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"You should have no doubt that President Clinton recognizes the importance of India — economically and politically — to the future of a stable and prosperous Asia in a stable and prosperous 21st century."

— **Stuart Eizenstat, Under Secretary of State for Economic, Agricultural, and Business Affairs, at the USIBC Meeting on June 16, 1999**

India among the World's Most Attractive Destinations for Foreign Investment

Despite the Asian financial turmoil, India has improved its position among the most attractive foreign investment destinations in the world. India is the sixth most desirable destination for foreign direct investment (FDI), says a recent study conducted by management consultant A T Kearney. In a survey of FDI preferences among top corporate decision-makers, the United States, China, United Kingdom, Brazil, Mexico, India, Australia, Poland, Germany and France (in that order) have been marked as prime destinations for FDI by global multinationals.

The survey measured the direct investment sentiment of CEOs, CFOs and other top executives for the world's 1000 largest firms. These companies have cited market size, quality of infrastructure, political stability and regulatory environment as the most important factors to consider when making direct investments, with market size being the single most important criterion. The survey makes a pointed reference to India when mentioning the importance of the regulatory environment for facilitating FDI. It says "India is a case in point as it is perceived to suffer from an inability to formulate a clear, consistent regulatory environment for FDI. Although it ranks among the top 10 most attractive investment destinations on the FDI Confidence Index, it received a mere \$3.1 billion in realized direct investments in 1998."

The survey notes that the growth in emerging markets is slower today than in North America or Europe. However, emerging markets — which grew three times faster than developed countries before the Asian crisis — are forecasted to outperform developed countries in growth of income and consumption. Therefore, the survey concludes that emerging markets still represent an integral part of multinational corporations' international expansion strategies. Not only do emerging markets comprise 60% of the top 25 preferred destinations for FDI, eight of the ten most frequently cited as new investment destinations are emerging markets.

United States-India Business Council Annual Meeting

The US-India Business Council (USIBC) held its 24th Annual Meeting on June 16, 1999 at Washington DC. An Indian delegation led by Industry Minister Sikander Bakht and including 18 members of Federation of Indian Chambers of Commerce and Industry (FICCI) attended the meeting.

The Annual Meeting attracted over 200 Indian and American executives who participated in the meeting. Featured speakers included: Sikander Bakht, Minister of Industry, Government of India; Dean R. O'Hare, Chairman & CEO, The Chubb Corporation and Chairman, U.S.-India Business Council; Shashi Ruia, Chairman, Essar Group and Chairman, Indo-U.S. Joint Business Council; H.E. Naresh Chandra, Ambassador of India to the United States; Thomas Donohue, President & CEO, US Chamber of Commerce; Sudhir Jalan, President, Federation of Indian Chambers of Commerce & Industry (FICCI) and Chairman and Managing Director, Bells Controls Ltd.; Stuart Eizenstat, Under Secretary for Economic Affairs, U.S. Department of State; Senator Sam Brownback (R-KS); Representative Benjamin Gilman (R-NY); Representative Jim McDermott (D-WA); Representative Frank Pallone (D-NJ); Representative Gary Ackerman (D-NY); Minority Leader Richard Gephardt (D-MO); Deputy U.S. Trade Representative, Susan Esserman.

In his keynote address, Industry Minister Sikander Bakht spoke eloquently about India's participation in the globalization process and the commitment of the BJP government towards the reform process. He outlined the government's new policy initiatives that include second generation reforms covering industrial policy, corporate governance, foreign investment in real estate and insurance sector, fostering competition and reforms of land and labor laws. Highlighting the fact that US companies rank first among foreign investors in India, both in terms of approvals and inflows, Minister Bakht stated that it is more important to note that these companies have been expanding their presence in India. This only reinforces the view that India is an attractive investment destination. The Minister's concluding observation that he looks forward to a quantum jump in Indo-US partnership in the years to come was widely welcomed.

The Annual Meeting presented an opportunity for a series of joint policy roundtable discussions on power & fuel supply, broadcasting & entertainment, trade in services (including insurance, law & financial), intellectual property rights, information technology and telecommunications. For each working group, the US and Indian delegations met separately to discuss issues from their respective sides and then assembled to formulate a bilateral agenda of issues and concerns for each of the sectors. Policy papers were submitted for each of the five sectors.

The joint policy working groups, under the management of the USIBC and the FICCI, will refine the policy papers and present them to the Indian and US Governments. The progress of the issues will be closely monitored, and will feature in the Indo-US Joint Business Council Meeting, to be held in Mumbai, India, on November 15-16, 1999.

Excerpts from the remarks of Senator Sam Brownback at the USIBC Meeting

“I believe that the United States must encourage a broad, stable and improved relationship between our two nations...The US has real and legitimate political, economic and security interests with India and we need to understand and engage on all levels as soon as possible. Seizing the opportunity that we have to build greater ties should be one of our main foreign policy goals. We are, after all, the two most populous democratic nations in the world. Our relationship should be based on shared values and institutions, economic collaboration, including enhanced trade and investment, and the goal of regional stability across Asia...”

Excerpts from the remarks of Representative Benjamin Gilman

“India’s role in this world, its unwavering commitment to freedom of expression, political pluralism and democracy makes it an irreplaceable friend and business partner now and especially at the dawn of the 21st century. India is in a tough neighborhood. And in tough neighborhoods one needs good friends. We will do all that we can to ensure that India and our government works closely together to bring peace and prosperity to Asia and the rest of the world...”

Excerpts from the remarks of Stuart Eizenstat, Undersecretary of State for Economic, Agricultural, and Business Affairs

“India is a nation of talented, hardworking, and visionary people. The whole world is watching and admiring distinguished accomplishments in software development and engineering, high-tech education, and biomedical research...”

The Indo-American partnership of the future offers enormous opportunities, not only for economic cooperation but also for collaboration on global concerns such as promoting greater understanding of democratic values, safeguarding religious and ethnic diversity, battling the scourge of international terrorism, and reversing dangerous trends in population growth, environmental degradation, and the spread of infectious diseases...

For these good reasons, then — reasons that have nothing to do with nuclear weapons capability — India is being increasingly perceived as an emerging world force in the United States. The India of today and tomorrow will be closely identified with the rich works of best-selling authors and the business acumen of CEOs like Sonny Mehta, Rakesh Gangwal, and Amar Bose. India has inspired some of our most popular films and the academic achievements of economists Amartya Sen and Jagdish Bhagwati. These luminaries and others like them along with the dozens of examples of cooperative activities between India and the United States represent indications of what our partnership for the 21st century might look like...”

Excerpts from the remarks of Ambassador Susan Esserman, Deputy US Trade Representative

“...India’s success in software and film show that India is quite capable of world leadership in other sophisticated areas of the IT industry — computers, semiconductors, telecommunications equipment and so on. As Ambassador Celeste says, our scientific cooperation goes well beyond software to include agriculture, high-tech manufacturing, education and much more. India’s decision to join the WTO’s Information Technology Agreement (ITA) last year is clear evidence of India’s intention to become a world leader in these fields, and of recognition that participation is essential to continued leadership...”

INFRASTRUCTURE UPDATE

Telecom Sector

116 Internet Service Providers Issued Licenses Till May 1999

As many as 116 licenses have so far been issued since the new Internet Service Provider (ISP) Policy was announced on 6th November 1998. The break up, category-wise is : Category 'A' (all India) - 18, Category 'B' (Metros/States) - 39 and Category 'C' (small/medium cities and towns) - 59.

The companies which have been issued all India licenses (Category 'A') are, Sukharta Finance, Satyam Infoway, Indusind Distribution, Wipro, Zee Telefilms, Global Electronics, Dishnet, Ircon, CG Faxemail, CMC, STPI, ERNET, Punjab Wireless, Sprint RPG, Bharati BT Internet, Nano Technology, BPL Telecom and Sigma Input Output.

Power Sector

State Electricity Regulatory Commission set up in Uttar Pradesh

The State Electricity Regulatory Commission has started functioning in the Indian state of Uttar Pradesh from 14 June. The Uttar Pradesh government has also decided to privatize power distribution in Kanpur. The private entities shortlisted for power distribution in Kanpur include Larsen & Toubro, Tata, RPG and BSES.

Maharashtra State Awards Six Power Projects

Six major consortia and companies including Larsen & Toubro (L&T), Ashok Leyland and Ispat have bagged half a dozen medium sized power projects in Maharashtra. L&T has bagged two projects at Sinnar (Nashik district) and Mahad in Raigad district. The Ashok Leyland-Fiat consortium bagged the power project at Kagal in Kolhapur while Ispat Industries and P T Industries combine secured the one at Wai in Satara. A Natelco-led consortium comprising B&V and S&S bagged the Ranajangaon project in Pune. Publishing group Deccan Chronicle in partnership with Malaysia Shipyard and Engineers has been given the Chincholikot project near Solapur. All these power projects range between 150 MW and 180 MW. The projects have been awarded on the basis of the lowest tariff irrespective of their capital cost.

GE to Source Engineering Services from India

The General Electric Company (GE) and Tata Consultancy Services (TCS) have formed a 50:50 joint venture (JV) in India to provide engineering services to GE's global businesses. The newly-created entity will be called Engineering Analysis Center of Excellence Pvt. Ltd. (EACoE) and will be located at the International Technology Park in Bangalore.

EACoE will provide high-end engineering analysis and related software development service to GE and its affiliates worldwide. EACoE will leverage TCS's technical and engineering expertise and infrastructure and GE's domain knowledge in complex engineering analysis.

India is a priority country in GE's globalization strategy and the tie-up with TCS demonstrates India's world class capabilities and expertise, said Scott R Bayman, President and CEO, GE India.

Foreign Portfolio Investors Bullish on India

Foreign Institutional Investors have poured money in the Indian stock markets in 1999. This trend has continued even after the flare-up in the Indian state of Jammu and Kashmir from late May. As against a negative foreign institutional investment (FII) inflow of \$219 million in 1998, there has been positive FII inflow in each of the months of 1999. The net FII investment between January and June 1999 is \$899 million. The cumulative net FII investment till June 1999 is \$9.5 billion. The total number of Securities and Exchange Board of India (SEBI)-registered Foreign Institutional Investors is 465.

The reasons for the FII inflow are:

- The Dow Jones Industrial Average (DJIA) strengthened to over 11,000 in recent days. The US-based investors, thinking that the US market was over heated, started looking for overseas investment opportunities. Within Asia, the valuations of the Indian stock market appeared to be the cheapest and hence the most attractive. The Indian market is currently trading at a price to earnings ratio of 13 compared to 74 for Indonesia, 17 for Korea, 28 for Malaysia, and 25 for Singapore.
- The new demat (paperless) trading system has made the Indian stock trading system comparable to overseas markets. In the future, this comfort level can only accelerate the momentum of new funds allocation for India.
- Even after the Indian elections in September-October 1999, there is unlikely to be any change in the economic reform process. This assertion is based on the track record of the governments in the last three years when nearly every major political party has participated in the government without any major change to the comprehensive economic reforms started in 1991.
- Feel good factor is back: The passage of a stock market friendly budget has created a positive sentiment for equity markets.
- There are clear signs of recovery in the last few months:
 - Industrial growth is up 6.8% in April 1999, as against the poor 3.8% growth notched up for the last fiscal year (1998-99).
 - There is a 30% rise in excise collections for April-May 1999 suggesting across-the-board increase in output.
 - There is a 10% growth in exports in March 1999.
 - Agricultural performance is likely to be better than expected. This should translate into higher rural demand and higher production.
 - There is a pick-up in sectors like cement and housing. These are leading indicators of recovery.
 - There is a rise in the business confidence index.
 - There are clear indications of an Asian recovery, particularly Korea. This should have a positive impact on Indian exports.

More details on Foreign Institutional Investment (FII) in India is available at the Securities and Exchange Board of India (SEBI) website at: www.sebi.gov.in

Indian Telecommunications Delegation Visits USA

An official-cum-business telecom delegation led by Secretary, Department of Telecommunications, Anil Kumar, visited USA from 6 - 13 June 1999. Included in the delegation were several senior officials from the Department of Telecommunications and representatives of some major telecom companies operating in India.

The delegation first attended the SUPERCOMM '99 exhibition and conference at Atlanta, Georgia. Thereafter on 11 June, the US-India Business Council, Telecom Industry Association and Confederation of Indian Industry (CII) organized a well-attended round table conference at Washington DC. Presentations were made on various aspects of the vast potential for investment in the telecom sector in India such as provision of internet services, importance of railway tracks for laying high capacity fibre-optic cables, convergence of voice, data and telephony. Secretary Anil Kumar also clarified the government's new telecom policy and its keen desire to move to a revenue-sharing regime while taking care of transitional problems.

Secretary Anil Kumar also addressed the Indo-American Chamber of Commerce on 13 June in New York.

Azim Premji of Wipro is World's Richest Indian

"Forbes" magazine has said that Wipro chairman Azim Premji is the richest Indian in the world with an estimated personal wealth of \$2.8 billion. Much of Premji's worth is pegged to his close to 75% holding in infotech major Wipro Ltd. Premji is ahead of London-based steel baron Lakshmi Nivas Mittal ranked second at \$1.9 billion. Mittal's forte lies in turning around sick mills, a task which he has executed with remarkable consistency around the world — from Kazakhstan to Mexico.

Forbes has zeroed in on seven Indians in its list of billionaires. Forbes magazine annually ranks the world's richest men. The Ambani family of the Reliance group, one of the largest private sector enterprises in the country, comes in at third place with a net worth of \$1.2 billion. The surprise entry in the Forbes list is a man who began, as Forbes puts it, by making computers in his garage 24 years ago. The man is Shiv Nadar, chief of HCL, a company Forbes describes as India's largest infotech conglomerate. Nadar's net worth has also been put at \$1.2 billion. Worth noting is the fact that two of the seven richest Indians are in the infotech business.

AV Birla group scion, Kumar Mangalam Birla, has been placed fifth with a net worth of \$1.1 billion. Adi Godrej and family and the Hinduja brothers, Srichand and Gopichand have been placed at six and seven with net worth of a \$1 billion each.

On the global plane, Bill Gates continues to head the Forbes list as the richest man in the world, with a net worth pegged at an astounding \$90 billion or roughly a quarter of India's GDP. Gates has been the world's richest person since 1995.

Economic Update

Foodgrain Stocks: Stocks of foodgrain stood at 21.66 million tonnes as on April 1, 1999. This level of stocks was higher by 20% than the level of 18.12 million tonnes as on April 1, 1998.

Industrial Production: In the financial year 1998-1999 (April 1, 1998 - March 31, 1999), industrial production increased by 3.8% as compared to 6.6% in the last financial year.

Infrastructure Industries: During 1998-1999 average growth rate of this sector was 2.5% compared to 5.4% in the last financial year.

Money Supply: During the financial year 1998-99, money supply (M3) growth was 17.8%. In the current financial year up to April 23, 1999, money supply growth was the same as in the corresponding period of last year (1.8%). As on April 16, 1999, Prime Lending Rate was 12% to 12.5% as against 13.5% to 14% on April 17, 1998. As on April 16, 1999, Deposit Rate ranged between 8% to 10.5% as against 10% to 12% as on April 17, 1998.

Foreign Trade: In the financial year 1997-98, exports recorded a decline of 2% in dollar terms while imports increased by 0.7%. In 1998-99, exports increased by 3.7% and imports by 7.9%.

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 \$29.61 billion at the end of April 1999. This level of reserves is enough to finance about eight months of imports.

Exchange Rates: The average market exchange rate of the Rupee per unit of US Dollar, Pound Sterling, Deutsche Mark, French Franc and Japanese Yen was Rs.42.73, Rs.68.77, Rs.23.37, Rs.6.97, and Rs.0.36 respectively during April 1999.

Rate of Inflation: The annual rate of inflation based on Wholesale Price Index (WPI) and measured on a point-to-point basis stood at 3.7% as on May 8, 1999. The annual rate of inflation based on Consumer Price Index for Industrial Workers (CPI-IW) stood at 8.9% for the month ending March 1999.

Dr. Reddy's to set up "satellite" research lab in US

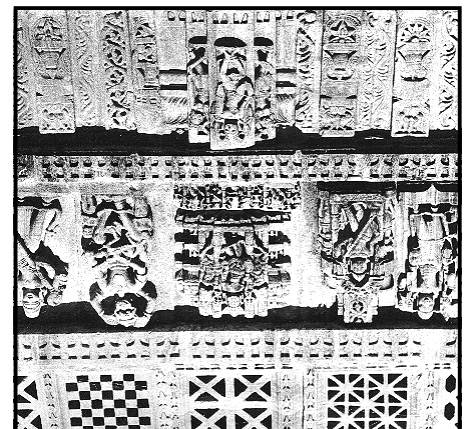
Dr. Reddy's Laboratories (DRL) is setting a new trend in the Indian pharmaceutical sector by installing a "satellite" discovery research laboratory in the United States. The laboratory, to be on the ground and set to take off by January 1, 2000, will form a vital link in the Hyderabad-based pharmaceutical major's quest to become a discovery pharmaceutical company, selling its own original molecules globally.

DRL has filed 24 patents in the United States. Five have been granted permission and another three "allowed", a stage prior to the grant of patent.

NEWS BRIEFS

- US based **Rainbow Information Technologies** has set up shop in India. It has floated a 100% subsidiary in the country to provide software security products. The Indian arm of Rainbow Infotech proposes to take over a local company, Viman Software. (Hindustan Times)
- Two new foreign banks, **Morgan Guarantee Trust Company** of the US and KBC Bank of Belgium, have been granted license by Reserve Bank of India (RBI) to commence operations in India. The banks have been allowed by RBI to set up their branches in Mumbai. (Press Trust of India)
- Ambience Advertising has been acquired by D'Arcy Masius Benton & Bowles (DMB&B). DMB&B is part of the **MacManus Group**. (Business Standard)
- The AIG Sectoral Fund, promoted by the **American International Group** and IL&FS, is picking up 25% equity in RPG Cellular, the RPG group company that provides cellular services in Chennai. The AIG Sectoral Fund is a India-dedicated fund for investing in infrastructure. IL&FS is the advisor to the \$110 million fund. (Business Standard)
- Karnataka Power Corporation Ltd. (KPCL) and **Unocal Corporation** have signed an agreement for establishing a joint venture for the 200 MW Bidadi power project. (Economic Times)
- In what could be India's largest takeover deal till date, US-based **Marathon Power** has pipped Enron to acquire the 515-MW Hazira power plant of Essar Power Ltd. (Economic Times)
- US-based **Rockwell Automation**, a supplier of industrial automation products, systems, software and services, will set up a technology laboratory in Bangalore. The laboratory is expected to be functional by March 2000. (Economic Times)

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



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