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India remains perhaps the world's pre-eminent development frontier. That is the simplest reason why India should be on the world's radar screen and as your (the investor's) destination for trade and investment.

— **P. Chidambaram, Finance Minister of India at the Seminar on India organized by the World Bank, September 20th, 1997.**

President Clinton's Message on the 50th Anniversary of Indian Independence (August 15, 1997)



Tonight we mark the 50th anniversary of one of the pivotal events of the 20th century: the independence of a democratic India. At midnight on this day in 1947, the colonial era ended and a new birth of freedom came to one of the world's great peoples. It was a moment of joy for India — and for men and women everywhere inspired by Mahatma Gandhi's vision and by India's quest for independence. It was a moment, as Prime Minister Nehru said, "when the soul of a nation, long suppressed, finds utterance."

In the decades since, the world's largest democracy has grown into one of its most resilient and vibrant. India has preserved for one-fifth of humanity that most precious gift: freedom. It has forged a strong, modern state for an ancient and rich civilization, and built a thriving economy. And India has become an influential voice in the world community, an example to peoples everywhere striving for human dignity and the right to determine their own future.

A free and independent India has given America many gifts — above all the 1 million sons and daughters who have come to our nation and enriched it beyond any measure. And our two nations have come together frequently in common cause. Now, in a world that is growing closer with every passing day, we must work more closely than ever — as befits two of the world's greatest democracies. We must redouble our efforts to strengthen peace, stability and democracy in South Asia and around the world...to bring the benefits of the global economy to all our people...to reduce the threat of weapons of mass destruction. For India and the United States, Nehru's words from 50 years ago ring true today. He said, "the achievement we celebrate...is but a step, an opening of opportunity, to the greater triumphs and achievements that await us."

When the First Lady visited India two years ago, she was struck by the warmth of her reception and the remarkable diversity and dynamism of India's people. I very much hope to visit India during this term of office. For today, let me simply say, on behalf of the American people: happy Independence Day, India. May your next 50 years be even brighter than the half century of freedom we celebrate tonight.

Industry Minister leads delegation to the USA

The Union Industry Minister, Murasoli Maran, led an official delegation to the US in the first fortnight of September 1997 to participate in conferences and meetings in Boston, Chicago, Washington DC and New York to promote investment flows into India. He was accompanied by Industry Secretary and Chairman of the Foreign Investment Promotion Board, T. R. Prasad, and business representatives from the Federation of Indian Chambers of Commerce and Industry (FICCI).



*Murasoli Maran
Cabinet Minister for Industry*

The Industry Minister chaired three Destination India Conferences and invited US businessmen to invest in India. He said that India is “an attractive investment destination with a dynamic base for manufacturing and a good market providing unique opportunities for growth with sustainable long-term returns”. Dismissing the concern among foreign investors that the reforms process in India was slowing down because of political uncertainty, Maran said that a “robust consensus has emerged across political parties on the widening and deepening of reforms”.

He referred to the World Bank report on India for 1997 which echoes the same sentiments when it says, “Notwithstanding three changes of government of very diverse political backgrounds, reforms have continued through 1996-97 and expanded into some new areas.”

The Industry Minister reiterated that the crucial area of reforms where India seeks active foreign investment is power. The demand for electricity is going up at 9% a year. It is

estimated that India would need an additional 85,000 MW of installed power capacity by 2007. To meet this demand an investment of \$150 billion is required (both in generation and transmission and distribution). “We do not have adequate domestic savings to finance such a staggering outlay. We depend on foreign investors to come to India and invest in this growing sector which assures adequate returns,” he added.

Maran said that the concerns on the speed and process of implementation of power projects were exaggerated. For the first time in Indian history the Indian Railways have contractually guaranteed supply of coal to private power projects. Also, Coal India Ltd. has guaranteed sustained supply of washed coal by putting in place the required washeries. The cost recovery issue, aimed at improving the financial viability, is being resolved by setting up regulatory authorities at the federal and state levels for pricing of power.

Referring to the Enron Project, he said that the company has not only achieved financial closure but has submitted two more project proposals. These were a \$100 million proposal for investment in the power sector and a proposal for setting up a LNG jetty, a gassification plant and a

(Continued on page 3)

Industry Minister leads delegation . . .

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gas pipeline. With the completion of these projects, Enron's total investment in India would touch almost \$1 billion. The Enron episode demonstrates the resilience of Indian judicial and executive systems and its transparent method of working.

Maran said India was liberalizing its economy at a sustainable and steady pace. It has already approved a staggering 11,000 foreign collaborations since August 1991 involving an investment of about \$38 billion. Complementing these international investment approvals, over 32,000 domestic investment intentions have been filed, which amount to potential investment of about \$200 billion. "This has driven our GDP growth to a historic high of near 7% while the industrial growth rate is expected to touch an average of 10% in the medium and long term."

Stating that internationally renowned economist Jeffrey Sachs had projected a 9% growth rate for the Indian economy by the second decade of the next century, Maran said that no doubt India is undergoing a tectonic shift from the slow growth path of 3.5% annual growth over the first four decades of her independence to a new trajectory of 6% to 8% annual growth.

Citing the World Bank report again, the Minister stated that the Bank agrees with the view that India has a high growth potential. The report says: "The Indian economy is stronger and more competitive. The reforms of the past six years have brought about an unprecedented, strong economic performance."

This is in sharp contrast to certain other countries where the transition from regulated to market-oriented economies has led to low growth rates, high inflation and all round dislocations. The Indian experience has thus been unique. The progress to a market-driven economy has not only been smooth and orderly but has also produced "more winners than losers, more gain than pain and more support than criticism". This has clearly helped to establish a wide base of popular endorsement and political consensus for further reforms.

Referring to US investment in India, the Industry Minister said that the list of American companies who have already established their presence in India reads like a who's who of the Fortune 500. A recent survey of US investment in India carried out by the US embassy in New Delhi offers some good as well as bad news. The good news is that 127 companies out of a total of 132 surveyed, consider the investment climate in India to be good and that there has been a consistent improvement during 1997. The bad news is that bureaucratic red tape, political uncertainty and shortage of power top the list of problems identified by the respondents. However, the Minister felt that these were teething troubles of a vanishing nature. He said that there was adequate awareness of the need for discarding archaic and outdated laws and procedures.

He also listed some of the initiatives taken by the government in recent days. Autonomous regulatory authorities have been put in place in the areas of telecommunications, highways and ports, and power. A Tariff Commission is also in place today and the Company Law amendment has been publicly debated, now awaiting final sanction by the Parliament.

Morgan Stanley Rates India Number 1 Among Emerging Markets

Morgan Stanley has rated India number one in a recent study of four Asian countries. Morgan Stanley's global emerging market strategist Jay Pleosky has selected India as his "pick" above Thailand, South Korea and Malaysia. His view is based on "declining interest rates, rising cash levels at local institutions, gradual economic recovery, and an improving earnings outlook".

Morgan Stanley's optimism comes at a time when foreign portfolio investments to Indian bourses have dwindled amid concerns over the delayed industrial recovery and an unstable rupee. Net foreign institutional inflows for the month of August have declined. The reduction in inflows is also partly due to the defensive stand adopted by most emerging market funds following the peaking of the currency crisis in South East Asian countries in late August.

India Among 'Big Five' Emerging Economies: World Bank

The next 25 years will see an unprecedented boost in the prominence of the developing countries in the world economy; and this will be reflected in and driven by the emergence of the "Big Five" — Brazil, China, India, Indonesia and Russia, according to a World Bank report. The report, "Global Economic Prospects and the Developing Countries, 1997", says that the Big Five are projected to fundamentally change the way the world does business. To take full advantage of the opportunities, however, developing nations must tackle a broad agenda of new, more complex and challenging policy reforms, many of which center on creating the institutional infrastructure needed to make markets work more effectively. The report says that policy reforms together with a favorable international economic environment could allow developing countries to grow at between five and six per cent between now and 2020 and in the process raise their share of the world output from around one-sixth at present to around one-third. This will have far-reaching effects with substantial benefits to most of the world, says the report.

In the report, South Asia is projected to grow at a rate of 5.9% over the next decade, an increase of 0.5% over the Bank's own earlier estimates. The revision is based on the momentum of economic reforms being maintained despite political flux. "Commitment to further reforms is being strengthened by the robust supply response to earlier ones, especially in India," asserts the report. "Big challenges remain (for India) though," warns the report. "Central among them is reducing the fiscal deficit," it adds.

Bilateral Aid and the Burton Amendment

Every year, Republican Congressman Dan Burton attempts to indict India for human rights violations in the US Congress by demanding a cut in US aid to India. Since the quantum of US aid is very small (it was \$48 million in 1996, and is estimated at \$55.20 million for 1997), the significance of Burton's intervention has always been political rather than economic. In 1995, his amendment almost went through - he failed by just 19 votes. But last year his amendment failed by 169 votes. And his 1997 effort failed on September 4, 1997 by a whopping 260 votes. The vote was 342 to 82. More than 50 of Burton's supporters were diehard conservatives who would have voted for any aid cut to any country. In effect, therefore, Burton's attempt to nail India for human rights violations has become a farcical irrelevance, not the foreign policy threat it seemed two years ago.

Economic Update

Foodgrain Stocks: Stocks of foodgrains stood at 22.1 million tonnes at the end of May 1997.

Industrial Production: During the financial year 1996-97 (April 1, 1996 - March 31, 1997) industrial production increased by 6.7% as against an increase of 11.6% in 1995-96. Industrial production in the month of April 1997 increased by 9.8%. Production in the manufacturing sub-sector increased by 11.7% in the same month.

Infrastructure Industries: During April-May 1997-98, production in basic infrastructure industries showed a mixed performance compared to April-May 1996-97: Electricity Generation increased by 3.2%, Cement by 6.2%, Petroleum Products by 4.3%, Nitrogenous Fertilizers by 35.3% and Crude Petroleum by 2.2% while Saleable Steel declined by 3.9%.

Money Supply: During the current financial year 1997-98 till June 20, 1997 money supply (M3) growth was higher at 4.2% as compared to an increase of 3.4% in the corresponding period of 1996-97.

Foreign Trade: In the financial year 1996-97, exports recorded an increase of 4% in dollar terms while imports increased by 6%. Exports declined by 2% in dollar terms in April-May 1997 as compared to their level in April-May 1996. Imports also declined by 0.6% during the same period.

Foreign Exchange Reserves: Foreign Exchange Reserves (excluding Gold & SDRs), were \$ 22.4 billion at the end of 1996-97 (March 31, 1997). These reserves have increased to \$25.4 billion at the end of June 1997. This level of reserves is enough to finance more than 7 months of imports.

Exchange Rates: The average market exchange rate of the Rupee per unit of US Dollar, Pound Sterling, Deutsche Mark, Japanese Yen and French Franc was Rs.35.81, Rs.58.87, Rs.20.75, Rs.0.31, and Rs.6.14 respectively during June 1997.

Rate of Inflation: The annual rate of inflation based on Wholesale Price Index (WPI) and measured on a point-to-point basis stood at 4.43% for the week ending July 12, 1997.

Economy Poised to Grow at 6-7% in 1997-98: RBI

Dispelling the temporary gloom, the country's central bank, Reserve Bank of India (RBI), has said that all economic indicators for the country were favorable and that the economy is expected to grow by 6-7% in 1997-98. In its Annual Report for 1996-97, the central bank has said that this will be possible largely on account of the buoyant growth in agriculture which is expected to trigger a revival in demand for consumer goods.

The report says that the reductions made in personal income taxes announced in the last Union Budget is expected to result in higher disposable income and would also provide a fillip to aggregate demand throughout the economy.

While portraying a bullish picture, however, the central bank admits that given the high base of agricultural production during 1996-97, the momentum to the overall economic growth during 1997-98 would have to emanate from the industrial sector. The RBI notes that a positive development is the fall in the incremental capital-output ratio (ICOR), an indicator of capital intensity of economic growth. The ICOR is at present estimated at 4.13 for the period 1992-95.

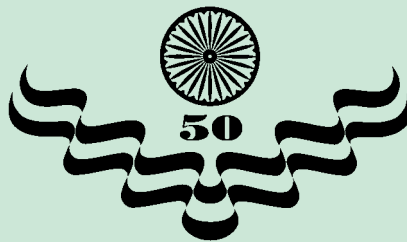
A highlight of the economic performance during 1996-97 was the substantial increase in foodgrain production, which is estimated to have reached a record 198.2 million tonnes. But a major area of concern was the subdued performance of the industrial sector. The report blames infrastructure bottlenecks as a major impediment to industrial growth. But during the year, while everybody was worrying about deceleration in industrial output, the fact that the agricultural sector made a smart recovery from a negative growth in 1995-96 to 5.2% went almost unnoticed. The RBI, however, warns that despite successive good monsoons, the agricultural performance has been volatile. This is symptomatic of the vulnerability of this sector to 'shocks'. In this context, the report calls for enhanced investment in agriculture to improve farm productivity.

The report has also evaluated the five years of reforms, especially in the industrial sector. It observes that there has been a major transformation in the industrial sector since dismantling of controls in 1991. There is a significant change in business approach and financing decisions of the corporate sector. Corporate restructuring has been undertaken by splitting up companies and hiving off unrelated divisions.

Apart from corporate restructuring, there is also a transition of the small-scale sector from its highly protected atmosphere. In view of the importance of the small scale industry sector - which currently provides considerable employment opportunities and contributes over 10% to the gross turnover in the manufacturing sector and 34% to total exports - a number of policy measures are being initiated.

The report goes on to say that the initiatives to bring about structural and institutional changes, especially commercialization of agriculture and infrastructure, are expected to help reap efficiency gains and improve total factor productivity in the Indian economy. This, together with the improvement in the investment rate should help maintain the economy's traverse on the high growth path in the coming years.

***For the complete text of the RBI Annual Report 1996-97, please access the following site:
<http://www.reservebank.com>***



**MINISTRY OF SCIENCE AND TECHNOLOGY
DEPARTMENT OF SCIENCE AND TECHNOLOGY**

SWARNAJAYANTI FELLOWSHIPS

On the occasion of the 50th anniversary of India's independence, Government of India have instituted a scheme "Swarnajayanti Fellowships" by which a selected number of young scientists will be provided special assistance and support to enable them to pursue basic research of a world class standard in frontier areas of science and technology. The Fellowships are scientist-specific and not institution-specific, very selective and have close academic monitoring.

Nature of support: The support will cover all the requirements for performing at the highest level and will include, in addition to an attractive fellowship amount of Rs.25,000 per month, grants for equipment, computational and communication facilities, consumables, contingencies, administrative support, national and international travel and other special requirements.

Duration: The duration of the fellowship will be for a period not exceeding five years.

Eligibility: The applicant should possess one of the following degrees or equivalent: Ph.D in Science/Engineering, Masters in Engineering or Technology/MD in Medicine. The scientist should be active in the frontier areas of science and engineering with outstanding contributions (research publications, peer recognition etc.) in his areas of research. The fellowship is open to Indian Nationals residing in India or abroad. The scientists can choose to work at any S&T institution in India. The fellowship is open to scientists between 30 to 40 years as on December 31, 1997.

Selection: The selection procedure will include two stages. An empowered committee of experts will make the final selection, based on the applications/nominations received.

Application: Application for the "Swarnajayanti Fellowships" are invited from eligible candidates in the format given below. The candidates may be required to submit further additional information and or presentation before final selection. Application in the prescribed format along with the project document and nomination/recommendation should reach Dr.P.K.B.Menon, Director, Department of Science and Technology, Technology Bhawan, New Mehrauli Road, New Delhi-110016 on or before October 15,1997. The last date for receiving applications from abroad is October 30, 1997.

FORMAT FOR APPLICATION

1. Name of the Candidate:
2. Mailing Address:
3. Date of Birth:
4. Educational Qualification:
(Starting from B.Sc onwards)

SL.NO	DEGREE	UNIVERSITY	YEAR	SUBJECTS	PERCENTAGE
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5. a) Details of professional training and research experience, specifying period and list of significant publications during the last 5 years with details. b) Details of employment:
6. Professional recognition, awards, fellowships received:
7. Details of the proposed project to be undertaken during the Fellowship period: (Also specify the work at present engaged in, future plan, prospects after the fellowship, how are these related to the strengthening of basic research in the country etc.)
8. Detailed financial requirements for 5 years and phasing for each year:
9. Name of the institution where project is to be implemented:
10. Nomination/Recommendation: (This should be from Fellows of the National Academies, Directors of National Laboratories, Heads of S&T Departments of GOI or Vice Chancellors)

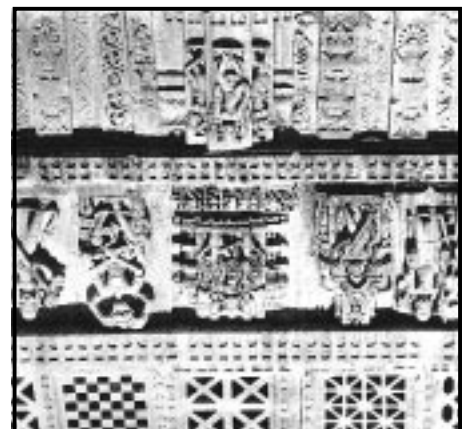
NEWS BRIEFS

- Tata Infotech and the US-based **Compact Video Disc (CVD) Inc** are setting up a replication production plant in Goa for mastering and stamping digital versatile discs (DVDs). DVD is an emerging digital compact disc storage format for music and movies. (Economic Times)
- Government has granted permission to the US-based equipment and engineering major **Black and Veatch** to set up a 100% subsidiary, Black and Veatch India. The unit will be used to channelize investments in power projects and would also provide design, engineering, construction, procurement and related services to power projects in the country. (Business Standard)
- **Infogain Corporation**, the US-based software service provider, has announced the opening of its India development centre to deliver client/server development and maintenance solution to software solution providers worldwide. (Business Standard)
- IBM Global Services India Pvt. Ltd. has

been jointly promoted by Tata Industries and **IBM Corporation** with Tata holding a minority stake of 20%. It will offer the entire range of IT services from IBM including networking, outsourcing, education, system integration, consulting, software development and hardware design. Tata-IBM, the existing 50:50 joint venture will continue to be the primary interface with customers in India. (Times of India)

- **Caltex Petroleum Corporation** has chalked out specific areas in the petroleum sector where it is interested in investing as part of its \$500 million investment plan in India: establishment of import terminals for petroleum products, refining of crude petroleum products, construction of pipelines and setting up of a marketing network. It already has a collaboration with IBP of India. (Business Standard)
- **Monsanto**, the US pharmaceutical, life sciences and nutrition company, is planning a full fledged research and development unit in India, its first outside the USA. (Business Standard)

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



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