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Date : 10-05-2010

News / Story reproduced with thanks:- **Times of india**

Greek tragedy not a big worry for AP

Satya Naagesh Ayyagary, TNN, May 10, 2010, 05.40am IST

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<http://timesofindia.indiatimes.com/articleshow/5911365.cms?prtpage=1>

HYDERABAD: Greece's economic crisis that has now come to be known as 'The Greek Tragedy' wherein the country has a whopping national debt of euro 262 billion and its inability to service that debt has hit world financial markets including that of India's. Of course, one of the casualties also has been the euro which has weakened against the dollar in the last few days.

For those still unclear about what's all this about, Greece's economy has been tottering for almost a decade barring a brief time in 2006. As this escalated, in December 2009 international rating agency Fitch downgraded Greece's credit rating for its long term debt from BBB+ from A- pushing up its cost of borrowing. Even as the government was pushing for radical reforms, there was public backlash against it.

Over months, fears mounted that the country may default on its debt repayment, part of which came up for payment this month and even the government expressed its inability to service the debt triggering a crisis in the financial markets in Europe, US and everywhere else in varying degrees. This is the underside of globalisation. Simply put, Greece was fearing bankruptcy and officially requested a bailout.

Earlier, EU considered a euro 110 billion bailout package and now both the EU and the International Monetary Fund (IMF) are working out the specifics of the bailout.

But what is the impact, specifically on Andhra Pradesh's industry, which has sizeable exports to the European Union of which Greece is a member? Most analysts say it won't be much and it is too early to gauge it as well. "I don't think that will impact our company as our main markets are Germany and the UK. Similarly, the pharma industry in the state too will not have an impact as very few people have an exposure to that market," said G V Prasad, vice president and managing director of pharma major Dr Reddy's Laboratories (DRL). He, however, added that the sector that could be impacted is the banking and financial services. Software exports from the state, which too have been on the rise to Europe, seem to be unaffected.

"It is too early to say anything on the impact as there is no data available as the crisis is recent. Our industry's exposure too could be very small," averred M Narsimha Rao, president, the Information Technology and IT-enabled Services Association of Andhra Pradesh (ITsAP), the industry body. However, "if the crisis spreads to other big countries in Europe, then that could be a matter of concern," he added. Reports already suggest that Portugal and Spain are headed towards financial trouble in the continent.

Other industry associations also feel that there wouldn't be much impact now unless the crisis spreads to other big economies of the European Union. "I don't think we have any direct exposure there. So would not expect any adverse impact," said K Harishchandra Prasad, president, Federation of Andhra Pradesh Chambers of Commerce and Industry (Fapcci).

However, they are concerned at the weakening of the euro against the dollar. It may be recalled that for many weeks the Indian rupee was appreciating against the US dollar hurting Indian exports. With the weakening of the euro, Indian exports could be impacted, especially those that export to the EU. But then, it will take a while and that too only if the situation worsens.