

Indian Finance Minister visits USA

The Finance Minister of India, Mr. P. Chidambaram visited USA from April 14-17, 2005 to attend the World Bank-IMF Spring Meetings 2005. In the IMFC meeting, the Finance Minister stated that the robust growth of the global economy at 5.1% in 2004 has been beneficial to most countries. But unbalanced growth and widening current account imbalances on the one hand and the high level of oil prices and possibilities of its further increase on the other pose serious risks to sustained global growth. During his visit, Mr. P. Chidambaram also met with the US Treasury Secretary Mr. John Snow and held discussions on bilateral and other issues of mutual interests. Mr. Chidambaram also participated in a meeting with several corporate leaders at a dinner reception organized by the US India Business Council at Washington D.C. Prior to coming to Washington D.C., the Finance Minister attended the India-Connect USA Road Show organized by the Confederation of Indian Industries at Chicago on April 14.



Indian Finance Minister Chidambaram meets U.S. Treasury Secretary Snow

POLICY UPDATE

India and the US signed the Air Services Agreement

India and the US signed the Air Services Agreement at New Delhi on April 14 permitting any number of airlines to operate any number of flights to any point in each other's territory. This Agreement replacing the one of February 3, 1956 was signed by the Minister of State for Civil Aviation, Praful Patel, and the visiting U.S. Transportation Secretary, Norman Y. Mineta. The new accord also seeks to remove the earlier restriction of code-share rights to any five points in the territories of both countries. It proposes to eliminate all existing restrictions on Fifth Freedom traffic through intermediate points and provides for greater operational flexibility.

<http://www.pib.nic.in/release/release.asp?relid=8583&kwid=>

According to the statistics released recently by the US Bureau of Transportation, air passengers between the United States and India grew 86.1 per cent to 520,827 in 2004, from 279,921 passengers in 2000. Currently, Indian carriers operate 28 flights a week to the US, which, in turn, has 14 flights. The agreement would help Air India realize its plans to operate flights to Washington, San Francisco and Houston. The private carrier

Jet Airways has also been allowed to operate flights to New York via Brussels. Several U.S. carriers have also already announced new services. Delta plans a daily service between New York and Chennai while Northwest Airlines plans a service connecting Minneapolis and Bangalore. Recently, Continental Airlines announced new non-stop service between Newark and New Delhi from November 1.

Annual Supplement to the Foreign Trade Policy of India announced

An Annual Supplement to the Foreign Trade Policy of India was announced on April 8. The Supplement proposes new trade initiatives and continued thrust on exports. Major highlights are:

- Exports from India is at a record high of \$80 billion in 2004-05 with highest ever growth rate of more than 25% over 2003-04.
- Thrust on agri exports – removal of export cess (duty) on agri and plantation commodities proposed
- New initiatives on infrastructure to reduce congestion at major ports – EPCG extended to minor ports, ICDS and CFS
- Big leap towards procedural simplification and cutting trans-

A publication of the Embassy of India, Washington, DC

action costs – ‘Ayaat niryat’ single common application form introduced

- Imports under ‘served from India’ scheme to allow bulk sourcing
- DEPBB to continue – replacement scheme under finalization
<http://dgft.delhi.nic.in/>

Opportunities in India’s Highway Development Programmes

Govt. of India envisages an investment of \$40 billion for development of National Highways in India in the next seven years. Foreign firms would be welcomed in India as con-

sultants, contractors, investors/concessionaires and as manufacturers of construction related equipment for road sector.
<http://www.pib.nic.in/release/release.asp?relid=8388&kwid=>

India’s submission in WTO on Market Access

India, Brazil and Argentina submitted a paper in the WTO on non-agricultural market access negotiations on April 15, 2005. The paper proposes a Swiss ‘type’ formula incorporating each country’s tariff average for tariff reduction (TN/MA/W/54).
<http://docsonline.wto.org/DDFDocuments/t/tn/ma/W54.doc>

NEWS HIGHLIGHTS

- India has retained its position as the fourth largest economy in the world on the basis of Purchasing Power Parity (PPP), behind the United States, China and Japan as per World Development Indicators 2005.
- FII inflows in India crossed \$9 billion in 2004-05.
- India’s imports from the US at \$1.103 billion during Jan-Feb. 2005 recorded a growth of over 50% for the second month in succession. India’s exports of \$2.743 billion to the US during the same period recorded a growth rate of 18%.
- 12 major ports of India handled 383.77 million tones of traffic during 2004-05 recording a growth of 11.30 % - the highest in last decade.
- Between January and March 2005, 1.1 million foreign tourists visited India.
- India registered the fastest growth of 30% among the top 15 passenger car producing countries in the world in 2004 as per latest rankings by the International Organization of Motor Vehicle Manufacturers.
- Ranbaxy Laboratories Ltd has received approval from the US Food and Drug Administration (USFDA) to manufacture and market Nitrofurantoin Monohydrate/Macrocystals capsules, 100 mg.
- India-based Oriental Bank of Commerce (OBC) has announced a strategic tie-up with US-based Western Union for Money Transfer Services.
- Pepsi to invest \$500 million to consolidate its beverages and snacks business in India. The company has already invested \$685 million directly and \$205 million through partners in India and has recorded a four-fold growth in last five years. India is at number 5 in Pepsi’s world-wide revenue.
- Lockheed Martin, the US-based aviation manufacturer, has offered to build ‘exclusive’ F-16 fighters for the Indian Air Force.
- MMTC, India’s premier trading company is proposing to set up six Free Trade & Warehousing Zones (FTWZs) in Kandla, NOIDA, Haldia, Ennore, Mumbai and Kochi.
- The World Bank has lined up a loan portfolio of \$3.5 billion for India in ‘05. This is almost double the credit line, it has offered to India in the past few years.
- The Government of India gave its in principle approval on April 8, 2005 for giving guarantee to Indian Financial Institutions (IFIs) who are settling the dispute with various stake holders of the Dabhol Power Plant.
- India’s Board of Trade reconstituted with Mr. Kumaramangalam Birla as Chairman to advise the government on Foreign Trade Policy.
- A five-member Technical Expert Group headed by Dr. R.A. Mashelkar, Director General, Council of Scientific and Industrial Research (CSIR) has been constituted to study patent law issues in India.
- Kelkar Committee set up to examine and recommend changes in the acquisition procedures and enabling a greater participation of private sector in defence production submitted the first part of its report to Defence Minister on April 5, 2005.

Visits and Events

- CII organized a series of road shows in USA called ‘India Connect-USA’ from April 8-18 to further boost bilateral economic ties with the US. ‘India Connect-USA’ begun at Seattle and traveled across to San Francisco, Chicago, New York and Washington. The road shows have been addressed by the Science and Technology Minister, Mr. Kapil Sibal at Seattle on April 8; Minister of State for Commerce and Industry, Mr. EVKS Elangovan at Washington D.C. on April 12, and Finance Minister, Mr. P Chidambaram at Chicago on April 14.
- India’s Minister of External Affairs, Mr. K. Natwar Singh and the Deputy Chairman Planning Commission, Dr. Montek Singh Ahluwalia visited Washington D.C. on April 12-15, 2005. They met with the US President George Bush and the Secretary of State Ms. Condoleezza Rice. Dr. Ahluwalia also had meetings with Mr. Samuel Bodman, Secretary of the US Department of Energy and Mr. Allan Hubbard, Assistant to the US President for Economic Policy.
- Minister of State for Commerce of India Mr. EVKS Elangovan led a delegation to the US regarding imposition of anti-dumping duties by the US on shrimp exports from India and some other countries. He held bilateral meetings with the officials in USTR and US Department of Commerce.
- A NASSCOM team led by its President Mr. Kiran Karnik visited USA recently. The team met with senior US government officials and apprised them of the measures taken in the last eighteen months in India to improve the data security environment. During their visit NASSCOM and US Indian Business Council have signed a memorandum to promote trade in information technology services and jointly work at the WTO to negotiate best deals for both India and the US in the services sector.