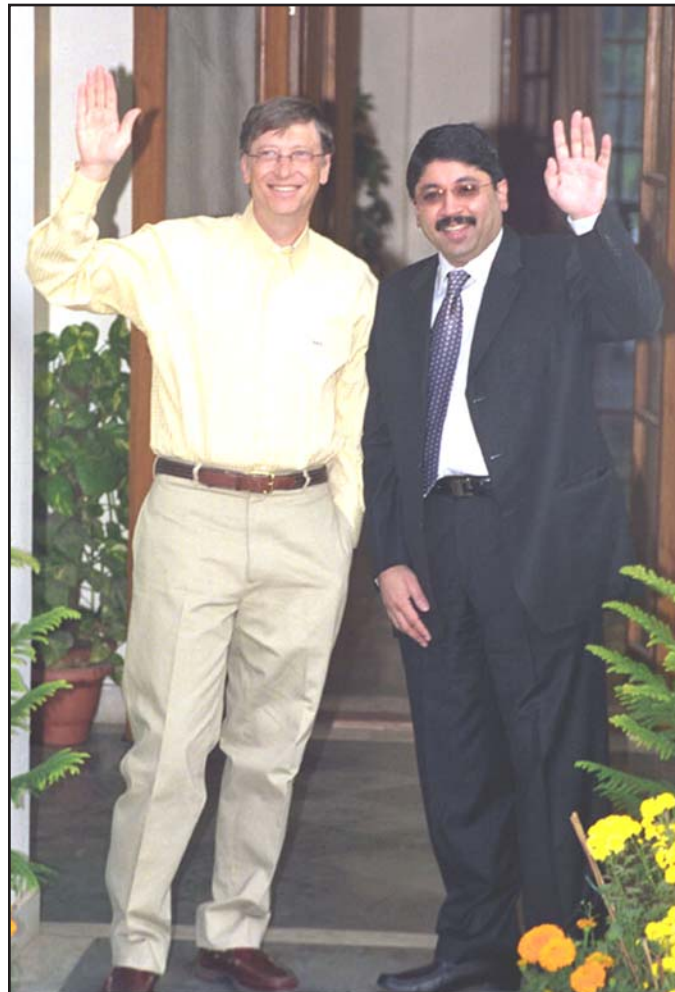


Upbeat Environment and Rising Foreign Investments in India

India has emerged as the second most attractive investment destination after China as per the FDI Confidence Index released recently by A.T. Kearney. Executives of the world's largest companies have voted India into the second place in FDI attractiveness. Earlier the World Investment Report 2005 of UNCTAD specified that transnational corporations found India the most attractive global business destination after China.

A number of CEOs of multinational giants including Walt Disney, Wal-Mart, GE, New York Stock Exchange, CitiGroup, Cisco Systems, Motorola, Ford, Black Stone Group, and Microsoft have all visited India recently. Many of the global giants have lined up billion dollars investment plans in India.

- Intel would invest more than \$1 billion to strengthen its research and development and invest in telecoms and technology start-ups in India.
- Nokia would set up a Special Economic Zone (SEZ) at Sriperumbudur in Tamil Nadu for manufacturing telecom equipment and mobile handsets at an investments of approx. \$1.5 bln.
- Cisco would make its largest overseas investment of \$1.1 billion to bolster its booming networking operation in India.
- Microsoft would invest \$1.7 billion and would increase local headcounts by 3000 over the next three to four years to expand its operations in India.
- Sem India, a company floated by some Non-resident Indians, plans to create a Fab City and its first anchor semiconductor fab in India with license from AMD by 2007 with a reported \$3 bn investment.
- Flextronics expects to hire well over a 1,000 people in India and set up huge manufacturing facilities for mobile phones, electronics infrastructure products and set-top boxes.
- Hyundai Motor would invest \$500 million for raising its share in India's vehicle market to 25 percent by 2010.
- Emaar-MGF Land Private Limited, the world's largest listed real estate company, has announced to invest over half a billion dollars for projects in Delhi, Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra involving a capital outlay of US\$4 billion
- GE hopes to more than quadruple its India turnover to \$5 bn by 2010 (from \$ 800 mln. now) by expanding in financial services, healthcare and infrastructure.
- LG Electronics would start manufacturing CDMA handsets in India by 2006 and will also scale up production capacity of GSM mobile phones to 10 million from 1 million by 2010.
- JP Morgan Chase is planning to hire 4,500 graduates in India over the next two years with the aim of moving 30 percent of its back office and support staff at its investment bank offshore by the end of 2007.
- US hospitality giant like Marriott and Hilton are planning to start hotels in India.



Bill Gates with Indian Minister for Communications and Information Technology, Dayanidhi Maran, in New Delhi on December 6, 2005. Photo credit: PIB

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POLICY UPDATE

- A Mid-year review of the Indian economy has been presented in the Indian Parliament by the Ministry of Finance. The review projects the continuation of the high growth path of around seven per cent for the economy in 2005-06, buoyed by the first half overall gross domestic product (GDP) growth of 8.1 per cent, industrial growth of 8.6%, and services sector growth of 10%. The review states that agriculture growth of above 3 per cent is expected to be supported by growth in foodgrains output by about 5 per cent. *More...*
- An Essential Commodities (Amendment) Bill, 2005 would be introduced in Indian Parliament to remove unnecessary restrictions and controls on various commodities to ensure remunerative return to farmers and promote consumer interest. The proposed amendments would also improve the international competitiveness of Indian manufacturers and service providers, by reducing transaction cost and facilitating smooth internal trade. *More...*
- Reserve Bank of India has notified the draft guidelines on Outsourcing of Financial Services by banks. The guidelines are intended to provide direction and guidance to banks to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities. The draft guidelines are open for comments. *More...*
- Reserve Bank of India has issued Anti-Money Laundering Guidelines for Authorized Money Changers(AMCs). Accordingly, AMCs would have to formulate and put in place Anti-Money Laundering (AML) policy framework before March 31, 2006 making appropriate provisions for (i) Customer Identification procedure – “Know Your Customer” norms (ii) Recognition, handling and disclosure of suspicious transactions (iii) Appointment of Money Laundering Reporting Officer (MLRO) (iv) Staff Training (v) Maintenance of records, and (vi) Audit of transactions. *More...*
- India has signed the United Nations Convention against Corruption at UN Headquarters in New York. The provisions of the Convention provide for international cooperation and mutual legal assistance in investigation of cases of corruption and recovery of assets. *More...*

General News

- Indian Information Technology (IT) and IT enabled services (ITES-BPO) continue to chart remarkable growth. The Indian software and services export is estimated at US \$17.2 billion in 2004-05, increased from US \$12.8 billion in 2003-04. IT exports are likely to grow by 30-32% in dollar terms during 2005-06. The production of the Indian electronics and IT industry has recorded a growth of 25.4% in 2004-05. *More...*
As per a joint study report of McKinsey-Nasscom, the Indian information technology and business process outsourcing industry is poised to grow ten-fold from \$30 billion now to \$300 billion by 2010. BPO industry will grow from \$11.6 billion today to \$150 billion by 2010, while IT outsourcing will increase from \$18.4 billion to \$150 billion over the next five years. Further, Indian companies will continue to maintain their 46 percent share of the global business processing outsourcing (BPO) market and 65 percent share of the IT outsourcing market through 2010. *More...*
- The value of mergers and acquisitions in India has more than quadrupled to a record \$ 18.3 billion in 2005. A total of 872 Indian companies merged or were taken over in the year up to November 30, compared with 565 worth \$ 4.5 billion in the same period in 2004. *More...*
- Indian government has given its in-principle approval to Air India for the purchase of 68 Boeing aircrafts. *More...*
- Japan is planning to invest \$2 billion in India over the next three years, to broaden its economic activity in the country. *More...*
- American Airlines has launched its daily transatlantic nonstop flights between New Delhi and Chicago. *More...*
- ONGC is planning to invest \$21.72 billion in India and abroad in the next five years. *More...*
- The Overseas Citizenship of India scheme would be launched by Prime Minister at Pravasi Bhartiya Divas on January 7, 2006 at Hyderabad. *More...*

(Continued on next page)

Corporate News

- Motorola is planning to set up its wireless testing facilities for rural connectivity in the Indian city of Madurai. [More...](#) Motorola is also planning to set up its research and development centre in Mohali in the second phase of its expansion in Punjab. [More...](#)
- Intel Capital has announced completion of investments in three Indian companies, viz., Mobiapps, Persistent Systems and Maya Entertainment out of Intel India Technology Fund of \$250 million that has been set up in the first week of December 2005. [More...](#)
- Boeing Co. and Airbus Industries are planning to outsource aerospace systems works worth over \$3 billion to India. [More...](#)
- Glenmark Pharmaceuticals Ltd of India has entered into a pact with InvaGen Pharmaceuticals Inc of US to jointly develop, file and market seven generic pharmaceutical products in the US market. [More..](#)
- Mahindra and Mahindra has set up a joint venture with Navistar International of US, to produce and market light, medium and heavy commercial vehicles for Indian and export markets. [More...](#)
- Honeywell is planning to set up assembly lines for its products in India. [More...](#)
- Pepsi Co is planning to develop the Indian orange juice market by getting into a direct-linkage, fully-integrated production model. [More...](#)
- BMW is planning to source components from India for its global operations. [More...](#)
- Toyota is planning to set up a gearbox manufacturing plant in India. [More...](#)
- British Petroleum is planning to pick up a stake in the deepwater exploration and production operations of ONGC. [More...](#)
- Merrill Lynch would increase its 40% ownership interest in India-based DSP Merrill Lynch by 50% to 90%, for about \$500 million. [More...](#)
- Societe Generale of France has launched its private banking facility in India. [More...](#)
- AMD of US has tied up with National Spot Exchange for Agricultural Produce of India to provide personal internet communicators to help connect over 7,500 agricultural produce marketing committees. [More...](#)

Visits & Events

- ASEAN Business & Investment Summit was held at Kuala Lumpur, Malaysia, on December 10-11, 2005. Indian Prime Minister Dr. Manmohan Singh attended the event. The Framework Agreement on Comprehensive Economic Cooperation (CECA) between India and ASEAN would be amended to reflect the state of negotiations and to prescribe new time-frames for the conclusion of the negotiations and the implementation of the ASEAN-India Free Trade Area.
- First Meeting of the Indo-US Working Group on Information Communication Technology was held on December 7-8 at Washington D.C. The Working Group focused on discussion of approaches governments can take to create an investment and regulatory environment that can maximize the development of the ICT sector. [More...](#)
- First Meeting of the Board of India-US Knowledge initiative on Agriculture was held on December 15-16, 2005 at Washington D.C. The Board have identified four priority areas of focus: (i) Human Resources and institutional capacity building, (ii) Agri-processing and marketing, (iii) Emerging technologies including biotechnology and nanotechnology, and (iv) Natural Resource Management.
- Fifteen leading American Universities including Harvard, Princeton, Yale, Universities of Massachusetts, Washington, Texas, Illinois and UCLA, joined hands with the Indian Space Research Organization (ISRO), the Department of Science and Technology (DST) and AMRITA Vishwa Vidyapeetham to enhance higher education and research in India. The Memorandum of Understanding (MoU) to this effect was signed at New Delhi on December 7, 2005. [More...](#)