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**President Clinton to visit India**

**March 20-25, 2000**

*“The 6.5 percent growth that you (India) have achieved in recent years is impressive. But 10 percent growth is within your (India’s) grasp. At that pace, Indian standards of living would be five times higher in 2020 than they are today.”*

— **Lawrence H. Summers**  
U.S. Treasury Secretary

## **Automatic Clearance for FDI allowed in all major sectors**

In a landmark decision to promote Foreign Direct Investment (FDI), the Government of India has decided to allow automatic clearance for FDI in all sectors except a few. These exceptions include sectors like alcohol, cigarettes, industrial explosives, hazardous chemicals, defense electronics and aerospace and those reserved for small-scale industries for which FDI above 24% require industrial licenses. All FDI proposals through the automatic route require clearance only from the Reserve Bank of India.

FDI proposals for manufacture of items on this negative list can be sent to the Foreign Investment Promotion Board (FIPB) for approval. The list itself is under review by the Group of Ministers and based on its recommendations, more items are likely to be placed on the automatic list soon.

The Government has also decided to allow automatic approval for FDI in prospecting and mining of gemstones up to 74 per cent. Prospecting and mining of gold and silver, diamonds, gemstones, metallurgy and processing have also been placed on the automatic route up to 100 per cent.

The automatic clearance route has also been opened for FDI in drugs and pharmaceuticals up to 74 per cent. For FDI in manufacture of pollution control devices would also be given automatic clearance up to 100 per cent.

FDI in financial services like banking and non-banking financial companies, venture capital funds and infrastructure sectors like civil aviation, power, telecommunications, roads, highways and ports would get automatic clearance under the stipulated sectoral cap. NRI investment in housing and real estate, hotel and tourism, drugs, petroleum, mining, coal and lignite, postal services, advertising and films would also be provided clearance within the stipulated ceiling. Investment in excess of the stipulated ceiling would be considered by the FIPB for clearance.

The Government’s decision is aimed at increasing the current annual FDI inflow of about \$4 billion to \$10 billion.

# ***IT Vision 2010: Three-phase plan to put India among top five software exporters***

Called IT Vision 2010, an action plan has been formulated by the Ministry of Information Technology that aims to make India “a global information technology power and one of the largest generators and exporters of software in the world in 10 years”. To be implemented in three phases, the plan suggests policies to accelerate the growth of the Indian infotech industry and to help Indian companies become global players.

In the first phase, which will be completed in 2000, various proposals and programs to improve IT infrastructure will be formulated.

In the second phase, to be completed by 2005, plans will be concretized and fine-tuned. More projects and policy initiatives will be brought under the ambit of the action plan.

The third phase, to be completed by 2010, will build on initiatives already taken to enable India to reach among the top 10 global IT players and among the top five software exporters.

According to the plan, the government will provide fiscal incentives such as tax holidays for companies engaged in setting up IT infrastructure under Section 80 1A of the Income Tax Act; tax rebates on investments made in debentures and equity shares of public companies engaged in providing IT services under Section 88 of the IT Act; and complete depreciation on software and communication items for setting up IT infrastructure within two years.

The action plan also proposes exemption of excise duty on local language-based computing products to enable increased use of computers. The Vision 2010 action plan states “Customs duty as applicable in the case of setting up infrastructure projects like power, telecom be applicable on computing equipment including communication equipment needed for setting up IT infrastructure”.

The plan includes strengthening of indigenous IT capacity and an increased collaboration between the government and private sector to boost the domestic infotech industry.

It also foresees greater joint efforts between state governments and the federal government (various programs relating to quality certification of software, multi-media promotion program, localization of software, initiate setting up of national science and technology network and programs relating to e-governance).

The IT Vision 2010 lays special emphasis on generating extra manpower in the infotech industry and proposes initiating various programs in this direction. A National Software Capability Enhancement Program (Project Softcap) will be implemented in which the primary stakeholders include some of the premier technology institutions, software industry and certain government departments. The main aims of Project Softcap are increasing the intake in the Indian Institutes of Technology, and other higher education institutions, focused approach towards software engineering and software project management, software quality certification, collaborative research and development (R&D) efforts between academic, R&D labs and industry.

The action plan also includes a Rs. 25 crore project to introduce IT education in schools by 2005. The aim is to propagate the use of PCs, localization of software and manufacture low cost PCs. Another project included is the setting up NII test beds on distance education and telemedicine. Costing Rs. 50 crore, it will be implemented with the active cooperation of the private sector.

The action plan also calls for the increased use of information technology to empower people. The plan suggests that certain programs like the “smart card golden project of China” are necessary to build a seamless wired India.

## **Union Minister of State for Power visits USA**

Minister of State for Power, Government of India, Mrs. Jayawanti Behen Mehta led a team of power sector developers and professionals for discussions with the World Bank and the International Finance Corporation (IFC) on 24th January at Washington D.C.



Separate meetings were held with World Bank and IFC. Senior officials from the Bank and IFC namely Mr. Shengman Zhang, Managing Director, World Bank; Mr. Peter Woicke, Executive Vice President, IFC; and Mr. Jamal-uddin Kassum, Vice President (Investment Operations), IFC participated in the discussions. During the discussions, the Minister strongly put forth the case for substantial additional investments in India's power sector and outlined the policies which have been drawn up for facilitating the transformation of India's power sector.

The Minister informed that many Indian states have initiated reforms and restructuring of the power sector. She said that Government of India is committed to helping this process go forward. Mrs. Mehta emphasized the need for substantial investments in the hydel sector and for the creation of national transmission grid. The Minister stated that reform and restructuring of India's power sector would facilitate private sector investment over a period of time, During the interregnum, support from the World Bank and IFC to the reform process is also necessary. Officials of the World Bank and IFC promised full support to the reform efforts of the Government of India and indicated their readiness to work towards a strong program for assisting India's reform efforts.

The Minister also met a delegation of senior officials from the US Department of Energy and USAID. During the meeting, the US officials emphasized the need to resume bilateral cooperation in the areas of energy and environment between India and the US.

Mr. David Goldwyn, Assistant Secretary in the US Department of Energy, informed that Energy Secretary, Mr. Bill Richardson would be accompanying President in his forthcoming visit to India and energy would be an important area of discussion during the President's visit. Matters relating to regional development of energy resources in South Asia and the status of private sector power project proposals involving US companies were also covered in the meeting.

The Minister stated that the Indian Government is looking forward to the visit of President Clinton to India. She stated that the present government is devoting special attention to the power sector. Reforms are very much on track and several major initiatives had been taken in the recent past.

During her short stay in Washington D.C. and New York, the Minister also inaugurated two seminars on "Investment Opportunities in Transmission and Distribution with Advantages of Convergence", one in Washington DC on 25th January 2000 and the other in New York on 26th January 2000.

The Minister drew the attention of the participants to the dramatic changes taking place in India's power sector and the opportunities for investment in transmission and distribution. She said that the legal framework is now in place for attracting private investment and the commitment of the Government of India to reform and restructuring is conclusively established especially through the firm handling of the power agitation in Uttar Pradesh.

The Indian delegation also referred to the dramatic changes occurring in the telecom sector and the investment opportunities that it offers. She stated that a single window is now in place for all clearances in the telecom sector and a shelf of projects in the power sector is available for private developers.

The Conference deliberated on the opportunities for convergence in India's transmission network and drew upon the experience of USA in this sphere.

# **CII Survey finds Indian Economy on the move**

A recent survey conducted by the Confederation of Indian Industry (CII) indicates that the Indian manufacturing sector is firmly on the growth path. The impressive growth of IT and software companies apart, sectors like cement and steel have turned the corner and registered impressive growth during April-November 1999.

The survey covers member companies of CII and 87 affiliated associations. In most sectors, the companies surveyed account for 65 per cent of the total production of their respective sector. Out of the 86 sectors covered by the survey, growth in 46 exceeded 10 per cent, with 16 sectors reporting 20 per cent plus growth.

Consumer durables such as color TVs and refrigerators have registered an impressive growth for the two successive years. Cars and auto components have also shown strong signs of recovery in the current financial year. The more striking feature in the automobile sector is the 68 per cent growth in medium and heavy commercial vehicles, which shows that the economy is on the move and more goods are being transported.

The upturn in steel and cement is found significant as these sectors have a substantial impact on the rest of the economy and are often the last ones to recover after slow growth. Steel has grown 11.5 per cent in April-November 1999 and cement by 18 per cent, indicating that the construction activity has revived.

## **Norms relaxed for floating GDRs & ADRs issues**

As part of the liberalization process the government has relaxed norms for ADRs and GDRs. It has been decided to liberalize fund-raising by the Indian firms through equity issues in overseas markets. The move is likely to spur more companies to reach out to global markets and get global valuation for their stock prices.

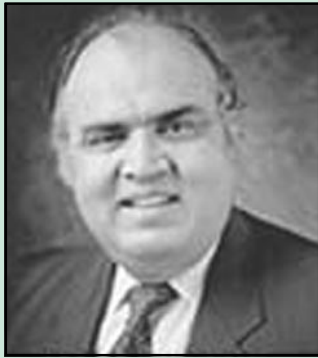
According to the new norms companies are no longer required to get their applications scrutinized. They can now appoint a SEBI-registered merchant banker and go ahead with the floatation. Intimation is required to be sent within 30 days of the issue to RBI and Ministry of Finance.

The automatic route will be permitted to companies seeking to expand their equity base. The automatic GDR/ ADR issue will have to be made within the ambit of the existing FDI policy.

The basic objective of relaxing the norms for allowing companies to directly tap the market abroad is that the foreign investors and stock exchange administrations impose stringent conditions while allowing companies to list on their exchanges. That, in itself, is deterrent enough and there is no need for the government to vet applications.

The decision would enable the Indian companies to access global markets without any delay. The current favorites are the American stock markets where the volume of trade is much higher than London or other European markets and where Indian companies are getting better valuation.

# Trail Blazers



*Kanwal Rekhi*

## **KANWAL REKHI**

President  
The IndUS Entrepreneurs (TiE)

Mr. Kanwal Rekhi is the founder and President of The IndUS Entrepreneurs (TiE), the premier Indian entrepreneurial organization in America, which not only helps new entrepreneurs find startup capital but through its monthly seminars offers practical insights into helping the business grow.

Mr. Rekhi was in the news recently for spearheading a resource mobilization drive for his alma mater - IIT Mumbai. He donated \$ 1 million for its new school of Information Technology. He also urged the IIT alumni in United States, to contribute to the development of their alma mater as these institutes require substantial funding to keep pace with changing times.

As a third of the eight children of an Indian Army officer, Mr. Rekhi was born in Rawalpindi in the pre-partition days. His family moved to India leaving behind their property and possessions in Pakistan during partition. He earned his B. Tech in electrical engineering from the Indian Institute of Technology Mumbai in 1967 and a Master's degree from the Michigan Technological University in 1969. In 1997, the Michigan Technology University awarded him an honorary doctorate.

Before starting on his own, Mr. Rekhi changed several jobs. He also worked for the Singer-Link, a subsidiary of the sewing machine giant in the early 1970s. He eventually left the job and founded 'Excelan' to build add-in boards to connect desktop computers into local networks. In 1987, the Arthur-Young/Venture Magazine adjudged him as the Entrepreneur of the year. 'Excelan' was later acquired by Novell for \$ 2 million and Mr. Rekhi went on to become the first Indian to be on the board of Novell, a multibillion dollar company.

In 1997, he resigned from the board of Novell to devote more time to start-up firms. Mr. Rekhi, in an interview to Forbes Magazine, stated that his experience at 'Excelan' motivated him and other Indian entrepreneurs to start TiE to help the Indian executives at the start-up firms succeed and get adequate recognition.

## **NAVEEN JAIN**

CEO and Founder  
InfoSpace.com

Mr. Naveen Jain, chairman, CEO and founder of InfoSpace.com - a leading provider of infrastructure services for consumers, merchants and wireless devices - was in the news recently for winning the Lisa Award for 1999 from the Kelsey Group. His Company InfoSpace.com has also been listed in the Top 100 websites by the PC magazine for 1999.

Mr. Jain founded the company in April 1996 with the vision of delivering real internet information, anytime, anywhere and on any device. He became interested in this field when he noticed the internet hardly provides people with the useful and relevant real world information they need. His vision has been core to the success of InfoSpace.com. The InfoSpace.com was made public in December of 1998.

Mr. Jain received a Bachelor of Science in Engineering from the University of Roorkee and a Masters Degree in Business Administration from St. Xavier's School of Management. He came to the United States from India in 1979 and joined Burrows (now Unisys) in New Jersey. Mr. Jain joined Microsoft Corporation in 1989. He started out as a program manager on OS/2 and then worked on MS-DOS, Windows NT, and Windows 95, for which he holds two patents. He then moved on to become a group manager and launch Microsoft's online service, the Microsoft Network. He left the company in March 1996, to start InfoSpace.com.

Mr. Jain has been a recipient of several awards. He was voted finalist by Ernst & Young in the category for "Emerging Entrepreneur" for 1998; honored in the July 1997 issue of *Red Herring* as one of "Top 20 Entrepreneurs;" and named one of "The most influential people in Yellow Pages in 1997" by *Directory World*.



*Naveen Jain*

# **US Treasury Secretary visits India**

The US Secretary of Treasury, Mr. Lawrence H. Summers visited India from January 17-19, primarily to lay the groundwork for the forthcoming visit of the US President.

As a part of his visit, Mr. Lawrence addressed a conference organized by the Confederation of Indian Industry (CII) in Mumbai on January 17, 2000. He said that the success of firms such as Infosys Technologies, Wipro and Satyam speaks much of the vast potential India's closer integration with the global economy could unlock.

Mr. Summers said that economic developments in India have the potential to transform not only the country but also the world economy in two decades. The US, therefore, has a great stake in what happens in India. The 6.5 per cent growth rate that India has achieved in recent years is impressive. But 10 per cent growth is well India's grasp. At that pace, Indian standards of living would be five times higher in 2020 than they are today. He said that India's pool of trained scientists and engineers is second only to the US.

Speaking on the success of the US economy he said that creating the right kind of environment for resources to flow to new entrepreneur has made the United States, as some parts of India are becoming today, a place where if one has a sufficiently good idea, he can raise the first \$100 million before buying the first suit.

Secretary Summers stated that there were three new forces driving the new global economy. The first force is 'technological revolutions' in which brain matters more than brawn and innovation matters more than mass production. The second force is the 'spread of market forces' and the third and final force is 'global integration'. The global economy is the one in which goods, capital and information flow freely across the globe to where they will be most effective in spurring growth.

Mr. Summers said India and the United States, the world's largest and oldest democracies have an opportunity to work together to shape the terms of this new global engagement in the years ahead.

During his visit, Mr. Summers also met the Prime Minister and the Finance Minister of India in New Delhi.

## **Green Signal for privatization of Indian Airlines**

The Government of India has cleared the decks for privatizing the Government-controlled Indian Airlines (IA) by deciding to disinvest 51 per cent of its equity to a private party through a bidding process. The disinvestment would be done within the framework of domestic air transport policy.

According to a Government spokesperson, 51 per cent equity of IA will be disinvested, of which 26 per cent may be given to a joint venture or strategic partner. The remaining 25 per cent will be offered to employees, financial institutions and the public. Foreign airlines will not be allowed to bid for IA. NRI-owned companies can participate in the bids.

The joint venture partner will be given a free hand in the running of the airlines under the supervision of the board of directors. This would be clearly defined in shareholders' agreement, keeping national security and possible emergency requirements in view. The agreement would be finalized and approved by the Government before the financial bids are invited.

# Economic Update

**Industrial Production:** In the financial year 1998-1999 (April 1, 1998 to March 31, 1999), industrial production increased by 4% as compared to 6.6% in 1997-98. In April-November 1999, industrial production increased by 6.4% as compared to 3.6% in April-November 1998.

**Infrastructure Industries:** During 1998-1999 average growth rate of this sector was 2.5%. During April-November 1999, electricity generation registered a spectacular growth of 10.2% as against the 4.5% increase in the corresponding period of 1998-99. The railway revenue earning freight traffic and the traffic at major ports recorded growth of 7.4% and 9.6% respectively as against the growth rate of -2.2% and 0.1% respectively in the corresponding period of the previous financial year. Crude oil production has also registered a modest growth of 0.4% against a decline of 4.6% in the corresponding period of the previous financial year.

**Money Supply:** During the financial year 1998-99, money supply (M3) growth was 19.2%. In the current financial year up to December 31, 1999 money supply growth was 12% as against an increase of 12.9% in the corresponding period of 1998-99. Prime Lending Rate, as on January 14, 2000 was 12% to 12.5% as against 12.75% to 13% on, January 15, 1999. Deposit Rate, as on, January 14, 2000, ranged between 8% to 10.5% as against 9% to 11.5% on January 15, 1999. Call money rates (Low/ High) as on January 14, 2000 were 4.00/8.80 per cent as against 8.9/30.0 per cent on January 15, 2000.

**Foreign Trade:** In 1998-99, exports increased by 3.7% in dollar terms while import increased by 7.9%. During April-November 1999, Exports, in dollar terms, increased by 12.71%. The growth rate of exports has been phenomenal particularly for the month of November. It recorded a

30.72% increase over the corresponding month of the previous financial year. Imports, in dollar terms, increased by 7.25% during April- November 1999, despite of the 53.86% increase in the oil imports during this period.

**Foreign Investment:** During April-November 1999, Foreign Direct Investment (FDI) was \$1332 million. Net investment by the Foreign Institutional Investors (FIIs) during April-January 2000 was \$1356.7 million. The cumulative net investment by the FIIs since 1992 till January 31, 2000 was \$10.3 billion.

**Foreign Exchange Reserves:** Foreign Exchange Reserves (excluding Gold & SDRs) were \$29.52 billion at the end of 1998-99 (March 31, 1999). These reserves have increased to \$32.22 billion by January 21, 2000.

**Exchange Rates:** The average market exchange rate of the Rupee per unit of US Dollar, Pound Sterling, Euro and Japanese Yen was Rs.43.44, Rs.70.05, Rs.43.93 and Rs.0.42 respectively during November 1999.

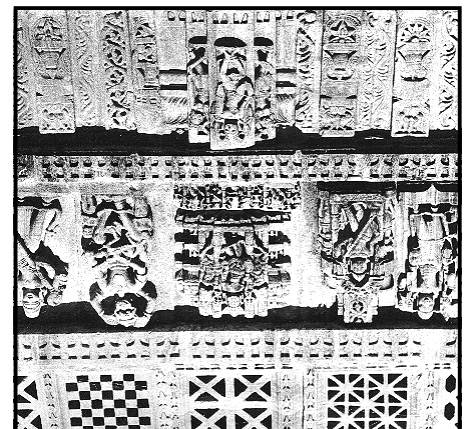
**Rate of Inflation:** As of January 4, 2000, the annual rate of inflation based on Wholesale Price Index (WPI) and measured on a point-to-point basis stood at 3.1%. The point-to-point rate of inflation based on Consumer Price Index for Industrial Workers (CPI-IW) for the month of December 1999 stood at 0.5 percent as against 15.3 percent during last year.

**Share Price Indices:** The stock markets remained buoyant during January 2000. The Sensex BSE 30 of the Bombay Stock Exchange for the month of January 2000 recorded the all time high figure of 5617.70. The S&P CNX Nifty of the National Stock Exchange registered a figure of 1630.85 for the month of January 2000.

## NEWS BRIEFS

- **Portal Player™ Inc.**, based in Santa Clara, California, announced the inauguration of design and development center, Portal Player Private Limited in Hyderabad, which is the wholly owned subsidiary of the Portal Player, Inc. The new facility would develop products and services that enable downloading and streaming of audio and video from the internet to consumers. - *India Abroad*
- **Aon Corp.**, a \$6.5 billion US risk management and consulting major has struck an alliance with Indian software major Infosys. The alliance would work on the design, development and deployment of Aon's core US commercial brokerage policy management systems and risk management systems for global risk managers. - *Economic Times*
- **TRW**, one of world's largest auto component US major, proposes to buy component for braking systems from its collaborator, Brakes India Limited, a Chennai based TVS group company. TRW taking over Brake India's erstwhile partner, Lucas Varity, has turned out to be a good development for the Brake India Limited which now expects its export turnover to double in the next two years. - *Business Line*
- **Cargill**, the US commodity major has decided to enroll itself as members of all major commodity bourses in India to take advantage of the growing agribusiness opportunities in the country. The \$46 billion company has already enrolled itself as a member of the Sopa Board of Trade in Indore, which is shortly set to begin future trading in Soyabean and other related products. - *PTI*
- **Unigraphs Solution Inc.**, a leading US software company has signed a million-dollar contract with Hindustan Aeronotics Limited (HAL) to provide the Indian state-owned company with advance solutions for reducing product development time while maintaining quality standards. The contracts includes over 100 licenses of UGS integrated CAD/CAM software suite, in addition to system implementation and support services. The use of software is expected to help HAL design and develop new aircraft faster. The new system will be used through out the design and development of HAL's new IJT from single component design through large assembly modeling to the complete electronic mock-up of the aircraft. - *Economic Times*

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



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