INDIA ECONOMIC NEWS

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IMF Lauds India for Avoiding the Asian Financial Crisis

International Monetary Fund (IMF) has said that a very positive aspect of India's recent economic performance is that it avoided the worst of the Asian financial crisis, and growth has been maintained at a rate close to the average seen over the past decade. From a longer term perspective, however, IMF feels it is important that India does not consider a growth rate of 5% to 6% to be the best that can be achieved.

IMF feels that there is considerable scope for improving the allocation of resources through structural reforms, and also for increasing the rate of investment in the economy. The main priority for macroeconomic policy continues to be to rein in the public sector deficit, which has widened to almost 10% of GDP. "The recent budget implies some modest deficit reduction at the central government level, but measures will also need to be taken by state governments and public enterprises to ensure consolidation for the public sector overall." There is also a need to contain rapid monetary growth to reduce risks of a renewed upturn in inflation.

IMF has projected that the current slowdown in the Indian economy will continue in 1999-2000 with output at 5.1% as against the government's target of 6.5% to 7%. In its forecast for the year 2000, IMF's publication the ***World Economic Outlook*** (WEO) also projected a continuation of the external sector imbalances with the current account deficit at 2.2% of gross domestic product (GDP) which is higher than the government's figure of 1.7%. IMF has also forecast a rise in consumer prices to 7.9% in 1999-2000.

The WEO has stated that India could have maintained a growth rate of 7% to 8% over the past years had it reformed faster. "While some progress has been made recently, critical reforms - particularly in the areas of trade liberalization, privatization, and the strengthening of the financial sector - continue to lag", WEO adds.

Why is India Relatively Unaffected by the Financial Crisis?

IMF has said that output growth in India slowed from 7% - 8% in 1994-96 to 5.5% in 1997-98. The slowdown has reflected

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IMF Lauds India *(Continued from page 1)*

mainly domestic factors, particularly the stalling of the structural reform process and the deterioration in government finances, rather than the regional crisis. India is a relatively closed economy - exports comprise only about 8% of GDP, with only about 13% of exports directed to the rest of Asia (excluding Japan) - so that the adverse effect of the crisis on the balance of payments and domestic activity has been relatively modest.

Capital controls, while entailing longer-term costs, appear to have helped to limit India's vulnerability to abrupt movements in short-term capital. Net inflows of private capital during 1992-96 averaged only 1.5% of GDP in India, compared with 8.8% in Thailand, 10.5% in Malaysia, and 4.8% in Indonesia. Although longer-term inflows have been adversely affected by the regional turmoil, as well as the sanctions that followed nuclear tests in May 1998, India's limited dependence on foreign capital, as well as the $4.2 billion issue of Resurgent India Bonds to nonresident Indians in late 1998, have helped to cushion the impact. As a result, during the recent period, India's foreign exchange reserves have remained at the equivalent of a comfortable 6.5 months of imports.

International Finance Corporation Okays $60 million investments

The International Finance Corporation (IFC), investment arm of the World Bank, said it has approved three projects involving a total investment of $60 million in India in the current fiscal ending June against a total investment of $54 million last year.

In May, IFC signed an agreement to invest $15 million in Moser Baer India Ltd., manufacturer and exporter of floppy disks. This was the third project loan the institution had approved this fiscal year. This was on hold following the economic sanctions imposed by the US against India. The other two projects which were cleared by IFC are Sarshatali coal mine project (sanctioned $35 million) being implemented by the RP Goenka group and Carraro India Ltd. ($10 million), an Indo-Italian joint venture for manufacturing tractor transmissions. The institution is likely to clear at least two more proposals before June-end, which would take its total approvals for this year to $73 million.

New International Tech Park in Bangalore, India

The International Tech Park, Bangalore, was conceived and conceptualized by its developers as a futuristic Technology Park to be built to exacting international standards. Supported with state-of-the-art infrastructure, the Park offers companies dealing in information technology, electronics, telecommunications and related fields a one-stop solution for their business activities as well as their social and recreational needs.

The International Tech Park is managed by Information Technology Park Limited (ITPL), a joint venture company. The partners are: Tata Industries Ltd. (the investment arm of India's largest conglomerate, The Tata Group); Singapore Consortium (a consortium of Singapore companies who are responsible for the success of acclaimed industrial and science parks in Singapore); and Karnataka Industrial Areas Development Board (a statutory body of the state of Karnataka in India).

For further information, please contact:
Information Technology Park Ltd., International Tech Park, Whitefield Road, Bangalore 560 066, India; Telephone: 91-80-841 0570 to 841 0579; Fax: 91-80-841 0588; Internet: http://www.intltechpark.com

Joint Venture Opportunity in Electricity Distribution in the State of Haryana, India

Haryana Vidyut Prasaran Nigam Limited on behalf of the Government of Haryana is seeking a joint venture partner for the Uttar Haryana Bijli Vitran Nigam Limited (UHBNL), one of the two electricity distribution companies in the state of Haryana. UHBVNL's electricity distribution network serves approximately 1.9 million customers with a total electricity consumption of approximately 5 billion kwh per annum.

The selection of the joint venture partner for UHBVNL is part of an extensive reform program of the power sector undertaken by the Government of Haryana and supported by the World Bank, the Department for International Development of UK, and the United States Agency for International Development (USAID). Notable achievements in the reform program include the enactment of The Haryana Electricity Reform Act, 1997, the establishment of the Haryana Electricity Regulatory Commission, and the restructuring of the generation, transmission and distribution functions of the erstwhile Haryana State Electricity Board into separate companies.

The selection of the joint venture partner for UHBVNL will be through an international competitive bidding process. The joint venture partner will be offered a 51% equity stake in UHBVNL along with management control. Organizations interested in participating in the process may apply to:

The Company Secretary, Uttar Haryana Bijli Vitran Nigam Limited
Shakti Bhawan, Sector 6
Panchkula 134109, Haryana, India
Fax # +91-172-565746. Email: hvpn.ho@rmy.sprintrpg.ems.vsnl.net.in

for a Request for Qualification document (RFQ) and a background information document. The RFQ can be obtained from UHBVNL on or after 15 June, 1999 against a payment of Rs.20,000 or US $500 by a demand draft payable in favor of "Haryana Vidyut Prasaran Nigam Limited". Applications for the RFQ will be accepted up to 11:00 AM on 30 July, 1999.

There will be a pre-qualification conference at 10:00 AM on 12 July, 1999 at Haryana Bhawan, Copernicus Marg, New Delhi 110 001, India, for those interested parties who have obtained the RFQ. Interested parties who wish to attend the pre-qualification conference but have not previously obtained the RFQ will be able to obtain the RFQ at start of the pre-qualification conference. Site visits will be arranged in July 1999 at 7 days notice for those interested parties who have obtained the RFQ.

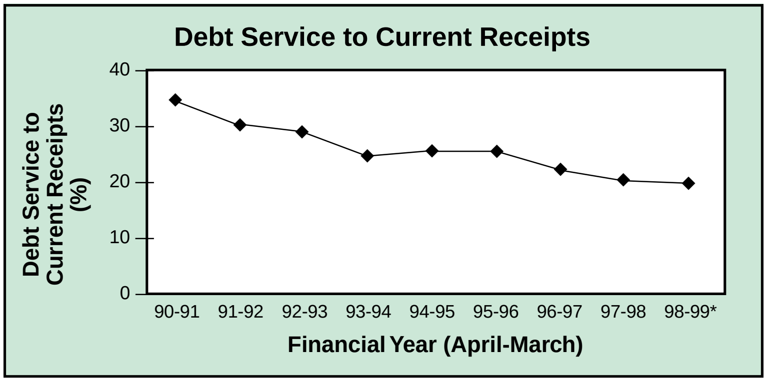
In the next stage of the process, companies/consortia which are qualified by UHBVNL, on behalf of the HVPN and the Government of Haryana, will be provided with a Request for Proposal document, an Information Memorandum and draft contractual documentation. These are expected to be available by November 1999.

Indian Stock Markets Outperform Other Asian Markets in May

Indian stock markets have outperformed other Asian markets in May 1999, with returns of over 19% despite political uncertainty and mounting tension in Kargil in the state of Jammu and Kashmir. The BSE Sensex (the country's main stock market index) gained 19% from 3326 points at the end of April to 3963 points on May 31. Malaysia's Kuala Lumpur stock exchange composite index appreciated by 10% and was the only other market in the region to provide positive returns during the month. The rally in the Indian stock markets was mainly on account of Foreign Portfolio Investors doubling their investment in the country in May compared to what they brought in April 1999.

India's External Debt: A Status Report

India's stock of external debt stood at US $95.72 billion at the end of December 1998. Giving details of India's external debt, a report from the Ministry of Finance titled "India's External Debt - A Status Report" says that the improvement in India's external indebtedness position has been one of the cornerstones of its economic policies in recent years.



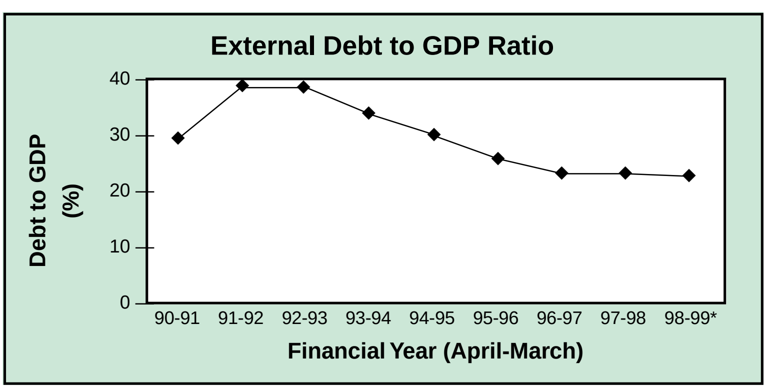
The debt-service ratio, which reached a peak of 35.3% in 1990-91, declined steadily to 19.8% of India's current receipts in 1997-98. For the first three quarters of 1998-99 financial year (April - December 1998), the ratio is estimated at 19.4%. The table below gives some key external debt indicators since 1990-91.

INDIA - KEY DEBT INDICATORS

(in percent)

Year	Debt to GDP	Debt to Current Receipts	Debt Service to Current Receipts	Interest Payments to Current Receipts
1990-91	28	329	35	16
1991-92	38	312	30	13
1992-93	37	323	28	13
1993-94	33	276	25	11
1994-95	30	236	26	10
1995-96	26	189	26	9
1996-97	24	169	23	8
1997-98	24	163	20	8
1998-99*	23		19	8

* 1998-99 Debt to GDP ratio is the ratio of end-December 1998 debt to estimated GDP at market price for 1998-99. The Debt Service to Current Receipts for 1998-99 is the ratio for the first three quarters of the financial year (April1, 1998-December 31, 1998).



The debt to GDP ratio, another key indicator of debt burden, has also come down from a high of 37.7% in 1991-92 to 23.8% in 1997-98. The end-December 1998 external debt stock as a ratio of 1998-99 GDP is estimated at 23%.

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India's External Debt *(Continued from page 4)*

India's short-term debt, which is a crucial factor in the overall debt management of the country, been low by international standards. The short-term component declined from 7.2% of the total debt at end-March 1997 to 3.8% at end-December 1998.

The structural changes that have been evident in the composition of India's external debt continued in 1997-98. The share of debt on concessional terms declined from 45.3% at end-March 1995 to 39.3% at end-December 1998.

The Status Report says that the improvement in India's external indebtedness position in recent years has been made possible through a conscious debt management policy that emphasizes sustaining a high growth rate of exports, keeping the maturity structure as well as the total amount of commercial debt under manageable limits, prioritizing the use of commercial credit and encouraging foreign investment. The report also expresses satisfaction over the fact that India has emerged relatively unscathed from the Asian financial crisis and the global contagion.

However, the gains already made have to be consolidated further. Short-term debt management has to continue as an area of high priority. The Report has highlighted the need for greater stress on debt sustainability exercises. Similarly, there is a need to monitor all contractual contingent liabilities arising out of both debt and non-debt liabilities as they have budgetary implications.

India Development Forum to Meet in October After a Year's Gap

The India Development Forum (IDF), the annual meeting on international aid support to India hosted by the World Bank, will be held in October after a gap of one year. The meeting was originally scheduled for July 1-2, but was deferred after the Indian general elections were declared. The World Bank will now delay the release of the Country Economic Memorandum to the IDF's donor members till September.

Last year, in the wake of the nuclear tests and subsequent economic sanctions imposed against India by some countries, the first-ever IDF meeting to be held in Tokyo was called off. The resumption of the annual aid summit is being viewed in government as yet another step forward in softening the impact of sanctions.

Important Notice: Contributions for the Welfare of the Armed Forces in India

The Embassy of India in Washington DC continues to receive a number of offers for making contributions to the welfare of the armed forces in India. Taking these into account, the Government of India has decided that those who wish to make contributions may do so by check in dollars or rupees to the National Defence Fund. The checks may be sent to the Embassy of India (2107, Massachusetts Avenue, NW, Washington DC 20008) for onward transmission to the authorities in India. The checks may also be directly sent to Mr. Ashok Saikia, Joint Secretary, Prime Minister's Office, South Block, New Delhi.

Contributions could also be sent to Army Central Welfare Fund, Deputy Director (CW8), Adjutant General's Branch, West Block 3, Room Number 76, R. K. Puram, New Delhi 110066.

Power Sector

Enron's Project In India Makes Steady Progress

Enron International, a wholly owned subsidiary Enron Corp., has announced the financial closure of the US $1.87 billion second phase of the Dabhol Power Project, located in the state of Maharashtra, India. Construction on the 1,624 megawatt (gross) second phase is likely to begin soon.

"This is a truly remarkable accomplishment," said Joseph W. Sutton, chairman and CEO of Enron International. "We are extremely pleased to complete the largest energy infrastructure project financing in India. This is a complex project and the strong combination of Indian and international financial institutions and project partners clearly demonstrates Enron's and India's ability to complete large infrastructure projects."

Dabhol Power Project

The primary construction contractors for the second phase are affiliates of Enron, Bechtel and GE. The second phase will use natural gas with long term supplies secured from Oman and Abu Dhabi. Commercial operation of the second phase is scheduled to occur in late 2001.

The US $1.87 billion financing includes five loans totaling US $1.41 billion and an equity investment totaling US $452 million. Indian financial institutions, with the Industrial Development Bank of India (IDBI) acting as lead arranger, provided rupee loans equivalent to US $333 million. The participants in the rupee loans are IDBI, ICICI Ltd., State Bank of India (SBI), the Industrial Finance Company of India Ltd. and Canara Bank.

Commercial banks, acting as global coordinators for a US $497 million syndicated loan are SBI, ABN AMRO, Credit Suisse First Boston (CSFB), ANZ Investment Bank and Citibank N.A. Canara Bank, Bank of America, Development Bank of Singapore and Credit Lyonnais acted as senior lead arrangers for this loan. The Overseas Private Investment Corporation (OPIC) also provided US $60 million in project finance loans. An export credit loan of US $433 million was arranged by the Japanese Export Credit Agency (ECA) providing US $258 million and commercial banks providing US $175 million.

The first phase of the project, 826 megawatts (gross), completed financing in December 1996 and has commenced commercial operations. It was inaugurated on May 25, 1999. A multi-fuel facility, the plant is capable of using either naphtha or distillate in the first phase and will use natural gas once the second phase is complete. Electricity produced will be sold to the Maharashtra State Electricity Board (MSEB) under a 20-year power purchase agreement.

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The first phase is a joint venture among affiliates of Enron (50%), MSEB (30%), Bechtel Enterprises Holdings, Inc. (10%) and GE Capital Structured Finance Group (10%). Partners in the second phase and their current ownership interests are Enron (80%), Bechtel Enterprises Holdings, Inc. (10%), and GE Capital Structured Finance Group (10%). MSEB has the option to acquire 30% of the second phase of the project from Enron's current 80% interest.

Road Sector

Five Road Projects on North-South and East-West Corridors Awarded

Contracts for five road projects for four/six laning on North-South and East-West corridors have been awarded by the National Highways Authority of India (NHAI). These projects total to a length of 63 km. and cost about Rs.2 billion ($47 million). The five projects are: 4-laning of Jallandhar bypass on NH-1 in Punjab, 4-laning of Nagpur-Adilabad Section of NH-7 in Maharashtra, 6-laning of Hyderabad-Bangalore Section of NH-7 (near Devanhalli) in Karnataka and 4-laning of Hathipalli-Hosur section of NH-7 and construction of four lane rail over-bridge on Karur bypass on NH-7 in Tamil Nadu.

M/s Birla GTME, New Delhi have bagged the Jallandhar bypass project, M/s Oriental Structural Engineers Ltd., New Delhi the Maharashtra project, M/s Bhageeratha Engineering Co., Kochi the Karnataka project and M/s Patel Engineering Co. Ltd., Mumbai the Hathipalli-Hosur project. The joint venture of M/s P.T. Sumber Mitra Jaya, Indonesia and M/s Punj Lloyd Ltd., New Delhi bagged the rail over-bridge on Karur bypass. In all, 58 tenders were received for these packages.

The tender conditions for these packages provide for bonus for early completion. A 'Dispute Review Expert' will be appointed to sort out expeditiously any dispute between the contractor and the employer. The work on these projects will be supervised by the respective State Public Works Departments on behalf of National Highway Authority of India with the assistance of consultants, appointed by the Highways Authority. These consultants will be mainly responsible for maintaining quality of construction.

Aviation Sector

Cochin International Airport Inaugurated

The Cochin International Airport at Nedumbassery, near Cochin, was dedicated to the nation on 25 May. The airport is the first one in the country to be built by raising funds from the public, especially Non-Resident Indians (NRIs). There are around 10,000 shareholders from about 30 countries. The Kerala government has retained majority stake of 51% in the project. The project cost is Rs.2.3 billion ($53 million at the current exchange rate).

The airport's 3,400-meter runway is considered one of the largest in Asia. The airport is equipped to accommodate most aircraft, including Boeing-747 jumbo jets. The airport's two fully air-conditioned terminal buildings, both domestic and international, cover 10,000 square meters each and have all of the modern amenities. The cargo building spans an area of 3,500 square meters. The airport is being equipped with night landing equipment for 24-hour operations. The airport was built on 520 hectares of acquired land.

NEWS BRIEFS

- American company ***EnergyLine Systems*** has signed a contract to conduct a pilot distribution automation project for the Karnataka Electricity Board (KEB), the distribution utility that serves 45 million customers in the Indian state of Karnataka. ***EnergyLine Systems*** of Alameda, California, is a subsidiary of S&C Electric Co of Chicago. (Economic Times)

- Infosys Technologies Ltd., the Bangalore-based software firm has announced a strategic alliance with ***CyberSource Corporation*** of the US, a leading provider of real-time e-commerce transaction processing services. (Business Standard)

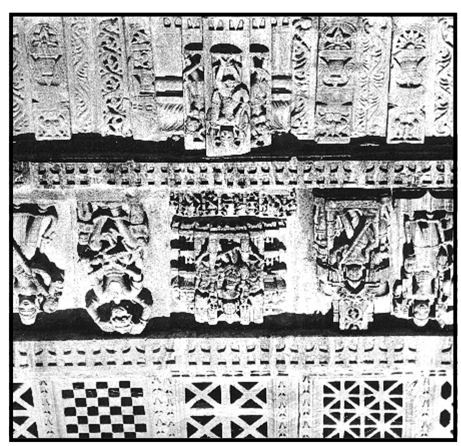
- Global oil majors, ***Exxon Corporation of USA*** and Total of France are eyeing a stake in the Mangalore Refineries and Petrochemicals Ltd. (MRPL), jointly promoted by the Aditya Birla Group and Hindustan Petroleum Corporation Ltd. (HPCL). (Business Standard)

- ***Intel*** is set to buy a stake in the India-based Network Solutions, one of the upcoming companies in network consulting and software services. This step by Intel marks the second such investment in India by the global computer chip giant after it picked up stake in Rediff on The Net. (Business Standard)

- Elder Healthcare, the Mumbai-based pharmaceutical company, has entered into a joint venture with US-based Sensodyne paste manufacturer Stafford Miller, the 100% subsidiary of the ***Block Drug Company***. The joint venture will launch the world's largest-selling specified toothpaste in the local market. (Business Standard)

- US-based ***Computer Associates International, Inc.*** has tied up with New Delhi-based Infonet Worldwide Ltd. for a technology development partnership. This alliance will offer Infonet Worldwide access to the innovative marketing, sales and business strategies that have made CA a world leader. (Business Standard)

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



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