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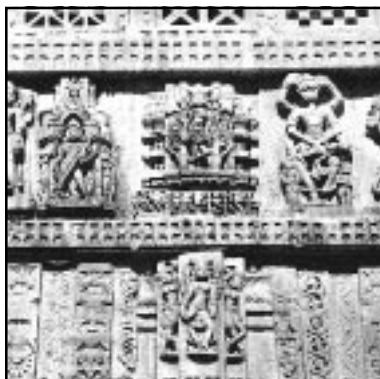
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***“In the next  
quarter of a  
century, India,  
which enjoys less  
than 10 percent  
of global product,  
should double its  
share.”***

— **Frank Wisner**  
Vice Chairman, AIG

## **Foreign Direct Investment Guidelines Further Liberalized**

With a view to further liberalizing the FDI regime, the Government of India has effected the following changes in the FDI policy:

- i. FDI up to 100% is permitted on the automatic route for manufacture of drugs and pharmaceutical, provided the activity does not attract compulsory licensing or involve use of recombinant DNA technology, and specific cell/tissue targeted formulations. FDI proposals for the manufacture of licensable drugs and pharmaceuticals and bulk drugs produced by recombinant DNA technology, and specific cell/tissue targeted formulations will require prior Government approval.
- ii. FDI up to 100% is permitted in airports, with FDI above 74% requiring prior approval of the Government.
- iii. The defence industry sector is opened up to 100% for Indian private sector participation with FDI permissible up to 26%, both subject to licensing.
- iv. FDI up to 100% is permitted for development of integrated townships, including housing, commercial premises, hotels, resorts, city and regional level urban infrastructure facilities such as roads and bridges, mass rapid transit systems; and manufacture of building materials. Development of land and providing allied infrastructure will form an integral part of township's development, for which necessary guidelines/norms relating to minimum capitalisation, minimum land area, etc., will be notified separately by the Government. FDI in this sector would be permissible with prior Government approval.
- v. FDI up to 100% is permitted on the automatic route in hotel and tourism sector.
- vi. FDI up to 100% is permitted in courier services subject to existing laws and exclusion of activity relating to distribu-

*(Continued on page 4)*

# **World Bank Supports India's Poverty Reduction Programs**

Recently, the World Bank has approved four loans totaling US \$913.8 million to India to support its poverty eradication programs.

Reinforcing initiatives by the Government of India to support economic reforms at the state level, two of the loans were approved to support reforms within the State of Karnataka. The **Karnataka Watershed Development Project** (US \$100.4 million) finances improved services to poor communities in semi-arid regions and the **Karnataka Economic Restructuring Project** (US \$150 million) supports ongoing efforts to improve fiscal stability and government effectiveness in the state.

The **Grand Trunk Road Improvement Project** (US \$589 million) is part of the Central Government's broader program to relieve transport bottlenecks on India's key highways. The World Bank is financing expansion of the national highway, which connects New Delhi to Calcutta. The expanded highway would facilitate trade and the movement of people and goods while reducing the high number of road accidents.

The **Second Rajasthan District Primary Education Project** (US \$74.4 million) supports expansion of the nationwide District Primary Education Program in the state of Rajasthan, which is increasing access to quality primary education for poor people-particularly girls.

In the current fiscal year, the bank has lent US \$2.5 billion to India for various programs implemented at national, state and local levels. Roughly 45 percent of this assistance supports centrally administered programs, ranging from education and health to power and roads. The remaining 55 percent supports Central Government initiatives to accelerate economic development and improve economic management at the state level.

Other important loans to India approved by the World Bank during the current fiscal year include:

1. Third Technical Education (US \$64.9 million)
2. Gujarat State Highway Project (US \$381 million)
3. Madhya Pradesh District Poverty Initiatives Project (US \$110.1 million)
4. Kerala Rural Water Supply and Environmental Sanitation Project (US \$65.5 million)
5. Rajasthan Power Sector Restructuring Project (US \$180 million)
6. Second Leprosy Control Project (US \$30 million)
7. Second Powergrid System Development Project (US \$450 million)
8. Karnataka State Highways Improvement Project (US \$360 million)

# Annual Meeting of the USIBC

The 26th Annual Meeting of the U.S.-India Business Council (USIBC) was held in Washington DC last month in which more than 400 business and government leaders from India and the US participated. The U.S.-India Business Council is the premier policy-development organization promoting American economic interests in India. Formed in 1975 at the request of the Indian and United States governments, USIBC strengthens Indo-U.S. economic relations on trade and investment issues.

The USIBC hosts two major conferences each year; the USIBC Annual Meeting in early summer in the United States, and an annual U.S. Investors Forum, held every winter in India. It is at these conferences that the bilateral councils develop policy recommendations and work plans for the year. The meetings also feature discussions led by distinguished Indian and U.S. government officials.

**During the two-day session of the 26th annual meeting**, the participants conducted a comprehensive review of the Indo-U.S. economic relationship. The main focus of the meeting was on knowledge trade between India and the United States. The Union Minister of Information and Broadcasting, Honorable H.E. Sushma Swaraj inaugurated the meeting. In her inaugural address, the Minister said that the regular exchange of visits between the business communities of both sides, reinforced by government support and encouragement,



(Continued on page 4)

## **Annual Meeting of the USIBC** *(Continued from page 2)*

would play an important role in further enhancing the commercial ties between the two countries.

Speaking on the entertainment industry, the Minister stated that the Indian and US industry could derive great synergies by coming together to meet the growing demand of the entertainment sector. She also said that the two countries must make all efforts to work together and harness the benefits that are possible from the knowledge revolution.

The Chairman of the USIBC, Ambassador Frank Wisner, while addressing the conference, said, "The USIBC, with the support of the U.S. Chamber of Commerce, is committed to working together to bring new business opportunities that are opening in India to the attention of a wide cross-section of America." He added that there are ample opportunities for expanding business and increasing bilateral cooperation in several vital and dynamic areas of the knowledge-based industries, especially IT-Services, biotechnology, and e-entertainment,"

This year's event was divided into three parts:

- A day-long "U.S.-India Business Dialogue" that focused on fast-developing opportunities in the knowledge-based industries, attendant policy developments, and outstanding issues.
- A Congressional reception and dinner banquet that featured senior members of Congress and the Administration, as well as remarks by outstanding business leaders from the U.S. and India.
- The Annual Meeting of the U.S.-India Business Council, with a series of special presentations by industry leaders, experts, and policy decision-makers centered on the new U.S.-India economic agenda.

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## **Foreign Direct Investment** *(Continued from page 1)*

tion of letters. FDI in this sector would be permissible with prior Government approval.

- vii. FDI up to 100% is permitted on the automatic route for Mass Rapid Transport Systems in all metropolitan cities, including associated commercial development of real estate.
- viii. NRI investment in foreign exchange is made fully repatriable whereas investments made in Indian rupees through rupee accounts shall remain non-repatriable.
- ix. FDI up to 74% is permitted for the following telecom services subject to licensing and security requirements:
  - a. Internet service providers with gateways
  - b. Radio paging
  - c. End-to-end bandwidth

Proposals with FDI beyond 49% shall require prior Government approval.

- x. FDI up to 49% from all sources is permitted in the banking sector on the automatic route subject to conformity with guidelines issued by RBI from time to time.

# Trail Blazers



## **K. PAUL SINGH**

Co-founder, Chairman and Chief Executive Officer  
Primus Telecommunications

Mr. K. Paul Singh is the co-founder, Chairman and Chief Executive Officer of Primus Telecommunications - a 3100 employee strong company with global presence and annual revenue of over \$1 billion. Set up in 1994, the Primus secured first place in the Deloitte & Touche LLP list of fastest growing technology company last year. Mr. Singh is a successful entrepreneur and telecommunications business executive with a proven track record in managing and growing telecommunications businesses.

Born in the Jalandhar district of Punjab in India on April 20, 1951, Mr. Singh had his initial education in India where he earned a Bachelor's degree in engineering from the Punjab School of Engineering.

In 1971, Mr. Singh came to the US to pursue a Master's degree in electrical engineering from the State University of New York at Stony Brook. After successfully securing an MSEE degree from the State University of New York, he took up his first assignment as system engineer in RCA Satellite Telecommunications. After working for about six years, Mr. Singh decided to join Harvard Business School and earned a M.B.A. degree in 1982. The same year, Mr. Singh founded Cygnus Satellite Corporation, a pioneer in obtaining license to launch private satellites for international use in competition with the INTELSAT monopoly. The company was later acquired by Panamsat.

Mr. Singh also served as founder, Chairman, and CEO of Overseas Telecommunications, Inc. (OTI), a privately held company funded by venture capital and corporate partners. OTI pioneered the introduction of International Business Service (IBS) and expanded this digital private network service to over 26 countries. More than 100 large United States multinationals, including many Fortune 100 companies, were among OTI's customers. OTI was listed by *Inc. Magazine* as the 80th fastest growing private company in the United States in 1990 in a list of 500 companies. OTI was acquired by MCI Telecommunications Corporation in 1991.

Between 1991 and 1994, Mr. Singh served as Vice President of Global Product Marketing and National Accounts at MCI where he was responsible for the development, management, and marketing of MCI's international products and services for switched and non-switched private network services.

The Virginia based telecom maestro, Mr. K. Paul Singh, supports a variety of charities each year through his family foundation called "The K. Paul Singh and Virginia M. Singh Foundation". He is married and has two children.

## **Forthcoming Events:**

### **Joint International Conferences & Business Meets on India's Power Sector**

The growth projections of the India's Power sector hold ample opportunities for the private sector to supplement the government's plan of "Power on Tap" by 2012. With a view to bringing international investors, power majors and institutions face to face with these opportunities, Confederation of Indian Industry (CII) - India's premier business association in association with the Ministry of Power is organizing three 'Joint International Conferences & Business Meets'.

#### **International Conference & Business Meet on Non Fossil Fuel Generation (November 4-6, 2001, Hotel Intercontinental, New Delhi)**

The event seeks to discuss and deliberate issues related to development of hydro, nuclear and renewable based generation in India.

#### **International Conference & Business Meet on Fossil Fuel Generation (December 9-11, 2001, Hotel Intercontinental, New Delhi)**

The event seeks to discuss and deliberate cost effective options for capacity addition based on fossil fuels.

#### **International Conference & Business Meet on Optimum Utilization of Installed Capacity (February 14-15, 2002, Taj Bengal, Kolkata)**

The event seeks to discuss and deliberate the strategy towards optimum utilization of installed generation capacity in India.

This joint initiative will forge a common platform for interaction between Indian policy makers and representatives of foreign and domestic industry.

*For further information, please contact:*

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### **US Financial Services-Insurance Trade Mission to Visit India in October 2001**

This Mission is scheduled to visit Mumbai, Hyderabad and New Delhi from October 7-13, to explore the emerging two-way business opportunities in insurance, finance and related service industries. It is being jointly organized by the Institute for International Insurance Development (IIID) and U.S.-India Enterprises, Inc. (USIEI)—both based in Washington, DC—in cooperation with the business communities from the USA and India and with the endorsement of India's Insurance Regulatory and Development Authority (IRDA).

The Mission members will include senior corporate executives/CEOs from U.S. and North American institutions providing insurance and financial support services. In addition, the Mission will include representatives of the US Administration, the US Congress and the US insurance regulatory community.

The upcoming US Trade Mission to India would provide an excellent opportunity to the business communities of the two countries to further strengthen their economic ties.

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# Economic Update

**Food grains Stocks:** Stocks of food grains stood at 44.70 million tons as on April 1, 2001. This level of stocks was higher by 54.6 percent than the level of 28.91 million tons as on April 1, 2000.

**Industrial Production:** In 2000-01 (April 1, 2000 to March 31, 2001), industrial production increased by 5 percent as against 6.7 percent in the financial year 1999-2000. During April 2001, industrial production registered a moderate increase of 2.7 percent over the corresponding period of the previous financial year. During this period, the three sectors i.e., mining, manufacturing and electricity recorded growth rates of 5.4 percent, 2.7 percent and 1.1 percent respectively.

**Infrastructure Industries:** The core infrastructure sectors recorded mixed performance during 2000-01 as compared to 1999-2000. In 2000-01, average growth rate was 5.3 percent as compared to 9.1 percent in 1999-2000.

**Money Supply:** During the financial year 2000-01, money supply (M3) growth was 16.2 percent. In 1999-2000 (March 31, 1999 to March 31, 2000), money supply growth was 13.9 percent. In the current financial year so far (from March 31, 2001 to May 18, 2001), money supply (M3) increased by 4.6 percent, whereas the annual growth rate of M3 for the fortnight ended May 18, 2001 stood at 18.1 percent. The Prime Lending Rate, as on May 11, 2001 was 11 to 12 percent as against 11.25-11.75 percent on, May 12, 2000. The Deposit Rate ranged between 8.00 to 9.50 percent as on May 11, 2001 same as in the same period last year.

**Foreign Trade:** Exports, in dollar terms during 2000-01, increased by 19.8 percent as compared to an increase of 10.8 percent during 1999-2000. Imports, in dollar terms, increased by 0.3 percent during 2000-01 as against 17.3 percent during 1999-2000. During April-May 2001-02, exports in dollar terms, registered a moderate increase of 5.1 percent over the corresponding period of the previous financial year whereas Imports declined

by 3.74 percent during this period. Oil imports during April-May, 2001-02 registered a moderate increase of 1.54 percent over the corresponding period of 2000-01. Non-oil imports recorded a decline of 6.01 percent during this period.

**Foreign Exchange Reserves:** Foreign Exchange Reserves (excluding Gold & SDRs) were \$39.5 billion at the end of March 2001 as against \$ 35.1 billion at the end of March 31, 2000. These reserves stood at \$40.8 billion as on July 13, 2001.

**Exchange Rates:** During May 2001, the Rupee appreciated against Pound Sterling, Deutsche Mark, French Frank and Euro and depreciated against US Dollar and Japanese Yen compared to the average market rate during April 2001. The average market exchange rate of the Indian Rupee per unit of US Dollar, Pound Sterling, Deutsche Mark, French Franc, Euro and Japanese Yen was Rs. 46.92, Rs. 66.92, Rs. 21.02, Rs. 6.27, Rs. 41.05 and Rs. 0.38 respectively during May 2001.

**Rate of Inflation:** The annual rate of inflation based on the Wholesale Price Index (WPI) stood at 5.2 percent for the week ended June 30, 2001. The annual rate of inflation based on the All India Consumer Price Index for Industrial Workers (CPI-IW) for April 2001 stood at 2.3 percent over April 2000.

**Foreign Direct Investment:** The Foreign Direct Investment (FDI) flows during 2000-01 were US \$2339 million, as compared to US \$2155 recorded during 1999-2000. During April 2001, the FDI flows were \$191 million as against \$83 million recorded during the corresponding month last year.

**Portfolio Investment:** Portfolio Investment flows during 2000-01 were US \$1083 million as compared to US \$3026 million recorded during 1999-2000. During the first month of the current financial year (April 2001), the Portfolio flows were \$247 million as against \$597 million recorded during the corresponding period last year.

## NEWS BRIEFS

- **DuPont**, the largest chemical company in the world, is planning to enhance its scope of operations in India by bringing new generation chemical products to give a complete solution to its customer's problems. The company is looking to cater to the growing need for environmentally superior products. At present, the company has agricultural products manufacturing facilities at Savli, district Baroda in Gujarat for producing crop protection products. It also has engineering polymers manufacturing facility at the same site for the manufacture of polymers like Derline, Zytel etc. — (*Economic Times*)

- **ADC**, a US-based global supplier of fiber optics, networking equipment, software and integration services for broadband networks has entered into a strategic software alliance with Hughes Software Systems (HSS) and Kshema Technologies.

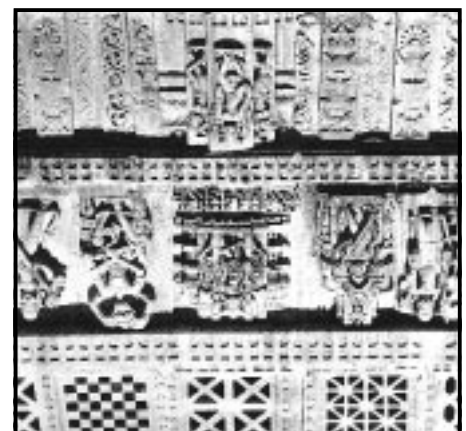
Under the agreement, ADC will outsource projects to both the companies as part of its plan to leverage the software development capabilities in the country. ADC is also looking at setting up a development center in India within the next two years that will support both the work done by the company directly and through its strategic partners. — (*Financial Express*)

- **International Finance Corporation (IFC)**, the arm of the World Bank which invests in private sector projects, will make its first investment in a pharma-

ceuticals company in South Asia - Orchid Chemicals and Pharmaceuticals Ltd - by subscribing to \$20-million worth of foreign currency convertible bonds (FCCB) to be issued by Orchid and a loan of \$10 million. The FCCBs will be convertible into equity shares at a future date consequent to which IFC would hold about 13.5 per cent of the company's share capital. The \$80-million Orchid was set up by Mr. Raghavendra Rao in 1994. Over seven years, it has grown from a one-product company to a wide portfolio of oral and sterile antibiotics and nutritional supplements. IFC's investment will help the company transform itself from a predominantly bulk drug company to an integrated research and technology-driven pharmaceutical business. — (*Business Line*)

- **Oracle**, the World's second largest software company, has expanded its India software development facility. Recently, it has set up a new unit in its Indian software development center in Bangalore, which will focus on customer relationship management (CRM) business. Oracle has about 600 staff in Bangalore and Hyderabad. The CRM group in India development center in Bangalore, will start off with 40 engineers and the number is expected to double in one year. The CRM software helps businesses to manage their relationship with customers in better ways. Oracle is among a growing number of global giants, which are expanding their Indian research and development centers. The company has also announced the availability of Oracle Project Resource Management (PJRM), designed to help global project organizations to manage and deploy their people more effectively. — (*Business-Standard*)

**NOTE: This newsletter can also be seen at:**  
<http://www.indianembassy.org>  
<http://www.indiaserver.com>



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