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“There has been a lot of development in social areas in India in the last four years. India has performed extremely well in areas like empowerment of women and primary education.”

— **James D Wolfensohn**
President,
World Bank

Highlights of the National Textile Policy 2000

The Government of India recently announced the new National Textile Policy (NTP) 2000, with the objective of facilitating the industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing.

In furtherance of these objectives, the strategic thrust is to be placed on technological upgradation, enhancement of productivity and quality, product diversification, and strengthening the raw material base in the country.

Through NTP 2000, the Government would endeavor to achieve the target of textile and apparel exports from the present level of U.S. \$11 billion to U.S. \$50 billion by 2010. Of this, the share of garments would be U.S. \$25 billion.

The policy provides for setting up a venture capital fund for tapping knowledge-based entrepreneurs and assisting the private sector to set up specialized financial arrangements to fund the diverse needs of the textile industry.

The new policy would also encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of the country and would review and revitalise the working of the TRAs (Textile Research Associations) to focus research on industry needs.

Sectoral Initiatives

Within the framework of the new Policy, the following sector specific initiatives will be taken:

RAW MATERIALS

The thrust will be on improving the availability, productivity and quality of raw materials at reasonable prices for the industry. Though cotton is expected to continue to be the dominant fiber, special attention will be given to bring the balance between cotton and non-cotton fibers closer to international levels.

Cotton

The primary aim of the policy for this segment will be to improve production, productivity and quality, and stabilize prices. The Technology Mission on Cotton will be the instrument for achiev-

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Highlights of the National Textile Policy 2000 *(Continued from page 1)*

ing these parameters. Ministry of Textiles, Ministry of Agriculture, Cotton growing States, farmers and industry associations will be actively involved in the implementation of this Mission.

Silk

Focus will be on achieving international standards in all varieties of silk. Steps will include:

- Improving Research & Development and effective transfer of technology at all stages.
- Increasing the production of non-mulberry varieties of silk.
- Encouraging clustering of activities of reeling and weaving and strengthening linkages between producers and industry.
- Reviewing the import policy periodically for raw silk, taking into account the balanced interests of the sericulturists as well as the export manufacturers.

Wool

In order to augment availability of quality wool, the following measures will be initiated:

- Take up collaborative research projects with the leading wool producing countries of the world.
- Encourage private breeding farms to increase productivity.
- Promote private sector linkages for marketing of wool.
- Take up an integrated development program for angora wool.

Jute

A Technology Mission on Jute will be launched to achieve the following objectives:

- Develop high yielding seeds to improve productivity and acceptability in markets.
- Improve retting practices to get better quality fiber.
- Transfer cost effective technologies to the farmers and create strong market linkages.

Clothing

The role of this sector is poised for radical change in view of the transformation in the international trading environment brought about by the rules and regulations of the WTO. The industry will be restructured as follows:

- Garment industry will be taken out of the SSI reservation list.
- Joint ventures and strategic alliances with leading world manufacturers will be promoted.
- Schemes with necessary infrastructural facilities for the establishment of textile/apparel parks will be designed with the active involvement of state governments, financial institutions and the private sector.

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SBI garners over \$5 billion under India Millennium Deposit

The Finance Minister, Mr. Yashwant Sinha has congratulated the State Bank of India, the country's largest commercial bank, for its extremely successful 'India Millennium Deposit (IMD)' Scheme. In a short span of about two weeks, IMD was able to mobilize over \$5.2 billion, thereby exceeding the figure of \$4.23 billion collected under the Resurgent India Bond (RIB) Scheme. This achievement is extremely significant considering that US could not be targeted under the Scheme.

The Scheme witnessed an unprecedented response from investors all over the world. The Finance Minister said that the resounding success of the IMD is indicative, in no uncertain terms, of the confidence reposed by foreign investors, particularly the NRIs, in the fundamentals of Indian economy. It also highlights the high level of commitment of Indians living abroad towards India's progress and prosperity, he added.

Mr. Sinha said that the deposits received through IMD would also help the country in meeting the increased external obligations on account of rise in oil prices.

Highlights of the National Textile Policy 2000 *(Continued from page 2)*

Jute Industry

In the jute sector, attempts would be made to revive the jute economy through supportive measures covering research and development, technology upgradation, creation of infrastructure for storage and marketing of raw jute, and product and market development activities for jute and diversified jute products.

Spinning Sector

The NTP seeks to continue efforts to modernize and upgrade technology to international levels, and proposes to take the following steps, in cotton spinning as well as in the worsted woolen sectors:

- Encourage the spinning sector to continue to modernize.
- Liberalize and encourage export of cotton yarn.

Organized Mill Industry

Efforts will be made to restore the organized mill industry to its position of pre-eminence to meet international demand for high value and large volume products. For this purpose, the following measures will be initiated:

- Integration of production efforts on technology driven lines
- Encouragement for setting up large integrated textile complexes
- Strategic alliances with international textile majors, with focus on new products and retailing strategies
- Creation of awareness and supportive measures for application of IT for upgradation of technology, enhancement of efficiency, productivity and quality, better working environment and HRD.

The earlier policy of not nationalizing sick units will be continued. As regards the unviable Public

(Continued on page 4)

Information Technology Act comes into force

The Information Technology (IT) Act passed by the parliament to promote e-commerce and e-governance and prevent cyber crimes came into effect last month by virtue of a notification issued by the government, and the appointment of the Controller of the certifying authority (CCA) for the authorization of digital signatures. With this, India has become one of the few countries in the world to have an IT Law.

The new Act provides legal recognition to transactions carried out by means of electronic data interchange, or through any electronic medium, including the Internet. This means that contracts entered into using electronic media, like e-mail, can now be enforced. Prior to this Act, most laws required data or records to be in a written or typewritten form. Only then could contracts be enforced. The IT Act ensures that records can also be kept in an electronic form.

The IT Act is expected to boost e-commerce. It also seeks to encourage electronic governance by allowing government records to be kept in an electronic form. It also permits applications and forms to be filled up and bills to be paid over the net.

The new law also defines cyber crimes. The definition includes hacking into a computer network, creation of viruses and forcibly taking over a computer network. The IT Act also provides for an enforcement mechanism including provisions such as penalties and imprisonment to prevent cyber crimes.

Today, most trade transactions abroad are based on e-commerce solutions and countries, which do not have a legal framework for e-transactions, are bound to lag behind in the emerging international trade scenario. Thus, the IT Act has the potential to significantly reposition India's place in world trade.

Highlights of the National Textile Policy 2000 *(Continued from page 3)*

Sector Undertakings (PSUs), various options for strategic partnerships or privatization will be explored. Non-viable mills will be closed down with provision for an adequate safety-net for workers and employees.

Powerloom Industry

The powerloom sector occupies a pivotal position in the Indian textile industry. However, its growth has been stunted by technological obsolescence, fragmented structure, low productivity and low-end quality products. The focus will therefore be on modernization of powerloom service Centres and testing facilities, and clustering of facilities to achieve optimum levels of production.

Handloom Industry

The handloom sector is known for its heritage and the tradition of excellent craftsmanship. It provides livelihood to India's millions of weavers and crafts-persons. The industry has not only survived but also grown over the decades due to its inherent strengths like flexibility of production in small quantities, openness to innovation, low level of capital investment and immense possibilities for fabric design. The Government will continue to accord priority to this sector. Steps would be taken to promote and develop its exclusiveness for the global market. Measures will include the following:

- Training modules for weavers engaged in the production of low value added items with the objective of upgrading their skills to enable them to find alternate employment in the textile or other allied sector
- Comprehensive welfare measures in close cooperation with the State Governments, for better working environment and social security of weavers
- Effective support systems in R&D, design inputs, skill upgradation
- Review of the Hank Yarn Obligation Order and the Reservation Orders issued under the Handloom (Reservation of Articles for Production) Act 1985, keeping in mind the needs of handloom weavers

Merchandising and marketing will be central to the success of the handloom sector, the present package of schemes for production of value added fabrics will be streamlined, innovative market-oriented schemes will be introduced, and joint ventures will be encouraged both at the domestic and international levels. Brand equity of handlooms will also be commercially exploited to the extent possible.

Knitting

Hosiery knitting, the growth of which has accelerated during the last decade primarily because of expansion of hosiery into global fashion knitwear, is expected to expand into the apparel and home furnishing sectors. In this segment, the following measures will be taken:

- Review of the Policy of SSI Reservation for this sector
- Encouraging technology upgradation and expansion of capacity
- Introduction of support systems for commercial intelligence, design and fashion inputs

Carpets

While machine-made carpet manufacturing in the mill sector will be guided by the policy framework for the organized industry, the policy for the hand knotted carpet sector will focus on sustained growth of exports and welfare of weavers and their children. Encouragement will be given to the manufacture of products that conform to and bear the 'KALEEN' mark of standards, with insistence on compliance with the provisions of the Child Labor (Prohibition and Regulation) Act, 1986. Government intervention will be in technology upgradation, including indigenisation of machines, development of testing facilities, and use of natural dyes. Adaptation of traditional motifs and promotion of brand image would also constitute thrust areas.

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Highlights of the National Textile Policy 2000 *(Continued from page 4)*

Made-ups

The made-ups sector will be given the status and importance it deserves by virtue of occupying the highest position in the textile value addition chain alongside garments. The approach for growth of this sector will be to make available defect free and colour-fast processed fabrics, facilitate product development, production and marketing arrangements and expand facilities for machine dyeing and finishing of the yarn that is used for made ups from handloom fabrics.

Technical Textiles

Considering the growing prospects for technical textiles world-wide, priority will be accorded for their growth and development. The focus will be on R&D efforts and augmentation of raw material production. Standards will be set to facilitate adherence to stringent functional requirements.

Other Thrust Areas

Information Technology (IT)

Recognizing the vital role of IT in a progressively IT-driven global economic environment, as also its scope in bringing about speed, efficiency and transparency in delivery systems, the Government

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Trail Blazers



VINOD DHAM

**Chairman & CEO
Silicon Spice**

Called the “Father of the Pentium chip”, Mr. Vinod Dham is an exceptional executive who played a pivotal role in the development of two of most successful microprocessors of the World’s two leading IT majors Intel and Advanced Micro Devices (AMD).

Mr. Dham holds a Bachelor’s degree in Electrical Engineering, BSEE (Electronics), from University of Delhi and Master’s degree, MSEE (Solid-state), from University of Cincinnati (USA).

Soon after Pentium hit the market, Mr. Dham decided to say good-bye to Intel after spending sixteen years in the company. He then joined a small IT company called NexGen, which was developing Windows-compatible chips. NexGen was later acquired by AMD. At AMD, Mr. Dham worked as a group vice president and was instrumental in developing fastest selling processor, namely, K6.

In March 1997, Mr. Dham resigned from AMD and joined a relatively smaller 16 employee strong IT company — Silicon Spice. Silicon Spice, which offers enormous potential in the emerging communication-centric information industry, has been recently acquired by Broadcom.

Mr. Dham is also the advisor to the Board of Directors of several start-ups including Real Intent, HelloBrain, BPL Infotech India Ltd., Inkra Networks and Fiorano Software Inc. He has also co-authored numerous technical papers and patents.

In May this year, Mr. Clinton appointed Mr. Dham to the President’s Advisory Commission on Asian Americans and Pacific Islanders. He was also named one of the top hundred Asian Americans of the decade last year.

Highlights of the National Textile Policy 2000 *(Continued from page 5)*

will play a proactive role in promoting and facilitating adoption of IT in the textile industry and trade.

Human Resource Development (HRD)

The Government will support programs of organizations and institutions engaged in HRD that address the professional manpower needs of the industry including at the cutting edge level of workers and shop-floor supervisors. IT will become an integral part of HRD effort.

In recognition of the pioneering role of the National Institute of Fashion Technology (NIFT), the Institution will be assisted to grow and progress on innovative lines. The Nodal Centre for Upgradation of Textile Education (NCUTE) will be helped to grow into an autonomous National level TexEd Resource Centre. Information and expertise available in technical institutes like the Indian Institute of Technology (IITs), and the National Institute of Designing (NID) will be tapped for expansion of programmes.

Fiscal Policy

A growth-oriented fiscal road map will be drawn up, to bring in the advantage of predictability. The existing multi-level duty structure and rates of levies will be reviewed and rationalized.

Delivery mechanism

Organizations working under the Ministry of Textiles will be re-oriented, right-sized and restructured to act as facilitators instead of being regulatory bodies, with the mandate and role of each being reviewed and redefined over the next two years.

The Government of India is committed to providing a conducive environment to enable the Indian textile industry to realise its full potential, to achieve global excellence, and to fulfill its obligation to different sections of the society. In the fulfillment of these objectives, the Government will enlist the co-operation and involvement of all stakeholders and ensure an effective and responsive delivery system.

Direct-to-home services opened in India

The Government of India has taken a decision recently to allow Direct-to-Home (DTH) television services in India. The provisions allow for foreign equity participation up to 49 per cent in this segment. Broadcasting and cable network firms would also be eligible to own up to 20 per cent of the total equity in a DTH company.

No restrictions have been imposed on the number of players in this segment. The entry fee has been pegged at Rs. 100 million (about \$2.2 million), along with a bank guarantee of Rs. 400 million (about \$8.8 million). The DTH platform owners would also have to pay 10 per cent of their revenue as annual fee. The licenses once issued would remain valid for a period of 10 years.

The DTH service provider would also be allowed to offer value added services such as voice, fax, data communication and Internet after obtaining basic telephone and ISP licenses. However, government has made it mandatory for all DTH platform providers to carry specified channels of Prasar Bharati. The use of foreign satellite has also been permitted for increasing bandwidth capacity.

The decision to open up DTH services has been generally welcomed.

Economic Update

Food grains Stocks: Stocks of food grains stood at 41.25 million tons as on September 1, 2000. This level of stocks was higher by 36.3 percent than the level of 29.9 million tons as on September 1, 1999.

Industrial Production: In 1999-2000 (April 1, 1999 to March 31, 2000), industrial production increased by 8.1 percent as against 3.8 percent in the financial year 1998-1999. During April-September 2000, industrial production recorded an increase of 5.5 percent over the corresponding period of the previous financial year. During the first half of the current financial year, the three sectors i.e., mining, manufacturing and electricity recorded cumulative growth rates of 6.6 percent, 5.6 percent and 3.4 percent respectively.

Infrastructure Industries: In 1999-00, the production in infrastructure industries grew by 7.8 percent, compared to 2.5 percent in 1998-99. During April-July (2000-01), production in infrastructure industries grew by 7 percent as compared to 5.5 percent in the corresponding period of the previous financial year.

Money Supply: During the financial year 1998-99, money supply (M3) growth was 19.2 percent. In 1999-2000 (March 31, 1999 to March 31, 2000), money supply growth was 13.9 percent. In the current financial year (from March 31, 2000 to September 22, 2000), money supply (M3) increased by 6.6 percent as against an increase of 6.8 percent in the corresponding period last year. The annual growth rate of M3 as on September 22, 2000 stood at 13.6 percent. The Prime Lending Rate, as on October 27, 2000 was 12 to 12.5 percent as against 12-12.5 percent on October 29, 1999. The Deposit Rate ranged between 8.5 to 10 percent as on October 27, 2000 as against 8 to 10.5 percent as on October 29, 1999.

Foreign Trade: Exports in dollar terms during 1999-2000, increased by 11.6 percent as compared to a decline of 1 percent during 1998-99. Imports, in dollar terms, increased by 10.2 percent during 1999-2000 as against 2.7 percent during 1998-99. During April-September 2000, exports in dollar terms registered a spectacular increase of 22.04 percent over the corresponding period of the previous financial year. Imports also recorded a 15.62 percent growth during April-September 2000. Oil imports during April-September, 2000-01 are valued at \$8300.70 million, which is 86.19 percent higher than oil imports valued at \$4458.20

million in the corresponding period last year, which is one of the main reasons for increase in imports. Non-oil imports during this period registered a modest increase of 1.85 percent over the corresponding period last year.

Foreign Exchange Reserves: Foreign Exchange Reserves (excluding Gold & SDRs) were \$35 billion at the end of March 2000 as against \$29.5 billion at the end of 1998-99 (March 31, 1999). The reserves stood at \$32.6 billion as on November 10, 2000.

Exchange Rates: The average market exchange rate of the Indian Rupee per unit of U.S. Dollar, Pound Sterling, Deutsche Mark, French Franc, Euro and Japanese Yen was Rs. 45.89, Rs. 65.76, Rs. 20.61, Rs. 6.15, Rs. 42.14 and Rs. 0.42 respectively during September 2000. During September 2000 the Rupee appreciated against the Pound Sterling, Deutsche Mark, Euro and French Franc and depreciated against the U.S. dollar and Japanese Yen compared to the average market rate during August 2000.

Rate of Inflation: The annual rate of inflation based on the Wholesale Price Index (WPI) stood at 6.8 percent for the week ended October 21, 2000. The Index of fuel, light and lubricants shot up by 31 percent during the last one year, while indices of other two major groups, primary articles and manufactured products rose merely by 1.1 percent and 2.5 percent respectively. The annual rate of inflation based on the All India Consumer Price Index for Industrial Workers (CPI-IW) for September 2000 stood at 5.5 percent over September 1999.

Foreign Direct Investment: The Foreign Direct Investment (FDI) flows during 1999-2000 were U.S. \$2155 million, as compared to \$2462 recorded during 1998-99. During April-August 2000, the FDI flows were \$1088 million as against \$993 million recorded during the corresponding period last year.

Portfolio Investment: Portfolio Investment flows during 1999-2000 were \$3026 million as compared to \$(-)61 million recorded during 1998-99. During the first four months of the current financial year (April-August 2000), the Portfolio flows were \$536 million as against \$1190 million recorded during the corresponding period last year.

NEWS BRIEFS

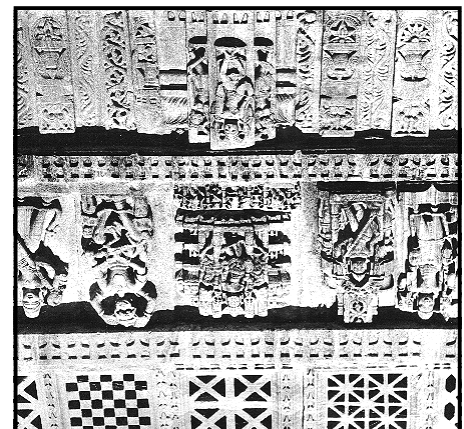
- **Wipro**, the Indian technology major, made its debut on the New York Stock Exchange (NYSE) last month at 8 percent premium. The stock was listed under the symbol 'WIT'. Half-a-million shares changed hands within the first half-hour of trading. The closing price of the company, on the very first day of trading, was 19 percent higher than the offer price of \$41.38 at NYSE. Wipro is the sixth IT company from India to be listed in the U.S. The company is expected to use these funds to issue ADS-linked stock options to its employees and to fund its acquisitions. – *Economic Times*
- **EFUNDS International**, a subsidiary of eFunds Corporation, US, has launched a 1,000-seat call Centre with an investment of \$4 million in Mumbai. The call Centre is the fourth that the company has set up in India so far, apart from two software development Centres in Chennai and a Business Process management Centre in Gurgaon. For the financial year 2000, India will contribute \$100 million to eFund Corporation's total turnover of \$400 million. Software development constitutes around 65 percent of the company's total Indian revenue. The company plans to set up 7-8 more such Centres in India by 2002. – *Business Line*
- **Ford Motor Company (USA)** is setting up its information technology Centre for the Asia-Pacific region in Chennai. It has acquired 90,000 sq ft space in Tidal Park for the new venture called 'Ford Information Technology Centre Pvt Limited'. According to an official release, Ford has chosen Chennai to set up its new IT Centre for the Asia-Pacific region at a cost of over Rs. 200 crore (about \$44 million). The Centre would employ 2500 software personnel. The activities of the Centre would begin with IT initiatives in India and the Asia-Pacific region, and

would be extended, through support from Indian work force, to the global IT-based programs of the company.

– *Financial Express*

- **Microsoft Corporation**, the global IT major, will set up three software laboratories in India. The three laboratories will be set up at the Microsoft offices in Delhi, Mumbai and Bangalore. These laboratories will be an integral part of the company's plan to roll out the '.Net' strategy in India. The labs will also demonstrate various partner solutions. The consumers can come into the labs to see various '.Net' products, solutions and platforms. The product family, named Microsoft .NET Enterprise Servers, is a comprehensive family of server applications including, SQL Server 2000, Commerce server 2000, Biz Talk Server 2000, Application Centre 2000, Internet Security and Acceleration server 2000 and Host Integration server 2000. Microsoft will also be launching, Exchange 2000 and Windows Data Centre 2000 as part of the '.Net strategy' soon. Next year the company will launch Mobile Information Server 2000 as part of the '.Net strategy'. – *Business Standard*
- **Phelps Dodge**, the US mining company, is interested in taking a stake in Hindustan Copper (HCL), India's only integrated copper complex. The government's planned restructuring of HCL entails spinning off two of the better-performing units into a separate company and then selling a 51 per cent stake in this vehicle to a strategic partner before March 31 next year. The strategic partner will be given total management control. Analysts say the success of the sale will depend upon pricing. The government has earmarked several plants for privatization as part of this restructuring, including a 31,000-tons capacity smelter — which is the most attractive asset — and three copper ore mines with deposits of approximately 87m tons in the northern Indian state of Rajasthan. – *Financial Times*

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