reserves will reach US\$ 8.4 billion, representing 6 months of imports;
- From an expected average of 7.7% in 2011, however according to various economic studies inflation will fall to 5.8% on average during the coming three to four years;
- Given the interesting schemes for repatriation of US Dollar savings by the Sri Lanka diaspora, we have seen an increased incoming foreign currency leading to a stabilization of the Sri Lankan rupee which at present is exchanged at SLR 110/112 for one US Dollar and SLR 150/155 against for one Euro;
- Given the above positive factors we strongly believe that the economic outlook for Sri Lanka could be viewed as positive not only for the short but also for the medium term, provided of course that the domestic conflict, which had plagued the country for 25 years does not erupt again.

## 1. COUNTRY OVERVIEW: FOREIGN TRADE

- Foreign trade concerning the countries under study could be summarized in the following table, all figures, which are in US\$ billion and are estimates for 2011:

Country	Exports	Destination	Goods	Imports	Origin	Goods
Bangladesh	23.9	USA, Germ. UK, France	Ready garments	31.7	China, India Kuwait, Sing.	Raw Material Crude oil, etc
India	307.2	EU, USA, UK, Others	Manufact. Goods, ect	471.1	GCC, EU, UK, Kuwait, Iran	Crude oil, capital gold & silver, etc
Pakistan	29.2	EU, USA, UK, Sri Lanka	Textiles, food, manufact.	39.4	Abu Dhabi, KSA, USA, EU	Crude oil, mach., food, chemicals
Sri Lanka	10.9	US, UK, Italy, Germany, Others	Manufact. Leather products	17.0	India, China, Spore, Iran	Crude oil, food, manufact., Goods

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES IN THE SAARC COUNTRIES**
  - Given the size of the country, the population as well as the rapid development in India, we strongly believe that the largest potentials for business opportunities are without any doubt in India;
  - These are in all areas of business from construction (specialized turn key projects) to equipment, to consumer and food products;
  - The possibilities in the other SAARC countries are probably the same, however given the sheer size of India, they may look more important;
  - Unfortunately Italian entrepreneurs (coming from Italy) are absent from countries like Bangladesh, Pakistan and Sri Lanka;
  - We see some Italian entrepreneurs who have established their own enterprises in these countries but these are very few;

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- There are good possibilities in development projects in the energy field in all these countries;
- Another area which is now being developed are alternative sources of energy such as for instance “solar”, wind power, etc in all these countries;
- As standard of living improve we see an increasing demand for home appliances where Italian products, given their excellent quality and reputation have an edge over their competitors from other countries;
- As we will see in the following paragraphs, and yet again all the above cannot be achieved unless the Italian entrepreneurs are willing to invest their time and some financial resources to call on these markets.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### ❑ MAIN ISSUES

- In the SAARC countries the issues mentioned for the GCC are somewhat similar;
- In the first instance it is of paramount importance to have a deep knowledge of these markets;
- This can only be achieved by visiting these countries with the aim to find out the business climate, to avoid any unpleasant surprises;
- Great care has to be taken to have a good idea, that is of course, through a good legal consultant of the prevailing business laws as well as eventual loopholes;
- The selection of a partner, if necessary, is again an important and delicate process which necessitates a good knowledge of the market;
- Safety is not really an important issue, although in some countries e.g. Pakistan people who have not visited the country are concerned, nevertheless and from personal experience even Pakistan is as safe as any other SAARC countries;



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- Sri Lanka was in the past, during the civil conflict, not very safe, however since the end of the war the country has become very safe;
- Safety is not an issue in either India or Bangladesh, although we hear of law and order problems, however these usually take place in areas where foreigners do not usually venture;
- As far as language is concerned again all these countries nationals, particularly in the business community, are fluent in English, although one could meet a specific problem which is the “accent”, not easily understood.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### ❑ CONSULTANT ROLE AND SUPPORT

#### ❑ THE CONSULTANT (personal history)

- JACQUES PSALTIS – Senior Consultant: GCC, Yemen, SAARC, Korea
- Close to forty years of operational banking experience in: Kuwait, France, Japan, Korea, Singapore, (including South East Asia), GCC ;
- Managed successfully the Credit presentation to the Board of National Bank of Kuwait, Kuwait;
- Thereafter moved to UBAF in France managing part of the Letter of Credit Department, which was the largest department of the Bank;
- Thereafter successfully established and managed the first branch of UBAF (part of the UBAF Group in which Banca UBAE was an affiliate) outside France, mainly in Japan, becoming the Bank for all Arab Correspondents in Japan;



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- ❑ THE CONSULTANT (personal history) (continued)
  - Successfully established and managed the second branch of UBAF in Korea where again UBAF became the correspondent of choice to all Arab Correspondent Banks;
  - Established and successfully managed UBAF Representative Office in Dubai, where the geographical area of competence was the GCC, Yemen and the SAARC countries;
  - Was instrumental in the establishment of an important UBAF Representative Office in Bangladesh;
  - Was instrumental in introducing successfully UBAF in all the SAARC countries i.e. Bangladesh, India, Nepal, Pakistan and Sri Lanka.



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### ❑ CONSULTANT ROLE AND SUPPORT

#### ❑ THE CONSULTANT ROLE

- The consultant is responsible for the establishment, the enhancement and the follow-up of correspondent banks under his geographical area of competence;
- Inviting the correspondent banks to direct to Banca UBAE, Rome, their documentary credit, letters of guarantees as well as any other banking business those correspondents are willing to entrust Banca UBAE, Italy;
- With the agreement of Banca UBAE Management, open new markets mainly for trade finance and possibly project finance favouring Italian companies;
- Liaise with Banca UBAE Management in all matters concerning his area of geographical competence;
- Assisting Italian corporates as SMEs in the area of his geographical competence

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### ❑ CONSULTANT ROLE AND SUPPORT

#### ❑ THE CONSULTANT SUPPORT

- Given the important development going on in the GCC follow the available projects with the view to inform interested Italian Corporates;
- Particularly in the area of oil and gas projects;
- Alert these corporates of the various procurement contracts, for government of private entities;
- Follow development of various infrastructure projects particularly in transportation: Metro, Monorail, Buses (purchase of);
- For the SAARC countries with the increase in the standard of living, assist Italian suppliers of home appliances, fashion products as well as similar products;



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- ❑ THE CONSULTANT SUPPORT (continued)
  - Introduce Italian companies to Italian manufacturers to the extent if needed to accompany them in their calls;
  - Introduce Italian companies to banks in the area of his geographical competence;
  - The consultant could also call on Italian Corporates in Italy, in conjunction with Banca UBAE Executives in charge of Italian Corporates;
  - Inform Italian Corporate of Banca UBAE readiness to confirm and discount documents related to their documentary credit operation received from banks in the GCC, Yemen as well as the SAARC Countries.