



INDO-US BUSINESS

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2nd Indo-US Economic Summit

Bridging the Gap

Another Giant Leap Forward



India, US to play bigger role in changing world

David McCormick



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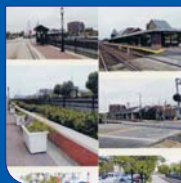
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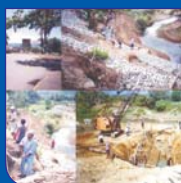
2nd Indo-US Economic Summit
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collected from various sources, which are considered to be
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Dear Readers,

Greetings. Economic relations between India and the United States have been at their best. Credit goes to Prime Minister Manmohan Singh and President George Bush, who jointly laid down the roadmap for an exciting Indo-US Economic Dialogue in July, 2005. The last six months have been hectic for government officials as well as business communities of both countries to meet, interact, exchange and carry forward the process of implementing the Singh-Bush agenda. It is against such a background that the Indo-American Chamber of Commerce (IACC), held its 2nd Indo-US Economic Summit Bridging the Gap, on November 16 and 17, 2005. The Summit had eminently succeeded in focusing the issues that could help boost economic relations in general and bilateral trade in particular. The current issue of Indo-US Business carries a detailed report of the Summit proceedings and presentations, covering a vast range of topics of mutual interest for both India and the US. We carry in full, the Summit recommendations, which called for the removal of trade barriers, while pleading for foreign investment in the crucial areas of infrastructure and energy. The summit had drawn its attention to retail trading, on which the Indian government is still vacillating in terms of throwing it open to foreign direct investment (FDI). Michael Carter, Country Director, the World Bank, urged upon the Indian government to adopt a more liberal FDI policy to facilitate the increased flow of investment into this country. There were also four presentations on the beneficial impact of foreign participation in retail trade, in terms of making available products of high quality to consumers as well as reaching out to markets in rural, interior and remote areas. Where there is a will, there is always a way. Indo-US Business is hopeful that the impact of the presentations will be felt by the concerned policy makers in the government to come up with suitable decisions governing retail trade in the near future. The man, who mattered most in this regard, Union Minister for Commerce and Industry Kamal Nath not only inaugurated the Summit, but also called for increased investment in infrastructure, describing India as one of the best destinations for FDI. Dr. J. B. Penn, Under Secretary, US Department of Agriculture, who was among the many distinguished speakers to address the Summit, appealed to developing countries such as India to take full advantage of the Doha Round of the WTO negotiations. Another top US government functionary to visit India in November-December was Commerce Under Secretary David McCormick, who co-chaired the meeting of the US-India High Technology Cooperation Group. We carry detailed coverage of McCormick's address at the HTCG meeting as well as the HTCG Private-Public Forum, where he highlighted the areas of incredible opportunities for business communities from both the US and India. Apart from these, the current issue carries our regular other features. We take this opportunity to wish you a happy and prosperous New Year.

Wish you happy reading



Satya Swaroop

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Another Giant Leap Forward

The simple adage, “birds of a feather flock together,” aptly applies to individuals as it does, in the larger context, to nations. The most striking similarity between India, an emerging economic power, and the United States, the world's sole superpower, is their being democracies. The US is the world's richest democracy and India the largest. By “flocking together,” the two nations can give the dynamics of their global partnership a new direction, depth and meaning. Strange it may seem, but adversity has brought about an affinity between the US and India, both victims of global terrorism. However, the positive developments that have bound the two countries together are many. The era of “Cold War” is history and its end has triggered an unprecedented spread of democracy across the globe. Since 1991, when the Soviet Union collapsed, giving birth to the Commonwealth of Independent States (CIS), the number of democracies has risen steeply from 76 to 119. While democracy by itself is a binding bond between nations, only economic relations can strengthen it further. India's leap into the league of free market economies, powered by reforms and motivated by the concept of globalization, has found an appreciation in the developed world, especially the US, this country's largest trading partner. In fact, imports from the US have nearly doubled to \$ 8 billion in 2004-05 from \$ 4 billion three years ago, thanks to the reduction of tariffs and a surge in India's economic growth, which needs to be fed and fuelled by imports. Economic relations have quickly created vast vistas of cooperation and collaboration. India's emergence as a key knowledge player and low-cost supplier of Information Technology services and manufacturing products, ranging from pharmaceuticals to automobile components, has found acceptance with the US companies, striving to sharpen their cutting-edge in the competitive global markets. The Indo-US Economic Summit 2005 - Bridging the Gap, held in succession for the second year by the Indo-American Chamber of Commerce (IACC), was another giant leap forward in furthering economic relations between the two countries. US Under Secretary for Commerce David McCormick, who recently visited India, has observed that democracy, reforms and technological revolution have altered the dynamics of global relations. In all the three spheres, India and the US have not only been partners, but also strategic allies. The Summit precisely stressed this philosophy. It is but natural that India and the US flock together.

- Dev

U.S. Under Secretary of Commerce David H. McCormick is an entrepreneur-turned government official. He visited India from November 26 to December 4 and met with senior Indian government officials and business and industry representatives from both India and the U.S. McCormick's itinerary included visits to Bangalore, Delhi and Mumbai. In New Delhi, Under Secretary McCormick and Indian Foreign Secretary Shyam Saran co-chaired the U.S.-Indian High Technology Cooperation Group (HTCG) meetings on November 30 and December 1. McCormick also met with senior government officials to discuss recent developments in US export licensing policies for civil space and civil nuclear power programs in India.



The Dynamics of Global Partnership India, US to play bigger role in changing world

- David H. McCormick

Under Secretary of Commerce for Industry and Security David H. McCormick addressed the World Economic Forum India Economic Summit 2005 in New Delhi recently. Excerpts:

I am here today to talk to you about recent and remarkable developments in the U.S.-India relationship as well as to describe to you some of the seeds of that success. I would also like to speak with you briefly about the important mandate of the High Tech Cooperation Group, which Foreign Secretary Saran and I co-chair, and the critical role that it can and should play in helping to push the U.S.-India relationship to even greater heights in the months and years ahead.

Global Dynamics

The world is changing before our eyes under the transforming effect of globalization. "Globalization" is a broad concept. To understand how it is drawing our two countries together, we need to look deeper at the forces that are shaping our world.

The first force is the unprecedented spread of democracy throughout the world since the end of the Cold War. According to the latest Freedom House figures, there were only 76 electoral democracies in 1991. Two of the most important, then as now, were the United States and India. Since then, our club has expanded to 119. And this spread of democracy has positive implications for global security and prosperity, since democracies are uniquely suited to deliver

both freedom and economic opportunities to their people.

India, a model for the world

Second, and in tandem with the spread of democracy, has been the expansion of the global free market. The last quarter of a century has witnessed the liberalization of economies throughout the world. Nowhere is this more true than in India. Fifteen years ago, then-Finance Minister Singh helped take the courageous step to begin opening up India's economy to the world. Now, as a consequence of this bold action, and along with its extraordinary resources and human capital, India is emerging as a model for the world.

Technological revolution

The third fundamental force that is shaping our world is the technological revolution. As a former technology executive, I find the most striking aspects of this revolution to be its pace and durability. Every time it appears that we have reached a technological ceiling, the revolution moves into higher gear. America and India's close technological ties are helping drive this revolution. Today we find Indian entrepreneurs and engineers in America developing cutting edge technologies, while American companies look to India to design software and high-technology products. In the Research and Development centers of Bangalore, Silicon Valley, or Carnegie Mellon University in Pittsburgh, where I am from, U.S. and Indian entrepreneurs are increasingly interdependent.

Finally, the geopolitical changes of the last 15 years have

been truly astounding. As a number of nations burst on the international scene economically, politically, and strategically, the global landscape has become truly dynamic. All the world recognized the impressive economic performance and determination of India and its people. Within this context, both the United States and India recognized the significant need for, and value of, closer ties in all arenas. Nowhere is this more evident than in our close cooperation in ensuring the spread of democracy and security in Afghanistan.

The Emerging U.S.-India Partnership

Four years ago, these forces helped to draw the U.S. and India into a new, more productive and ambitious relationship. In November 2001 our two countries pledged to qualitatively transform U.S.-Indian relations and a true strategic partnership began to form.

Since then, our two countries have made astonishing progress, culminating in the July 18th announcement between President Bush and Prime Minister Singh. That announcement not only recognized the progress to date, but pledged to accelerate the strengthening of U.S.-India relations in five critical areas.

Economic Dialogue

The revitalized Economic Dialogue, which has produced progress in linking our two countries on issues of finance, trade, commerce, energy, and the environment. This dialogue has led to tangible results: for example, since 2002 U.S. exports to India have nearly doubled from \$4.1 billion to an estimated \$7.5 billion this year. The formation of a CEO Forum, drawing on the expertise of the top Indian and U.S. corporations, will further harness private sector energy and ideas to deepen our bilateral economic relationship.

Turning to the energy and environment dialogue, both sides have made great strides in strengthening energy security and ensuring adequate, affordable energy supplies across a wide range of energy sectors. The commitment announced on July 18th, to engage fully in civil-nuclear cooperation will further reinforce this partnership and facilitate long-term energy security for both our countries.

In the area of nonproliferation and security, two important defense forums have been formed - the India Defense Industry Symposium and the Defense Procurement and Production Group - to provide new frameworks to oversee U.S.-India defense trade, procurement, co-production, and technology transfer.

Finally, both sides agreed to continue the close cooperation in high technology and space research. We have already seen enhanced cooperation on space exploration and satellite navigation and launch. For example, the United States and India are working side by side on using satellite navigation technology to increase civil aviation safety. This type of collaboration could never have occurred in the past, but we have now opened the door for this project and other future projects that allow American and Indian companies to work together on a wide range of projects.

As mentioned earlier, through the democracy and development dialogue, both countries have recognized that



the spread of democracy has truly positive implications for global security and prosperity. The value of our partnership on this front is evidenced by our close collaboration on issues of democracy and development around the world, in places like Bangladesh, Sri Lanka, and Afghanistan.

The July announcement represented a significant step by confirming our joint commitment to playing a leading role internationally to prevent the proliferation of weapons of mass destruction. At the same time, it confirmed our close military cooperation. These enhanced military-to-military ties, including the recent joint exercise between our two navies, has been one of the great success stories of the last four years.

Our world today is one of unique peril and unprecedented promise, bringing the United States and India even closer together. I can't imagine a more exciting time in the history of our two countries ■

Indo-US HTCG Public-Private Forum on Biotech, Nanotech & Defense Trade

Areas of Incredible opportunities

Prior to accepting the prestigious position as U.S. Under Secretary of Commerce for Industry and Security, David McCormick¹ has been a businessman, who like any of his ilk either in the US or India, had to deal with many of the same barriers to high technology trade that the Forum was seeking to address. David McCormick's addressed government officials and business representatives from both India and the US at the opening of the High Technology Cooperation Group (HTCG) Public-Private Forum in New Delhi recently. The Forum was supported by the U.S.-India Business Council and hosted jointly by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII). Excerpts:

I understand firsthand how important it is for the industry to work closely with the government, and provide recommendations for ways to reduce barriers, to innovation, opening the way for growth and expanded business opportunities. Rest assured, I intend to listen closely to what you have to say today, and in the future.

U.S. and India as Emerging Partners in a Changing World

The India that I was introduced to only a few years ago was very different from the India I see today. Each time I have been here, I am amazed to see the pace of change. India has grown at amazing rates. It's GDP in 2004 was the 10th largest in the world, and India's growth rate from 2005 through 2006 is expected to be over 7 percent, a welcome reminder of the growth experienced by India in the 1990s. India's exports to the world have increased from 49 billion dollars to nearly 80 billion. India's purchasing power has increased as well, so that it is now importing almost twice the amount of goods it was three years ago. U.S. exports to India have increased dramatically - nearly doubling in three years from only \$4.1

billion in 2002 to almost \$8 billion estimated this year. Yet only a small percentage of that trade is controlled. Approximately one percent of U.S. exports require a license. Of those exports in sensitive items that do require a license, 91 percent were approved in the fiscal year 2005.



Changing world trade

India has grown, and the U.S.-India trading relationship has flourished, with the world around us changing as well. I have spoken in the past about four trends that underline the changes we see in the world today, all of which are factors in the success of the emerging U.S.-India partnership. First, democracy is on the rise. India's tradition of democracy and commitment to creating an environment that enables free people to make their own decisions provides an example for the rest of the world. As democracy expands, so too does hope - hope for conquering tyranny and those forces of terrorism that seek to prevent freedom for all people. In these areas, the interests of the world's oldest democracy and its largest go hand-in-hand.

Second, the spread of democracy has paved the way for the expansion of global free markets, where economic freedom and political freedom are as one. India and the United States should be committed to establishing a free trade relationship that ultimately brings prosperity to both of our countries.

Third, the technology revolution continues to change the world we live in at unprecedented speed. Today, the United States and India exist a world apart, yet with the decline in cost of communication and transportation, geographical distance seems to be a barrier only to those of us who suffer from jet lag. Unfortunately, many of the same technologies that have changed the world for the better also pose a threat of being used by terrorists and rogue nations against us. Accordingly, implementing and enforcing strong export controls to combat the proliferation of these technologies is more important today than ever before.

Finally, the realignment of the global political environment has reshaped our world. The end of the Cold War, the ongoing war on terror, and the market forces that have emerged in Asia have dramatically altered the globe - economically, strategically, and socially.

Because of these trends, the U.S.-India relationship is more important today than it has been ever before. Since 2001, the United States and India have experienced a historic transformation in relations. We have seen remarkable

changes in the past few years, culminating most recently in the July 2005 Joint Statement, when President Bush and Prime Minister Singh declared their resolve to continue to transform the relationship between our two great nations and establish a global partnership. The Joint Statement coincided with the completion of the Next Steps in Strategic Partnership, launched in January 2004 to provide the basis for expanding bilateral activities and commerce in space, civil nuclear energy, and dual-use technology. In only two years, our countries were able to create the foundation for cooperation in areas that had been off limits less than a half a decade ago.

A strong U.S.-India partnership seems only natural. We frequently hear about the similarities between the United States and India - we are the two largest democracies in the world, both founded upon a tradition that values freedom and the rule of law, with populations that respect and understand the importance of the diversity of their populations. But as I have come to learn in my visits to India and the discussions I have had with Indian diplomats, businessmen, academics, and thinkers of this country, both our nations share a common spirit of innovation built upon the success of our many entrepreneurs. It is this spirit that I believe binds our two countries together and ensures the future success of our bilateral economic relationship. And, in particular, the HTCG.

The Role of the HTCG in U.S.-India Relations

In November 2002, the United States and India established the High Technology Cooperation Group to establish a framework for discussing high-technology trade issues that enabled the business community to augment the government-to-government discussions. In this way, the HTCG is unique among other U.S.-India dialogues. Your input is not only encouraged, but is critical to our success.

I come to the HTCG with no pride of ownership. The HTCG has been successful largely because of the commitment made by my predecessor, Ken Juster, and the Government of India to make these discussions a priority. I believe this dialogue has been effective for several reasons:

First, the HTCG has remained focused on key industry sectors that have been affected by tariff and non-tariff barriers that limit innovation and hinder trade. Second, the HTCG has sought to address achievable short-term goals. Third, the HTCG has attempted to be a candid and open discussion that has recognized the importance of working together as partners that share common goals. Finally, the HTCG has been a success because of you. Industry is best suited to identify and propose solutions to barriers to trade.



The Future of the HTCG: Concentrating on Results

Yet, despite the success of the past - indeed because of it - the HTCG must adopt an even more results-oriented approach for the future. The HTCG was envisioned as a group that should focus on accomplishable goals - somewhere between the 30,000 foot-level thinking and where the rubber meets the road. We must set goals that are oriented towards achieving deliverables, and we must remain flexible by being willing to address new areas when appropriate, and divesting our energy from areas where we are not making progress or which are best addressed through another forum. The goals the United States and India outlined in the HTCG's 2002 Statement of Principles should remain our focus today: lower the barriers to trade, increase access to high-technology goods, enhance nonproliferation measures, and encourage private industry participation in the dialogue. But for the HTCG to be successful in the future, we must create specific mechanisms that encourage results, provide a means to track progress, and allow for regular and procedural follow up.

It is also important to note the critical role - the responsibility, in fact - that industry has for continuing momentum through focused execution of their part of the HTCG agenda. The HTCG must provide a forum for meaningful feedback to government, but also tangible action by industry.

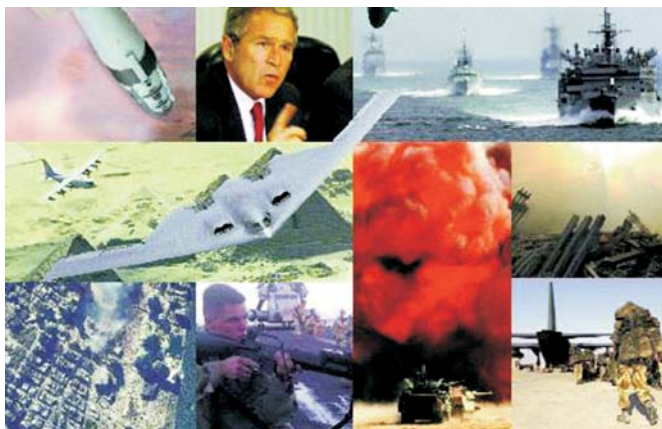
Today, we are here to focus on increasing opportunities in biotechnology, nanotechnology and defense technology - all of which are sectors that are heavily regulated and offer incredible opportunities for both India and the United States.

Defense Trade

Perhaps the area with the greatest potential for future growth is Defense Trade. In the July Joint Statement, President Bush and Prime Minister Singh expressed their satisfaction with the New Framework for the U.S.-India Defense Relationship, signed by U.S. Secretary of Defense Donald Rumsfeld and Indian Defense Minister Pranab Mukherjee as a basis for future defense technology cooperation. In addition, the Framework included the creation of a new group - the Defense Procurement and Production Group - or DPPG - which met two weeks ago in Washington, DC, prior to the Defense Policy Group meetings. Over the past year, delegations from the U.S. Department of Defense have come to India to discuss technology protection, the Department of State has come to discuss export control policy for sensitive military items.

In the past, HTCG private sector participants have spoken extensively about ways to enhance defense trade. In

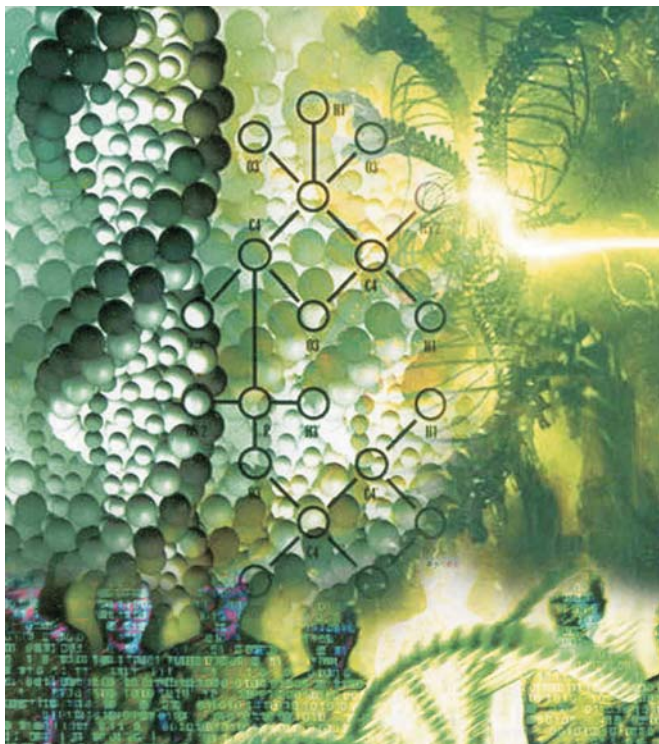
November 2004, the HTCG agreed to form a U.S.-India Industry Working Group on Defense Technology, which convened in February 2005. And looking back at the recommendations made in the July 2003 HTCG public-private forum, I am pleased to note that many of the HTCG private sector working group's recommendations have been implemented in one form or another. For example, the completion of the Next Steps in Strategic Partnership in July 2005 addressed many of the concerns related to export licensing policies and procedures, including a commitment to streamline U.S. licensing policies and remove certain end users from the Department of Commerce Entity List. Moreover, there has been a concerted effort to increase the dialogue with the Indian defense acquisition community concerning Indian defense priorities and practices, in the DPPG and other dialogues.



All of these meetings have shared a common theme of more communication, more clarity in the procurement policies of both the United States and India, and more transparency in how procurement decisions are made. Today, I am hopeful our industry participants can flesh out in even more detail insights and recommendations to provide a useful foundation for the government-to-government dialogue. Tomorrow, our two governments will continue to focus on these issues. I have no doubt that there is much more that can be done to reduce the barriers to trade in this area and to take the U.S.-India defense trade relationship to unprecedented levels.

Biotechnology

Similar to defense technology, life sciences and biotechnology have been a focus of the HTCG since its inception. There is significant growth potential for biotechnology in India. India has made tremendous progress in its infrastructure development, technology base and range of production capability for biotechnology. Yet there is much that we can do to increase opportunities in this area by



addressing, for example, supply chain integrity of biological and pharmaceutical materials and expanding clinical research capacity in India. As noted by private sector meetings in the past, the protection of data and intellectual property rights also remains a concern for many U.S. companies. I know that speaking with industry participants in this area that there are specific, tangible ideas and suggestions for how we can make near-term gains in this area. And we look forward to taking that feedback into the



government-to-government discussions.

Nanotechnology

And in the area of nanotechnology, there are numerous issues related to the societal, ethical, regulatory and standards issues that affect this exciting new technology. In previous forums, this group has discussed the role of export controls in nanotechnology, which is a subject that many governments throughout the world - not just the United States - are attempting to examine. Areas of potential cooperation include the development of metrology techniques and appropriate nomenclature to enable the further international development. I understand that patent issues related to nanotechnology are also a subject that the group today may want to address.

I encourage you to look at the issues with the goal of identifying what are the five things that government can do to assist in encouraging trade in these areas? What key questions would you like answered? What are the accomplishable goals - between the stratosphere and the pavement - on which we should focus?

Accordingly, at the end of the day, I hope that we will be able to produce an action plan - for both industry and government - that provides a foundation for future action in each one of these issue areas.

Conclusion

One of the elements of success for a global partnership will be to work successfully together to identify and resolve problems in the relationship. We should tap into our commonality as nations of problem solvers to develop recommendations that enable us to address short-term accomplishable goals that ultimately advance high technology trade between our two countries.

This is not to say that we will be able to match every problem with a short-term goal; undoubtedly, there will be issues that require longer-term solutions. As with any emerging relationship, we must remember to be patient. I recognize that in this new world where business transactions move so quickly, it is difficult for policy to keep pace. But short-term success will build a foundation to address the longer-term objectives.

The United States is deeply committed to the emerging global partnership with India, and we are working hard to make sure that the message is clear: our commitment goes beyond mere words. In the past, the HTCG has provided a forum for a very useful dialogue. But it is imperative that we turn talk into action. ■

HTCG helped remove high tech barriers

- US Under Secretary McCormick

Unique in its mandate and focus, the U.S.-India High Technology Cooperation Group is a critical and mutually supportive component of these dialogues.

The HTCG was formed in November 2002 to provide a standing framework for discussing high-technology issues of mutual concern. Both sides agreed that the HTCG should have two primary and interrelated objectives:

The first was to strengthen nonproliferation through enhanced dual-use export control cooperation. This cooperation would, in turn, build confidence for greater bilateral trade in dual-use goods and technologies.

The second was to develop and promote high-technology trade more broadly. By focusing on cooperative steps, both sides can take to create the appropriate economic, legal, and structural environments necessary for successful high-tech commerce. These steps have yielded real results:

Positive & Tangible effect

The HTCG has had a positive and tangible effect on licensing statistics. Since 2002, India has had far greater access to U.S. technology as the U.S. has loosened controls on certain dual-use items. We have lowered the average processing time for licenses for India such that they are now similar to many other U.S. partners and allies, such as the United Kingdom, Israel, and France. Only about 1 percent of total U.S. trade with India requires an export license and over 90 percent of all licenses are approved. Finally, while total U.S. exports to India have increased, licensed dual-use exports have declined, as fewer technologies now require a license.

In the area of U.S. policy changes, the HTCG has fostered the exchange of information that has reduced confusion over export policies and procedures on both sides, benefiting our two governments, as well as the private sector. With the removal of some Indian end-users from the U.S. Entity List, more U.S. high-technology items may be exported to India without a license for civil-space and civil-nuclear end uses.

The HTCG has also contributed critical support for India's export controls. The passage of the landmark WMD law establishing an export control system was a major achievement and a clear indicator of India's commitment to nonproliferation and the U.S.-India relationship.

The success of the HTCG in these areas has been due to several key factors.

This dialogue has a successful tradition of focusing on those barriers to high-technology trade that have identifiable remedies with the potential for tangible "wins." To this end, the HTCG has focused on key industry sectors that have been affected by tariff and non-tariff barriers, including export controls that limit innovation and hinder trade.

Importantly, we have included industry in this dialogue. The business community is best situated for identifying the barriers to trade in their commercial sectors and proposing solutions that make sense. As a consequence, the HTCG has seen great progress in areas such as defense trade, biotechnology, and information technology. Critical to the process are breakout sessions, in which private sector participants develop specific recommendations and action plans that the government can consider, and when appropriate, implement it to reduce barriers to high technology trade and collaboration.

Finally, the HTCG participants have been consistent in their commitment to candid and open discussions. And their willingness to communicate not as one against another, but rather as partners working toward a common goal. This has created trust on both sides, and in turn progress.

As a consequence of these factors, the HTCG has also been instrumental to the creation and successful completion of the Next Steps in Strategic Partnership. While two separate initiatives, the HTCG complemented the NSSP by dispelling misperceptions about U.S. export controls, facilitating the exchange of information, and organizing technical exchanges and outreach with India.

The HTCG Dialogue

I can say with great confidence that the HTCG is more important than ever before to the Agenda laid out in the July announcement and to overall U.S.-India relations. Our challenge is to build on our past success while effectively integrating the HTCG's mission into the other bilateral dialogues. This week's HTCG meetings represents an exciting opportunity for our governments to work with the private sector to adopt an ever more "results-oriented" approach that seeks to obtain measurable progress in very specific areas - such as investment in defense trade, biotechnology, information technology, and nanotechnology - all of which feed into the dialogues identified by the President and Prime Minister in July. ■

2nd INDO-US ECONOMIC SUMMIT

BRIDGING THE GAP



L to R: Prem Behl, Dr. J.B. Penn, Kamal Nath, B. Prabhakar

Remove Trade hurdles ; invest in infrastructure, energy & retail trade

The two-day 2nd Indo-US Economic Summit, organized by the Indo-American Chamber of Commerce (IACC) on 16 and 17, November 2005 in New Delhi called for concerted efforts to broaden economic relations between India and the US by removing obstacles, in trade and facilitating investment in key sectors such as infrastructure, retail trade, energy, finance, insurance and civil aviation. The Summit whose thematic focus was "Bridging the Gap" strongly felt that the Indo-US CEO Forum should complement the working of the Trade Policy Forum by addressing the key concerns of the business communities of both countries.

Recommendations

Indo-US Trade

• Recent Indo-US initiatives

- ♦ *At the Govt. level:* The recently formed 'Trade Policy Forum' needs to work towards identification of key obstacles taking into account US & India-specific concerns and provide sustainable solutions
- ♦ *At the Private Sector level:* The CEO Forum needs to complement the working of the Trade Policy Forum by putting forward the key concerns of the business community from their practical experience

• Key areas for partnership

- ♦ Investment in *infrastructure*
- ♦ Need to recognize the importance of an India-specific model in *agriculture*
- ♦ Complementing Indian *low-cost manufacturing capabilities* with US *technical know-how*
- ♦ Leverage on India's enormous potential in *IT, Tourism, Gems & Jewellery*
- ♦ Using *SEZs* as a vehicle for growth in Indo-US business

Organized Retail

• Clarity on Indian Govt's policy of FDI in retail

- ♦ The general opinion amongst the business community is that opening up of the retail sector would lead to substantial modernization of the front-end

- ♦ Growth of agriculture and manufacturing sectors on account of the increased sourcing of goods by large retail outlets

• Substantial investments are required to strengthen the Supply chain.

Opening up of the retail sector would lead to increased US participation in areas such as:

- ♦ Warehousing ♦ Cold Storage ♦ Refrigerated transport, etc.

• Regulatory developments needed for

- ♦ Providing 'Industry' status
- ♦ Streamlining taxation issues

Energy

• Oil and Gas

- ♦ Extensive use and sharing of technology to counter oil/gas shortage
- ♦ Increase in US participation in New Exploration Licensing Policy ('NELP')
- ♦ Scope for cooperation and alliances in R&D sector and cutting edge technologies in improving recoveries from maturing fields
- ♦ Scope for cooperation in non-conventional sources of

hydrocarbons such as Coal Bed Methane, gas hydrates and also Underground Coal Gasification

- ♦ Increase in US investments in LNG Terminals, refinery up-gradation, pipelines, storages, retail outlets, LPG bottling plants

• Power

- ♦ Tapping non-conventional / renewable sources of energy such as solar, wind, biomass, etc.
- ♦ Exploring nuclear energy as a potential source against the backdrop of the recent Indo-US civil nuclear energy cooperation agreement



Financial Sector

- ♦ Increase in the use of electronic payment system can act as a catalyst in economic growth
- ♦ High level of off-shoring of Banking processes and operations by Global banks
- ♦ Better functioning of financial sector may lead to a 2% annual growth of the GDP
- ♦ Low level of penetration in the SME / Rural sectors
- ♦ Speed up the privatization process
- ♦ Increase investment in skill building and HR
- ♦ Restrictions on investments in various sectors should be gradually eased

Insurance

Apprehension replaced by enthusiasm due to credible sector performance

Civil Aviation

- Quantum jump in number of flights to US
- Training infrastructure needs to be further enhanced
- Modernization of airports has been slow but its now on track. 30 other airports (in addition to the 4 metros) are to be upgraded
- Public-private partnership required for the upliftment of airport infrastructure
- Facilitate issuance of US visas
- Regulate procurement of aero planes to avoid mismatch between demand and supply



Another Leap Forward

The summit brought together economic thinkers, financial experts, policy makers and corporate leaders from India and the US, on one platform to exchange ideas on some of the key industrial sectors.

The summit was held against the backdrop of the euphoria created by Prime Minister Manmohan Singh's visit to the US in July and his meeting with President Bush, who jointly laid down a road map for Indo-US Economic Dialogue. Indo-US bilateral relations have since entered their most exciting phase in history, with a deep commitment from both sides to further strengthen their economic and commercial ties.

"We have to ensure that the foundation stone laid down by our leaders is further cemented through our efforts. The CEO Forum, which has been setup, will advise both governments on ways to increase trade and investment flows," stated an IACC statement issued after the summit.

The discussions were led by Prem Behl, Chairman of the summit, with a core group consisting of Deepak Pahwa, Executive Vice President, IACC; Vikram Madhok, Co-Chairman, Indo-US Economic Summit; Baljit Sobti, Regional President, IACC and Chairmen of the Sessions - Ravi Wig (Energy); Gautam Mahajan (Trade); Vinod Madhok (Financial Sector) and Atul Sharma (Civil Aviation), assisted by a Steering Committee.

The Summit was supported by the Department of Commerce, Government of India. Grant Thornton was the knowledge partner, CNBC TV the electronic media partner and Financial Express the print media partner. The summit also received sponsorship support from Kingfisher Airlines, DS Constructions Limited, ITC, Abercrombie & Kent India, Bry-Air, Exhibitions India Group and Mastek.

The Focus

- **Indo-US Trade: For Accelerated Growth**
- **Organized Retail Trade in India: Options and Opportunities**

- **Energy: Crucial for growth**
- **India's Financial Sector: Reforms for faster growth**
- **Capital Markets: A huge latent demand**
- **Insurance: Encouraging investment**
- **Civil Aviation: Partnership with US**

Minister for Commerce & Industry, Kamal Nath was the Chief Guest, who inaugurated the Summit. The Guest of Honour was US Under Secretary for Farm & Foreign Agricultural Services, Dr J. B. Penn. Michael Carter, Country Director, India, and the World Bank, delivered a Special Address. Deputy Chief of Mission at US Embassy Robert Blake delivered the valedictory address. Roger B. Madsen and Don Dietrich from Idaho Commerce & Labour and Dr. Vikram Rao, Vice President, technology, Halliburton Energy Services from the US also addressed the Summit.

A 7-member delegation from the alliance of Indo-American Chamber of Commerce from the US participated in the Summit. The alliance consisted of:

- Greater Dallas Indo-American Chamber of Commerce
- Georgia Indo-American Chamber of Commerce
- Indo-American Chamber of Commerce of Greater Houston
- Indo-US Chamber of Commerce, Tampa
- Indo-US Chamber of Commerce of NE, Florida
- India US Chamber of Commerce, Inc, South Florida
- Indo-American Chamber of Commerce of Oklahoma

A word from the policy makers...

- The statement of the Union Minister Mr. Kamal Nath that the economic reforms initiated by the Government are sustainable and are here to stay heartened us.
- Mr. B. J. Panda, MP, informed the house that the US is India's largest trading partner. He maintained that India could be on to a much faster growth pattern but considering that the country follows a democratic setup where the reforms and liberalization need to follow a consultative approach involving various stakeholders in the process ■



FDI in Infrastructure & SEZs

India is among the best investment destinations

Kamal Nath

Union Minister of Commerce & Industry Kamal Nath has said that the Special Economic Zones

(SEZs) will be the centre of the strategy for India's export growth and that a very attractive set of incentives have already been evolved for developers setting up SEZs in India as also for the units located within such zones.

"We hope to soon put in place a specific legislation on Special Economic Zones which will consolidate and streamline all issues related to the SEZs", Kamal Nath said while addressing the Indo-US Economic Summit: Bridging the Gap, organised by the Indo-American Chamber of Commerce (IACC).

Emphasising the growing role of trade and the need to create trade-related infrastructure, Kamal Nath said the government had decided to promote the setting-up of Free Trade Warehousing Zones (FTWZs) where foreign direct investment (FDI) up to 100 percent would be permitted and which would also get all the benefits available to SEZs. India had allowed 100 percent FDI in most activities under the automatic route, not requiring any prior government approval, he added.

"Besides many distinct advantages that India offers, the

investor finally looks at the return of investment while making a choice for investment. As the existing investors will confirm, returns on investment in India are very good, comparable with those prevailing in any other country," he said.

According to the Minister, a survey of foreign companies doing business in India has shown that as many as 77 percent of the foreign investors have been making profits and another 9.0 percent are approaching break-even levels and the remaining 14 percent are about to make profits.

In this context, Kamal Nath highlighted the opportunities for investment in the infrastructure sector and said that at least \$150 billion would be required in the next 5 to 10 years to upgrade the infrastructure across the country such as highways and roads, power, sea ports, cities and telecom.

"We have put in place infrastructure finance mechanism, viability gap funding and all this together makes India one of the best infrastructure investment destinations in the world," Kamal Nath said.

Kamal Nath urged the US business community and other investors from that country to look at India as a "great opportunity" in the area of infrastructure, adding that the problem of infrastructure had to be addressed if the country were to maintain its growth rate.

He said the Indian government would be focused on making India a manufacturing hub. "India has emerged as a low-cost base for manufacturing and this has been realized throughout the world. India is now set to become a major manufacturing hub."



Indian farmers must take advantage of new technology to step up output

Indo-American Chamber of Commerce, National President B. Prabhakar stressed the need for broadening the knowledge base of Indian farmers to take advantage of new technologies to step up production.

Welcoming the delegates to the Second Indo-US Economic Summit, Prabhakar said the agricultural sector in India continued to provide livelihood to more than 65 percent of the country's population but accounted for only 22 percent of India's total national income.

"It is, therefore, necessary that we broaden the knowledge base of our farmers to enable them to make the optimum use of new technologies and raise agricultural growth to over 4.0 percent and this can be done through Indo-US Cooperation in agriculture," he said.

Prabhakar called upon the rich nations to make genuine offers on agriculture to ensure cuts in farming subsidies and fair play in export competitiveness.

He referred to the current phase of Indo-US relations as the most exciting and said that the future held great promise.

"There is a deep commitment from both the sides to develop and deepen economic and commercial ties," Prabhakar said, adding that Prime Minister Manmohan Singh's visit to the US in July and his meeting with President Bush had laid down an agenda for greater involvement with each other.

"And now we await the visit of the US President to India early next year. Both the sides are making hectic preparations for President Bush's visit. Every month there is a high level visitor from the US. US Treasury Secretary John Snow has just visited India, followed by US Trade Representative Rob Portman. These are warming up exercises which could result in specific agreements during President Bush's visit," he said.

Prabhakar said that a large number of agreements had been signed between the two countries to promote cooperation in a large number of sectors, which could not alone be fulfilled by the two governments.

"Private sectors of both countries have an equally important role to play. The CEO Forum, which has been setup, will advise both governments on ways to increase trade and investment flows," he said.

Prabhakar said the Indo-American Chamber of Commerce did not lag behind in its efforts and hence the second Indo-US Economic Summit had been organized to bring together business leaders, economic thinkers, financial experts and policy makers on one platform to exchange ideas on some of the important sectors. ■



India, US must join hands in farm research: Mulford



US Ambassador to India David Mulford, who could not participate in the Second Indo-US Economic Summit, sent across a message to the organizers, in which he called for increased cooperation between India and the US in agricultural research, teaching, public private partnerships and commercial linkages.

Ambassador Mulford said: "The visit of Prime Minister Manmohan Singh to the US in July this year, to meet President Bush reflects the blossoming of US-India relations. During that visit both US and India reaffirmed their commitment to work closely together in a wide variety of economic and commercial areas, under our Economic and Energy Dialogues, our High Technology Cooperation Group, and under new cooperative initiatives on agriculture, HIV/AIDS, information technology, and trade. A CEO Forum is now advising our respective governments on ways to increase bilateral trade and investment flows. I am confident that these efforts will further strengthen our economic and commercial ties, led by the IT, telecom, aviation sectors, agriculture, and infrastructure sectors".



Take Advantage of Doha Round

- Dr. J.B. Penn, Under Secretary, USDA

Dr. J.B. Penn, Under Secretary, U.S. Department of Agriculture, Farm and Foreign Agricultural Services, in a detailed presentation, on a wide-range of issues affecting agriculture across the world, said the Doha Round of WTO talks held out great hope.

He said developing countries such as India, having great market potential, must take advantage of the Doha Round through the implementation of appropriate policy measures.

He said India's consumer base was enormous with a \$3 trillion economy, growing at a steady pace, with a projected doubling of food consumption by 2020. Income growth helped in reducing share of population in poverty and boosting food demand.

Dr. Penn pointed out that at a population growth of 2.0 percent a year on a billion base, by 2025, India would require 92 million tonnes more cereal to meet its food needs.

Economic Reforms in India's Trade and Investment Regime

He said economic reforms of the last 14 years, which included reduction of tariffs on industrial goods and removal of some non-tariffs barriers, had led to some openings.

Dr. Penn pointed out that agricultural tariffs averaged a 114 percent, the fourth highest among 105 developing countries.

He quoted President George Bush as saying that the US "will fight to lift the burden of poverty from places of suffering not just for the moment, but permanently. And the surest path to greater wealth is greater trade. The Doha Round is the most promising way to achieve this goal... This is the key to overcoming poverty in the world's poorest nations. It's essential we promote prosperity and opportunity for all nations."

The US Proposal for Doha Round

Dr. Penn described the Doha round of WTO talks as "teetering" and explained the US stand as enunciated in its

proposal of October 10, 2005, closely interlinked to the country's farm policy.

He said the proposal, to be implemented in two stages, was contingent on comprehensive reform, and envisaged substantial reductions in trade-distorting measures and tariffs and elimination of export subsidies.

Dr. Penn talked about the importance of agriculture at the Doha Round as it covered services, non-agriculture goods, trade and environment and intellectual property. Of these, agriculture was the engine that was pulling the train and if agriculture did not move nothing moved.

Dr. Penn referred to the U.S. Export Competition Proposal, which sought to eliminate export subsidies by 2010, and said that it contained other features such as trade distorting practices of STEs and a move to limit export credit to 180-day repayment terms.

He spoke about the benefits that would accrue to developing countries through trade liberalization and cited a study by the Institute for International Economics and the Center for Global Development, which said that more open trade would increase the income of developing countries by \$200 billion annually.

The study also stated that free trade would reduce global poverty by 25 percent over 15 years. The World Bank estimated that two-thirds of the gains in global income from the worldwide elimination of barriers to goods would come to middle- and low-income countries.

Dr. Penn said developing countries must take action to benefit from trade liberalization by chalking out regulatory frameworks, especially on sanitary and phytosanitary (SPS) issues and institutional market infrastructure.

Developing countries must also promote sound science and strong international standard setting bodies (Codex, IPPC, OIE), strengthen market information systems, grades and standards, cold chain and human/organizational capacity.





Big scope for US tie-ups & FDI in aviation, energy, retail trade, banking

Prem Behl, Chairman, Indo-US Economic Summit, said India, one of the most rapidly growing economies in the world, offers the US opportunities for collaboration in key areas, including banking and finance, civil aviation, energy and retail trade.

Reforms had opened up the Indian economy to greater flows of Foreign Direct Investment (FDI) and portfolio investment, he said. "Today, India is an important destination for FDI in Research and Development (R&D)," he said.

Behl said that the Indo-US partnership had economic relationships at its core and the landmark cooperation framework agreement signed by the two countries to strengthen bilateral economic cooperation facilitated new initiatives in key sectors like energy, environment and transportation.

He listed trade (retail trade), financial sector, civil aviation, and energy as key areas that needed to be given a fillip.

Behl said that for the first time, Indo-US trade had crossed the US \$20 billion mark and touched \$21.7 billion in 2004 compared to \$18.0 billion in 2003, with US exports to India showing a rapid growth from \$5 billion to \$6.1 billion during the year.

However, market access to India's agriculture and marine exports remained issues of concern, stated Behl, adding that US anti-dumping duty on Indian shrimps had reduced exports to the US by nearly 30 percent.

Behl said that in order to boost trade, FDI up to 49 percent should be allowed in the retail industry initially. Significant backward linkages in organized retail sector would result in the growth of inter-linked sectors such as tourism, IT, and employment.

Allaying fears that the entry of large retail stores would not hurt the "mom and pop" stores, but co-exist with them, Behl said that ultimately consumers would gain from organized retailing since it led to lower prices and improvement in the quality of products.

Behl said that for further deepening of bilateral economic relations in financial sectors like banking, insurance and capital markets, certain limitations on operations of foreign banks could be removed in India.

Higher FDI in the banking sector would add capital to the banking sector and spread credit availability, adding that foreign banks could be permitted to acquire private banks

other than those identified by the Reserve Bank of India.

Behl said that the insurance sector, FDI cap could be raised from the present 26 percent to 49 percent along with removal of the minimum capital requirement of Rs. 1 billion which would facilitate the entry of this sector into fields such as health insurance.

He said the government was giving priority to the development of infrastructure and quoted Prime Minister Manmohan Singh as saying that India had the capacity to absorb \$150 billion of FDI in the infrastructure sector alone in the next 10 years.

The Indian Civil Aviation sector grew 20 per cent last year and was poised to grow at 25 per cent annually over the next five years to witness an investment of US\$30-40 billion.

Behl said restructuring and modernization of Delhi and Mumbai airports by private investors was already on, followed by Kolkata and Chennai airports for similar upgradation.

He listed several other measures the government had taken to boost infrastructure in the civil aviation sector such as development of two green field airports in Hyderabad and Bangalore with private sector participation, finalization of fleet expansion plans of Air-India and Indian Airlines, and permission to allow foreign equity of up to 49 per cent and NRI investment of up to 100 per cent in domestic airlines without government approval.

Behl said an agreement on US-India cooperation in the civil aviation sector provided for the creation of slots in various US airlines to provide facilities for building up skilled manpower.

Talking about India's energy needs, Behl said that in 15 years from now India would have to import close to 90 percent of its petroleum requirements. He called for the formulation of a comprehensive energy policy including reforms in the electricity sector to make it self-sufficient.

Behl said the rapidly expanding Indian energy market offered substantial opportunities for Indo-US cooperation in the power sector. India's modest renewable energy program would require external funding and technology expertise and that American firms could play a vital role.

Much of this cooperation could be accomplished under the aegis of the newly initiated Indo-US Energy Dialogue, which covers a broad range of existing energy cooperation between the two countries besides developing new areas of collaboration. ■

Retail trade, apparels,
banking & housing

India must adopt more liberal FDI policy

- Michael Carter, Country Director, World Bank



As India and the US take their political, strategic, trading and commercial relationship on to a new plane, Michael F Carter, Country Director, World Bank, shares his thoughts and the perspectives of the World Bank, in a special address delivered at the Second Indo-US Trade Summit in New Delhi recently.

The areas for deliberations at this second Indo-US Trade Summit are well chosen retail trade, energy, finance and civil aviation. All offer great potential. I thought I could best contribute by briefly offering a short overview of recent economic and social development in India then offering some thoughts on recent reforms and challenges ahead in promoting the private sector, and specifically on trade and investment.

The state of the Indian economy

First, on India's economy. Supported by wide-ranging reforms, India has experienced rapid growth over the past decade, averaging about 6.0 percent per year between 1992/3 and 2003/4. India's external position has also improved dramatically. The rapid growth of Information Technology service exports - now touching \$ 22 billion - and high remittances have resulted in recent current account surpluses. Together with relatively modest capital inflows, this has generated external reserves which now exceed \$ 140 billion.

In parallel and in part due to faster growth, India has made impressive progress towards reducing poverty, which the government estimates has fallen from 36 percent at the beginning of the 90s to 26 percent now. Continued progress has also been made on many social indicators, particularly literacy, which rose from 52 percent in 1991 to 65 percent in 2001. These improvements are both real achievements for India - and achievements of global significance.

But the news, as we know, is not all good. This impressive economic and social performance has been uneven on many accounts. Average incomes across India still remain low at around \$600 a year, and 35 percent of the population still lives on less than a dollar a day. There has been little movement on some critical social indicators such as maternal and under-five mortality. Today, almost half of India's poor, over 130 million people, live in just three states -- Uttar Pradesh, Bihar and Madhya Pradesh.

These disparities, and the increasing concentration of poverty by region and by state, make bridging the gap India's greatest challenge. Continued high economic growth will have to be accompanied by a more even sharing of the benefits of growth. This requires dramatic improvements in basic infrastructure, the investment climate, and the quality of delivery of basic services such as healthcare, education, and water and sanitation. And it requires an approach to development that makes empowerment of disadvantaged sections of the community especially women a constant overarching

theme. I emphasize this point because I believe it is the most crucial factor for determining India's emergence as a prosperous and modernized country as we all wish to see. And while the challenge ahead is huge, there are also some impressive achievements. I have just returned from Andhra Pradesh, where the Bank is proud to be suggesting a programme under which over six and a half million women are organized in groups for savings, livelihood and services delivery activities.

Reforms, bottlenecks and potential synergies for India and the US

Let me now turn to reforms to promote the private sector. Economic reforms since 1991 have included abolition of import restrictions on non-consumer goods, reduction in tariffs, unification of the exchange rates, adoption of more liberal rules for foreign direct investment, and the introduction of current account convertibility. Even though the pace of reform has been uneven, cumulative changes have been substantial. Many sectors have opened up to private activity, trade policy and the exchange rate regime have been liberalized, as capital markets are being reformed.

Some positive reform developments have taken place recently: after several years of slow decline, tariffs have been significantly reduced -- the average un-weighted tariff on non-agricultural commodities has declined from 33 percent to about 20 percent; there are signs of fiscal adjustment at the Center and in states; and important legislations in the areas of power sector reform, fiscal responsibility, and debt recovery have been passed.

The cap on foreign direct investment has been raised to 74 percent (from 49 percent) in the telecom sector and private banks, and FDI up to 100 per has been allowed in developing townships, housing, built-up infrastructure and



construction-development projects. The opening up of the aviation sector has led to private airlines entering the Indian skies in a big way.

Overall, we see these as a very encouraging story. But the potential still to be tapped is enormous. The World Bank's Investment Climate Assessments for India and other studies show that the private sector in India continues to be constrained by a number of factors, especially:

One, the tax and tariff regimes, remaining specific restrictions on foreign direct investment, regulatory restrictions on the industrial sector (particularly for SMEs), distortions in the pricing and marketing of agricultural products, and business inefficiencies arising from bureaucratic hassles; two, factor market distortions that impede the functioning of labor and land markets, and weaknesses in the competitive environment, including in the legal framework for business operation and exit; three, problems in access to finance; and four, the one that comes up again and again, severe infrastructure bottlenecks.

This is a broad agenda for domestic reform, which some estimate could increase India's underlying annual growth rate in the range of 2 to 4 percentage points per annum. But let me say a few more words on the questions of trade and foreign investment

Trade: We believe that the world trading system needs to change to make it more supportive of development, especially in the poorest countries and for poor people across the developing world. An important role for the Bank is to collaborate with the WTO, other multilateral agencies, governments in developing countries, and our richer member governments to support a "pro-development" outcome in the Doha Development agenda, and to work

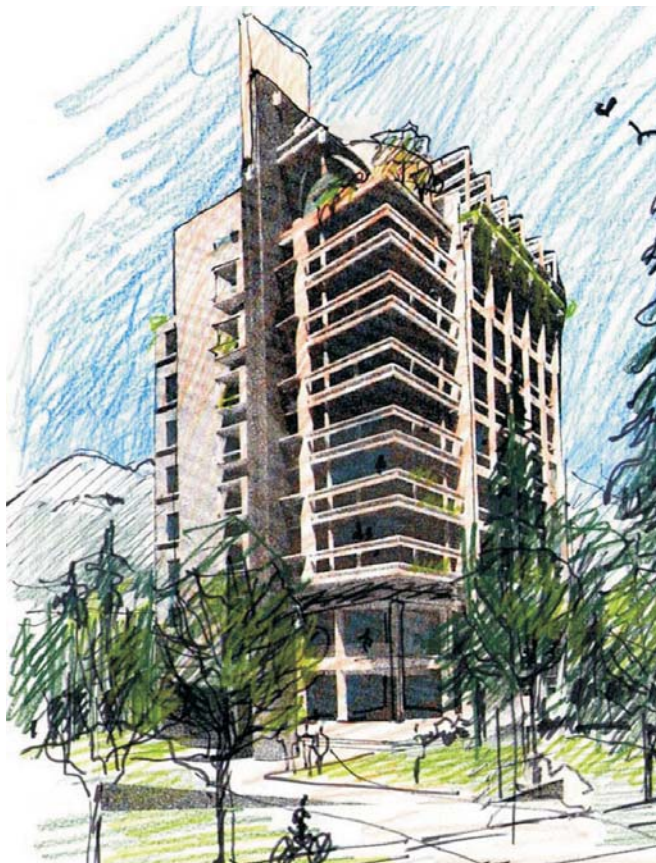
with partners to maximize the development impact of regional trading agreements.

The poor of the world would suffer if international trade negotiations failed. All countries have an obligation to make the December Doha round in Hong Kong succeed. Developed countries must take the lead in opening up their markets particularly for agriculture, labour intensive manufacture and services. Low income countries must rely less on trade preferences and reform trade related institutions. Middle income economies must lower high external tariffs and other restrictions. It not only serves their own interests but also encourages trade between developing countries.

This we see as the important context for the efforts that you are making to strengthen US-India trade relations. It is encouraging to see that trade between India and the U.S grew 22 percent in 2004/05 a big improvement on 8.0 percent the previous year. However, Indo-U.S. trade is declining in proportion to India's total trade and was barely 11 percent in 2004/05. Clearly more trade is possible between the two countries. And the key surely will be diversification from the relatively small number of items that dominate today. There are indeed tremendous opportunities.

Investment: We are all aware that foreign investment has been a relatively minor player in India's development. FDI inflows to India have averaged only around \$5.0 billion annually over the past few years as compared to China's 40 billion-dollar annual inflow. The U.S. is one of the largest foreign direct investors in India constituting about 11 percent of the total annual FDI flows into India.

While FDI has been significantly liberalized, it is still subject to limits, particularly on full ownership by foreign players. For example, FDI is currently not permitted in pure retailing --



global retailers can participate in India's retail sector only through wholesale trade or by operating retail outlets through local franchise. In apparel, another important sector for job creation, FDI is limited to 24 percent of equity. In housing construction, restrictions on foreign ownership of land limit the entry of foreign builders and developers. In banking, restrictions on foreign ownership of domestic banks have held back improvements in financial sector performance and the introduction of new technologies and techniques. It is no secret that FDI is a hotly debated issue in India. Changes in FDI restrictions will only come gradually. But my own belief is that there is a growing recognition of the enormous potential that FDI offers provided it is set in an environment of strong competition. And this suggests recognition that major growth of FDI will require more than just changes in FDI regulation; it will also require improvements in the investment climate for all investors, domestic or foreign, along the lines I mentioned just now.

Today I have spoken about the importance of inclusion, and the development of India's private sector, in particular the dimensions of trade and investment. These are all central elements of the World Bank Group's support to India through our lending, investment and analytical services. We see our supportive role to the Government as complementary to that of many others. Thank you for giving me the opportunity to join you. ■

Indians laying roads to global markets

Lee Brudvig, Minister Counselor for Economic Affairs, U.S. Embassy in New Delhi, talked about the commonalities between India and the United States, from being influential democracies in the world to their future cooperation in civilian nuclear energy. Excerpts.



Today India is an emerging global power on the political and the economic front. For decades, inward-looking policies shut India's economy from the global marketplace. Now, Indian citizens, institutions, and the government are playing a new role on the global stage. Indian companies now stand up and compete equally with the best and brightest of innovators worldwide. They are building roads to global markets through strategic partnerships, which act as bridges for technology and capital to flow into India to spark growth, create jobs, and enable political leaders to deliver prosperity to an expanding swath of Indian society. Indian software companies are global leaders in their fields. Indian manufacturers export around the world, and have become suppliers to leading manufacturers overseas. Indeed, Indian business as a whole has developed a sense that, like the song goes, if you can make it here, you can make it anywhere. So true. The net effect of surging consumer, investor, and business confidence is a sense that India's economy is an awakening colossus.

The recent visits to India of Treasury Secretary Snow and US Trade Representative Ambassador Portman manifest the commitment we have made to increase US-India trade and investment flows. Minister Nath and Ambassador Portman set the goal of boosting bilateral trade to \$40 billion by 2008 by breaking down trade and investment barriers. The US and India are working to achieve a successful conclusion of the Doha Development Round. We have also established a new US-India Knowledge initiative on Agriculture focusing on joint research, marketing, food safety, commercial technologies, and use of new information and communications technology to deliver benefits to rural areas.

Political credit will accrue to those in government with the vision to effect such change. Impressive results in the IT and

telecom sectors already demonstrate the dynamic of less regulation, free foreign direct investment, freer trade in services, and consumer benefit. Broadening our investment in both directions is firmly in the interests of both our countries.

Common Interests

In our new global partnership, a reinvigorated Economic Dialogue and CEO Forum will boost private sector initiative to deepen our bilateral economic relationship and open up new opportunities for both our peoples. The recent Open Skies agreement is a shining example of how tearing down blockages on private initiative can deliver quick results, create jobs, and unite people across vast distances to advance our economic relationships.

Nothing will advance India's march to its rightful status as a global power so much as its own performance now in helping solve the problems of its neighborhood, its region, and the world. India's campaign for a permanent seat on the United Nations Security Council, its more active involvement in the Middle East, and its stepping to the fore as a donor and beneficiary of the new Afghan state all reflect a growing confidence that India should take its rightful place in the world.

We will work to remove barriers to trade and transfer of high-technology goods, create more opportunities for joint research and training, and establishment of public-private partnerships to benefit both nations.

US-India Energy Dialogue

The US-India Energy Dialogue will address energy security, helping us both meet the challenges of providing our nations with stable, affordable and clean energy supplies. We will work together to develop and deploy cleaner, more efficient

and affordable energy technologies that will find a home in India and America.

Our cooperation in civil nuclear technology will help meet the energy needs of more people from cleaner and more efficient sources. As the US helps integrate India into international regimes, India can adopt the same standards and practices of non-proliferation as other advanced states, and will benefit from the best standards of safety and efficiency in nuclear energy operations.

Civilian Nuclear Cooperation

The next project of course is to normalize relations between the two countries in the key civil nuclear field. We have reached this crossroad because the U.S. wants to help India realize its vision of becoming a world power in the 21st Century. What follows is the need to find a place for India within the non-proliferation structure that



exists in the world of international nuclear architecture. United States has decided that it is willing to approach the Congress to make arrangements, if possible, for India to be given an 'exception' status under that architecture based on various criteria as well as the needs of India, and the interests of the United States. ■

New Oil & Gas Policy to offer big scope for tie-ups



India's National Exploration Licensing Policy VI, which will be launched in early 2006 is expected to provide many opportunities for farm-in/farm-out in existing public sector companies and for oil and gas supply and service companies.

In a presentation on the theme, "Emerging Energy Scenario & Opportunities in Hydrocarbon Sector in India," Sunjoy Joshi, Joint Secretary (Exploration), Ministry of Petroleum & Natural Gas, a large sedimentary area still remained unexplored and hence offered increasing opportunities to all sectors concerned.

Joshi said Coal Bed Methane (CBM) III would also be launched in early 2006, which could absorb investment in the Indian exploration & production sector and present opportunities for strategic alliance abroad. Skilled labour and developed markets presented an ideal location for service companies to provide services globally, he added.

CBM-III also provided ample scope for cooperation and alliances in the R&D sector and cutting-edge technologies specially improving recoveries from maturing fields, Joshi said. Scope further existed for cooperation in non-conventional sources of hydrocarbons such as CBM, gas hydrates and also UCG, he said.

Hugh investments required to service future petroleum and natural gas demand, particularly in LNG terminals, in view of several new terminals on east and west coast planned and the quality upgradation projects of refineries.

Investment would also be needed in pipelines gas & petroleum to facilitate the planned National and Transnational gas grids, besides storages, retail outlets and LPG bottling plants, Joshi said. ■

SEZs bright destinations for FDI

G.K. Pillai, Additional Secretary, Ministry of Commerce & Industry said that the Indian economy had Special Economic Zones (SEZs) which provided a great opportunity for absorbing foreign direct investment (FDI).

Pillai described India as the land of opportunities, its characteristics being the world's fourth largest economy (PPP), a safe place to do business, largest democracy, largest reservoir of skilled manpower and **second largest emerging market**. The country also boasted of a high growth rate and liberal & transparent investment policies that offer a long-term sustainable competitive advantage, Pillai added.

He said that India allowed FDI up to 100 percent under the 'Automatic Route' in all activities except in sectors attracting compulsory licensing.

In a presentation at the Indo-US Economic Summit, he laid focus on FDI and SEZs, and stated that the government had permitted FDI of up to 100 percent in almost all manufacturing activities at SEZs, in order to promote them as catalysts to expedite the country's economic growth.

Following are excerpts of Pillai's presentation:

Today, 14 SEZs are already functioning. These are: SEEPZ Mumbai, Kandla, Cochin, Chennai, Visakhapatnam, Falta, Noida, Surat, Manikanchan, Salt Lake Electronic City, Indore, Jaipur and Mahindra City (2).

Of the 67 new approved SEZs, 61 are under establishment, many of them with the participation of state governments and the private sector.

Major Industries coming up at these SEZ are: Information Technology, gems & jewellery, textiles & garments, engineering goods, sports goods, leather products, chemicals & allied products.

Of the 67, as many as 25 are multi-product zones while 42 of them are product-specific. Major multi-product zones are coming up at: Navi Mumbai (Maharashtra), Mundra (Gujarat),

Ghaziabad (U.P.), Gurgaon (Haryana), Ennore (Tamil Nadu), Jamnagar (Gujarat) and Dahej (Gujarat).

The product-specific SEZs are: IT (18) (Chennai, Bangalore, Pune, Kolkata, Hyderabad, Chandigarh, Noida, Gurgaon, Tiruvanathapuram, Mangalore, Indore); Gems and Jewellery (3) (Jaipur, Surat, Kolkata); Handicrafts (3) Moradabad, Jodhpur, Greater Noida; Apparel (3) Chennai, Surat, Ahmedabad; Auto Components (3) Chennai, Adityapur (Jharkhand), Sedarpet (Pondicherry); Telecom (1) Chennai, others (10).

Indian Economy

In a sustained performance, India has registered an average annual growth of 6.0 percent since 1991, touching 6.9 percent in 2004-05 (April/March). According to a forecast made by Goldman Sachs, India is expected to maintain a growth rate of 5 percent per annum till 2050.

A significant feature of the Indian economy is that the Share of services in GDP has exceeded more than 50 percent.



SEZ, Indore

In 2004-05, India's manufacturing sector grew at 8.8 percent in 2004-05 and exports grew by 24 percent to reach US\$80 billion and imports grew by 35 percent to reach US\$106 billion.

Foreign Direct Investment (FDI) inflows into India amounted to US\$3.754 billion in 2004-05. Indian capital markets are well developed, the National Stock Exchange (NSE) being rated the third largest in the world and the Bombay Stock Exchange (BSE), the fifth largest in terms of the number of trades.

India also has a well-developed banking system and inflation was under control at reasonable levels while on the currency front, the Indian rupee had been stable against other currencies.

India has initiated far-reaching economic reforms governing FDI, industrial licensing and trade controls, announcing major investment programmes in social and physical infrastructure, envisaging a major role for private sector and foreign capital.

The government has also announced reforms in exchange control & taxation that facilitate repatriation of investments, acquisition of property by foreign investors and progressive opening of the economy to foreign direct investment.

India has also initiated progressive delicensing and deregulation, limiting industrial licensing to only six sectors on security, public health & safety considerations. It has also liberalized policies on foreign technology collaboration and its trade policy, envisaging progressive reduction in customs duty and tariffs. The country's foreign trade policy seeks to double India's share in global merchandise trade in five years.

India is also the next global manufacturing hub, being the competitive in a wide range of manufacturing of skill-intensive products, that include, apparels, electrical, electronics components and speciality chemicals.

Automotive components and Indian companies are now having manufacturing presence in multiple countries.

India's highly skilled manpower is its competitive edge. Knowledge workers in IT & ITES industries increased from 56,000 in 1990-91 to 1 million in 2004-05 and are expected to reach 2 million by 2008.

India's IT ITES exports touched US\$28.2 billion (2004-05 est.), with exports accounting for US\$17.9 billion, growing at 35 percent.



Indian capital markets poised for big leap

Rajnikant Patel, Managing Director & CEO, Bombay Stock Exchange (BSE), who made a presentation on the theme, "Indian Capital Markets - A Huge Latent Demand," described the Indian Market as world class in terms of many parameters.

Patel said BSE's screen-based electronic trading, order-driven system, finest tick-size of 5 paise, effective on-line/off-line surveillance, etc. placed the trading systems amongst the best in the world. The continuous T+2 settlement, electronic holdings, settlement/guarantee funds, etc. had significantly addressed the risk issues, he said.

Patel said strict IPO (initial public offering) norms and continuous disclosure by listed corporate companies had contributed to transparency while rigorous corporate governance norms boosted investor confidence.

He said the institutional framework for capital market growth was firmly in place with SEBI's SMILE Committee formulating recommendations for ensuring that market

infrastructure was in readiness for explosive growth.

Patel said the Indian economy, growing at the rate of 7.0 percent per annum offered an exciting growth story. This led to a broad consensus that the Indian economy would continue to post strong growth in the years to come. In two decades, Indian economy projected to be amongst the top five in terms of GDP, he added.

India's growing population and younger work force projected to coincide with ageing in the developed economies, Patel said, adding that growing urbanization, significant investment in infrastructure, low per capita consumption (current), increasing per capita income were all powerful growth drivers.

Patel said India was also investors' compelling choice by virtue of its being one of 10 \$1 trillion plus economies and second largest population that offered a strong domestic demand.

He said that India's capital markets also helped spread a strong equity and corporate culture, well-developed institutional framework, government policies supportive of growth and widespread entrepreneurship and the 'will' to grow.



Open skies policy helps boost aviation industry



Dinesh Keskar, Senior Vice President, Sales, Boeing Commercial Airplanes, has said that markets are expanding, driven by new technologies and India is among its beneficiaries.

Making a presentation on "the new vistas of travel between India and the US," Keskar said India's open sky policy, initiated in the wake of its economic liberalization, helped forecast a long-term, healthy air travel.

According to Keskar, liberalization has also helped the government in accelerating the process of opening new markets, new routes.

Keskar said the Boeing 777-200LR and 787 would enable new nonstop markets between India and other regions. Boeing had a long history of delivering technologies that met the needs of airlines and passengers, he added.

Talking about the 777-200LR, Keskar said that the aircraft opened new possibilities and markets for India, enabling its connectivity virtually with any city in the world, non-stop.

According to Keskar, the aircraft has the ability to carry full

cargo on routes where other airplanes' payload is limited and its economics and reliability are unbeatable.

Talking about Boeing 787, he said it opened a new world of possibilities. He summed up the aircraft's characteristics as cleaner, quieter, more comfortable, having bigger range and better economics.

The aircraft's "advanced composite primary structure ensured significant weight reduction, proven in-service durability and lower operating costs.

Advanced technology of 787 also ensures that the aircraft is one of the most fuel efficient modes of transportation, because it reduces fuel burn by more than 20 percent, resulting in lower fuel consumption and consequent lower emissions.

Keskar described the flying experience on Boeing 787 as a "new sensation" for passengers in terms of improved cabin altitude, humidity, air quality, temperature, sound quality, ride quality and lighting. ■

Indo-US aviation collaboration: Soaring possibilities in the air

In a presentation on the exciting possibilities of collaboration in the field of aviation, Athar Khan, Managing Director Asia/Pacific, American Airlines, said, "India will continue to see exciting opportunities for growth in the air transport sector in the coming years."

He said American Airlines recognized this fact and had been swift to take up the opportunities presented by the 2005 Indo-US Air services agreement and partner with one of India's leading airlines, namely Sahara.

Khan said that India must move rapidly to ensure that its air transport infrastructure kept pace with and, did not hinder, the expected traffic growth.

Partnership with companies from the US and other countries would enable India's air transport sector to realise its full potential, he added.

Khan said that a vibrant, competitive, world-class air transport sector would play an integral part in India's economic growth and the prosperity of its people.

Khan said the Indian government has begun the process of modernizing Mumbai and Delhi airports and more than 20 other regional airports are being upgraded and foreign investment is being encouraged through public-private partnerships.

He said that in 2003-04, an official committee set out a 'roadmap' for a National Civil Aviation Policy to lead India towards having a "world class" civil aviation sector. The

government had also increased the amount of foreign investment allowed in companies within India's aviation sector to an equity stake of up to 49 percent. India's privately owned airlines were given international traffic rights and more liberal air services agreements with USA, UK, France, Germany & China had been signed.

Referring to the public-private sector partnership to support the growing Indian civil aviation sector and the role of the US in this context, Khan said the US-India Aviation Cooperation Program (ACP) would support through technical assistance, job training, and personnel exchange programs between the two countries.

Khan said American Airlines and American Eagle had between them a total fleet of more than 1000 aircrafts, with their network spanning 250 destinations in 40 countries. In 2004 the two airlines carried 100 million passengers.

International Air Transport Association (IATA) forecasts indicate annual growth of 8.4 percent in international air traffic from India between 2004 and 2009. According to another projection, Indian airports could be handling 90-100 million passengers and 3.4 million tonnes of cargo annually by 2010. ■



Corporate India gearing up to raise funds

Atul Mehra of J P Morgan Stanley projected Corporate India as gearing up for large/substantial fund raising, on the back of Capex (capital expenditure) and increasing demand for IPOs (Initial Public Offerings) and follow on offerings.

Talking about the outlook for the year 2006 in his presentation, Mehra predicted a stable inflow of funds from Qualified Institutional Buyers (QIBs).

Mehra also forecast greater allocation of household income towards equity and investment in alternate avenues such as commodities which could appease the

investors appetites.

Tele-communications infrastructure and Information Technology enabled services, could spark of a real estate boom, Mehra predicted.

However, a host of issues such as a rise in the crude oil prices, an increase in aggregate debt to GDP, a lower-than-expected performance of the corporate sector, slow pace of economic reforms due to political considerations, global political events and terrorist violence could act as causes of concern affecting the markets and economy in general, Mehra said. ■

Need for reducing gap between potential and reality

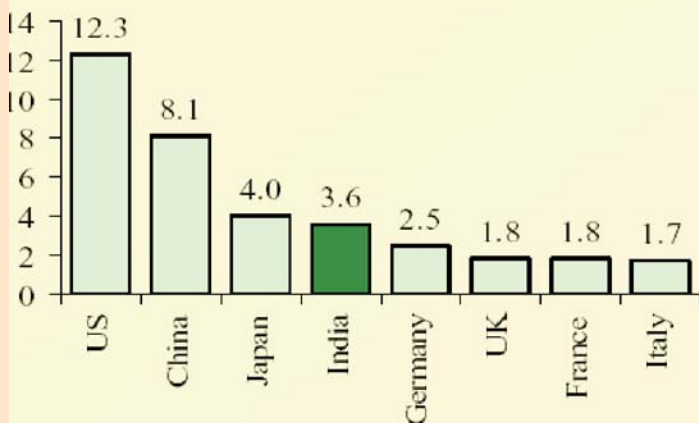
Dr. Ajit Ranade, Chief Economist of the Aditya Birla group, talked about India's standing as a rising global economic giant, in terms of people's purchasing power (PPP).

He said that India, in terms of PPP was the fourth largest economy in the world, with its GDP at \$ 3.6 trillion, preceded only by the US, China and Japan.

Ranade pointed out that if India maintained the current annual economic growth rate of 8.0 percent, it would reach the levels of Japan, China and the US as these countries stand today, in the next two, 10 and 17 years respectively.

He said that in the same way as the 20th century was described as the American century, the 21st century will be described as the Asian century, led by China and India.

India's Standing



Recent PPP Adjusted GDP (in \$ tr, 2005)

Fastest growing, free market democracy

➤ Average growth rate of 5.9% in last five years

➤ Near-China Growth with Near-Western Institutions



Dr. Ranade said India was the fastest growing free market democracy, which had been maintaining an annual growth of around 20 percent in exports, and which accounted for 90 percent of the world's polished diamond trade. India was also the country, where 200 of the 500 Fortune companies outsourced their work, he added.

Dr. Ranade referred to the Indo-US people relations and said that today there were two million American Indians, who were better educated, of which 43.6 percent were employed in managerial and specialist professional jobs.

The number of Indian students studying in the US educational institutions currently stood at 80,000, the highest from any country, Dr. Ranade pointed out.

The bilateral trade between India and the US, which stood at \$22 billion at present, is expected to double by 2008, he added.

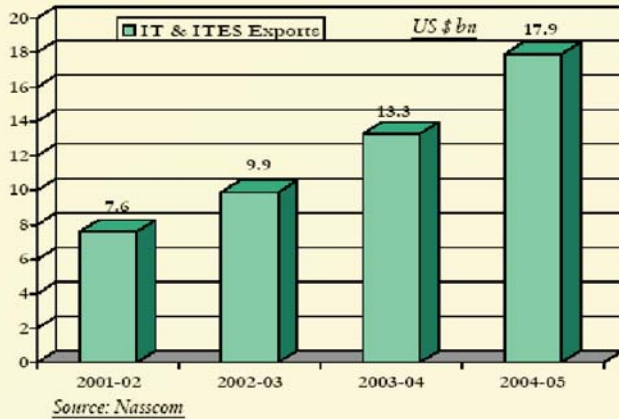
US \$ Million	2002	2003	2004
Exports to US	11818	13053	15562
Growth Rate	21.4%	10.4%	19.2%
Imports from US	4101	4986	6095
Growth Rate	9.1%	21.6%	22.2%
Balance	7717	8067	9467

CAGR 3 years : Exports 15%, Imports 22%

Source: US Census Bureau

IT and IT Enabled Service exports

North America 69 % of Indian software exports.



Indo-US Trade This Year

Jan-Aug 2005

US \$ million	Exports to India	Imports from India
Machinery and Transport Equipment	1,690	899
Manufactured Goods & articles	857	6,136
Chemicals and Related Products	626	711
Food and Live Animals	66	432

Source: US Census Bureau

While the cumulative inflows of US foreign direct investment into India accounted for \$4.0 billion, India's investments in the US amounted to \$2 billion.

Ranade concluded that the gap between the potential and reality needed to be redressed. ■

Higher Economic growth needed to further fuel insurance business

Gary R. Bennett, Managing Director, Max New York Life, said in his presentation on the theme 'Insurance: Encouraging Investment' that reforms had transformed India's insurance landscape. However, higher economic growth is essential to further fuel the spread of insurance business nation-wide. Excerpts.

Bennett stated that liberalization has transformed India's insurance landscape with Insurance density growing from Rs. 280 to Rs. 600 (per capita premium) and that the annual premium has grown from Rs. 28,000 crore to Rs. 63,000 crore.

Insurance deregulation has led to the expansion of the product basket, availability of comprehensive risk coverage, development of trained sales cadre, spread of market awareness and creation of employment potential.

Reforms have brought private insurers to the centre of the insurance business. Private insurers have cornered 25 percent of the market share with their business posting a 60 percent year-on-year growth. Life insurance as a segment is growing at 24 percent.

Private insurers have also woken up the state-run giant Life Insurance Corporation (LIC), which has promptly upgraded its systems, embraced actuarial prudence, and introduced more modern products and withdrawn products with inherent guarantees.

Liberalization has opened floodgates to foreign investment in the insurance sector. Inflows of foreign capital have brought in their wake, Managerial ability, Technical knowledge, innovation in products, higher productivity and bigger job pools.

In order to further fuel the growth of insurance country-wide, a higher rate of economic growth is needed, which will create more employment opportunities, give India greater access to global insurance expertise and mobilize capital for investment. There is also a need for other complementary measures such as removal of the existing 26 percent cap on insurance, when there is no sectoral cap on mutual funds while banks are allowed a cap of 74 per cent. Life insurance cannot be financed by debt but requires shareholder capital. ■



Indian auto component units going global, thanks to US

B. N. Kalyani, Chairman & Managing Director, Bharat Forge Ltd, has had the privilege of being a member of the Indo-US CEOs Forum, set up during Prime Minister Manmohan Singh's visit to the US in July 2005. As part of the official Indian delegation to the India-US Economic Dialogue, Kalyani had the unique opportunity to contribute to the process. At the India-US Economic Summit, Kalyani spoke on the theme, "Indo-US trade for accelerated growth, touching the contribution made by the auto component industry and its potential for growth." Excerpts.

I would like to take this opportunity to speak about the Indo-US trade in the context of manufacturing with special emphasis on automotive components. As a member of this elite group of CEO's, I had the privilege and honour to be a part of this official gathering held in July 2005.

While India has taken giant strides to become a global center for the IT and IT enabled Service industries, we have so far not adequately tapped our potential in manufactured exports. India has several advantages in manufacturing, including world-class engineering skills, a growing domestic market, an established raw material base and a large pool of skilled labour. If these are suitably leveraged, we can increase our export of manufactured goods from US\$45 billion in 2004 to about US\$300 billion by 2015.



The combined effect of domestic and export-led growth in manufacturing, will have tremendous impact on our economy in terms of growth and employment generation. From the international perspective, the impact could be even far reaching as it could result in India becoming a major sourcing base for a range of manufactured goods. The Indian manufacturing industry therefore, has the potential to become the next big success story in exports and I urge that strong emphasis be placed on manufacturing, in all future US - India dialogues.

Within manufacturing, there are sectors such as auto components, specialty chemicals and industrial electronics in which India has distinct competitive advantages. This would be more so in skill-intensive industries such as auto components to which I would now like to turn.

Trends in the automotive industry are increasing, largely towards sourcing skill intensive components from Low Cost Countries (LCC), including India. The opportunity for India in the global auto component industry is on account of three factors.





i. Innovation and cost pressures in large, developed markets are driving off shoring to LCC's. The global market for auto components is likely to reach \$1.7 trillion by 2015. About 40%, that is \$700 billion is potentially amenable to LCC sourcing. Of this, almost \$375 billion could

actually be sourced from LCC's by 2015. India is well positioned to capture \$20-25 billion of this opportunity through exports.

ii. India's niche is in the manufacture of skill intensive components in which we have a distinct competitive advantage over other LCC's. This competitiveness is due to our strong capabilities in design and engineering which are critical inputs in this industry.

iii. Indigenous availability of good quality raw material like steel and aluminum at prices that are comparable with international prices, is also a source of competitiveness for our companies.

Indian companies have sensed the opportunity and have started taking multiple initiatives. They are creating strong foundations through operational excellence; determining niche areas in which they can operate; and building competencies in their engineering, marketing and organizational structures. Companies in the component industry need to invest about \$1.5 billion every year to build new capacities to meet global demand. Some of these investments have already been made while many are under implementation. The Indian automotive component industry has set a vision to achieve the "Top 2" position between LCC's by 2015. This would require the industry to achieve an annual growth in exports of 30 percent over the next 10 years, a challenging though an achievable target.

The industry's achievements have caught the imagination of global automotive manufacturers which include OEM's and Tier 1 suppliers. General Motors, Ford, DaimlerChrysler, Caterpillar, Cummins, Detroit Diesel, ArvinMeritor, Dana Corporation and many others are working closely with Indian component manufacturers to integrate them into their global supply chains. We expect this process to accelerate to an extent that by end of this decade 5-6 Indian companies could achieve global leadership positions in their respective product segments.

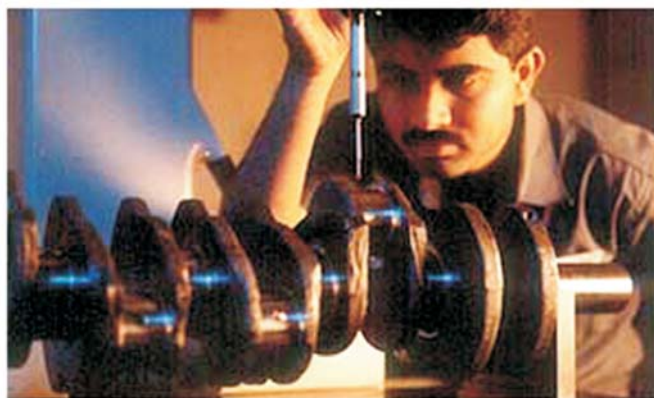
The US continues to be India's largest export market for auto components. It constituted about 31 percent of our total exports of US\$1.4 billion last year. With increased outsourcing of components by OEM's, I expect that the US share in our auto component exports will continue to rise.

General Motors, the largest automobile company in the world intends to source components worth US\$1 billion from India in the next 3-4 years, up from the current US\$ 120 million. Ford has set a similar target and when coupled with sourcing programmes of other large OEM's and Tier 1 suppliers, it is clear that the US automotive industry is looking at its Indian counterpart as a strategic long-term partner.

For example, every second heavy truck manufactured in the US runs on a "Made by Bharat Forge, India" front axle beam. This is a key safety component in a vehicle and we are proud of our 12-year "zero defect" record.

As part of our global expansion strategy in June this year we acquired Federal Forge, a leading US-based forging company located at Lansing, Michigan, about 90 miles west of Detroit.

Federal Forge is a technology leader in the design and manufacture of complex hot, forged micro-alloy steel components and is one of the largest privately held forging



companies in the US. The company's customer base includes leading automotive, recreational vehicle, heavy-duty truck and industrial companies such as American Axle, Caterpillar, DaimlerChrysler, Dana, Delphi, General Motors, Goodyear, Holland Hitch, Honda, John Deere, Jost, Toyota and ZF Lemforder. We have renamed the company as Bharat Forge America Inc., and it is our beachhead in the largest automotive market in the world.

Our strategic intent in establishing a manufacturing footprint in the US is driven primarily by the need to access new markets. However, we also want to enhance our technological skills, increase competitiveness and create a global organization through which we can deliver better value to our customers all over the world. Some Indian companies have already demonstrated their global competitiveness. Their successes are motivating many other companies to believe in their ability to compete and win in global markets. ■



Indian Retail Trade

The Best Investment Option

Organised modern retail converging with the consumption boom will open up many opportunities for small and mid-size consumer companies, Gupta said.

Consumerism is at its all-time high and people are not afraid to spend, some will even borrow to spend. Towns like Sangli, Durgapur, Nasik, Nagpur and Bhubaneswar are no different from large cities like Mumbai and Bangalore with respect to consumerism. For example, the customer footfalls at the Pantaloon departmental store are expected to touch 200 million by 2006-07 as against 1.3 million in 2002-03.

Retail trade turnover has increased from Rs. 444 cr in 02-03 to Rs. 1084 cr in 04-05 and is expected to cross Rs. 10,000 crore by 2010

Retail trade has also created opportunities like new and high growth categories which will flourish due to modern trade formats, such as food processing through modern food stores, gaming & entertainment content through modern communication stores.

Retail trade has also created synergies across companies such as frozen food firms to supply to fast food chains/restaurants, footwear brand etc, to expand into

Retail trade hogged the limelight at the discussions held during the 2nd Indo-US Economic Summit, where four speakers made presentations on various opportunities in retail trade. We carry the gist of their papers.

Sanjiv Gupta, Managing Director, Indivision Capital Fund, LLC, in a paper on the theme - **Growing with the Indian Consumer** - said consumer funds have brought with them a wealth of experience from the retail and consumer sectors. The funds seek to exploit the rising aspiration levels in India, leading to booming consumption and retail opportunities.

Talking about the unique strengths of his company, Gupta said it has strong experiences in both modern and traditional retailing in India, expertise in category management, access to a large pool of management talent across categories which include food, fashion, general merchandise, home, leisure & entertainment, understanding of the regional/ethnic tastes & preferences in India, rich continuous source of consumer data including in Tier 2 and Tier 3 cities and understanding of the Indian entrepreneur's mindset.

India's consumer base is vast, comprising 1.2 billion people, which is also the world's youngest population and hence sustainable with an assured long-term growth.



adjacent fashion categories. Along side, opportunities are generated in retail support services, including logistics, supply chains, packaging, education, design and merchandising.

Increasing aspiration levels, economic opportunities, higher spending power and easy availability of credit are fuelling consumption to heights not witnessed in the past.

Talking about the approach of his company, Gupta said that it will identify strong regional consumer companies that have the potential to give large MNC's a tough time, but lack national distribution and marketing skills. It will also invest in companies that have the hunger to grow national, provide them modern retail pipeline through established retail formats, mentor the companies and brands through 'Category Management' approach and make regional brands national.

Retail trade to touch \$300 billion by 2010

In his presentation on the theme Changing Face of Retail in India, Vikram Bakshil, Managing Director, McDonalds, described Retailing as the largest private sector business in the country, with the size of about \$200 billion in value.

Organized retail is only a small fraction, ie, 3.0 percent of the overall retail industry. Retail trade contributes about 11 percent to the GDP. The industry is expected to grow to more than \$300 billion by 2010 and organized retail is expected to capture 15 percent of market share by then.

The number of households in upper middle/ higher income group is up by almost 100 percent and the total disposable income of 'young earners' is estimated between \$10 and \$11 billion and the number of households earning above Rs.145,000 per annum has increased by 75 percent.

The number of working women has also increased considerably and these spend more money than the housewives.

Indians, who are traditionally thrift-minded, are moving from the saving to spending mode and are less averse to debt. Overall, there is a healthy upward curve of Indian consumer spending.

A plethora of television channels, bringing in the lifestyle element telecasting popular programs, have made their middle-class audiences quality & brand conscious. As a result, customers are getting more value conscious than price conscious, demanding that product or service has quality.

An easy availability of finance has also made traditional



capital expenditure now a part of the consumer revenue expenditure

India is getting young, new family structures, new developments and the journey towards service economy is adding more and more young earners

The Young Indians not only have the income but willingness to indulge. The Indian consumer is becoming "Global Citizen" and is getting more value conscious and is also getting health conscious. Time is at a premium and home is where the consumer likes to spend more time.

Present Scenario

While the established players are expanding corporate houses have also joined the retail fray as 55 cities across India get ready for setting up shopping malls.

Over 300 large malls are in planning or under construction stage throughout India. Over 40 million sq ft of new retail space may come to the market in the next two to four years (Including re-developments). About 100 Malls are expected in the National Capital Region of Delhi by 2009 and 1250 screens are being installed across India

It is also noticed that of every 100 people that go on a shopping trip, 70 eat-out on the same trip & 40 seek entertainment at movies, video games, etc.

Regional and national players across various categories are expanding more rapidly than initial years of starting up. Most have regained or improved their profitability after going through their respective learning curves

Indian retailing is finally showing signs of progress and is inching towards the point of inflexion. Many strong regional and national players are emerging across formats and product categories. Most of the existing players have moved considerably through their learning curve and now geared to expand far more rapidly than early days. Importance of multi-



format retailing is being slowly understood and supply of quality retail space is looking positive:

However, some positive measures are needed to ensure the growth of retail trade in India. These include improving the overall access to quality real estate at reasonable prices, providing industry status to retail business, enabling FDI, increasing technical training, reducing taxes on luxury goods to create retail tourist destinations, rationalising taxes, and streamlining regulations.

Reforms vital to fuel faster growth

Nitisha Patel, Economist, Watson Wyatt Worldwide, in her paper on '**Organized Retail Trade in India Options & Opportunities**,' attributed the growth of organised retailing in the country to an increase in the income levels of middle and high income groups, especially in the urban areas.

Growth of software & BPO sectors have increased the purchasing power of the younger population who are keen on experimentation and are early adopters. This young age profile offers high market potential for consumer goods.

It is only in the past decade that organised retail sector has started developing in India. A brand conscious population, driven by growing consumerism, is also enhancing organized retailing, pushing up demand for goods, especially consumer goods in the rural areas, which is fuelling the development of retail market in those areas.

The benefits of organized retailing are enormous. It reduces the wastage in the food supply chain (e.g. organised players such as the RPG Group, McDonalds have set up supply chains and source directly from farmers), improves the quality

of employment (e.g. organized players invest heavily in training of personnel - retail training centre of RPG group, Pantaloon Retail India Ltd., has tied up with K, J, Somaiya Institute of Management Studies) which ensures quality products and services, and establishes strong backward linkages with other sectors, such as food processing, IT and tourism and earns greater tax revenue for the government.

The development of retail trade depends crucially on the reforms, which the

government and private sector should jointly take. The private sector must expedite the growth of organised retailing by investing in supply chain networks that is; learn from the experiences of other countries (such as China), invest in machinery to achieve international manufacturing standards and look at alternative sources to raise funding. On the part of the government, it should provide retail infrastructure.

Constraints & Problems

In spite of the benefits offered by the organised retail formats in India, their growth has been much slower due to the presence of several infrastructure and regulatory constraints. The Archaic supply chain has led to slower growth of organised retailing in the area of food grains, spices and fresh products. Financial constraints refer to high cost of capital as well as difficulty in getting loans from banks and financial institutions.

Multilevel taxes are where restrictions are placed on movement of goods which effects pricing strategies and product sourcing and results in high incidence of tax evasion. However, there are certain laws that are cumbersome to implement or outdated.

The Essential Commodities Act (1955), the Agriculture Produce Marketing Committee Act, Standards Weights and Measures Act (1976), etc. lack clarity as to Government policies regarding allowing FDI in retail, which affects foreign players planning to enter the Indian market.

While these laws either need to be repealed/amended certain laws conducive to the growth of the sector (legalise contract farming, franchising, direct marketing) need to be enacted. Possibilities of setting up a separate bank in line with SIDBI, to meet the varying financial requirements of the distribution sector need to be explored. The Government

should also clarify its policy regarding FDI in retail sector so that the domestic retailers can gear up their development process in order to face competition from foreign retailers.

The retail sector offers huge potential for exports if the reform process is streamlined and minimum quality standards are enforced in line with international quality standards. The future growth potential of the retail sector depends on the pace at which the reforms are undertaken both by the private sector and the government.



Corporates to SMEs scope for all

Harminder Sahni, Principal & Associate Director, Retail & Annuities Practice, KSA, in his presentation on **Organized Retail Trade in India: Options & Opportunities** said India's new consumers are "Younger than the World," and are acquiring more wealth than their ancestors.

India's new consumers are spending far more than in the past. The range of their spending is varied and vast which covers food and grocery, clothing, footwear, consumer durables / appliances, DVDs and VCDs, home linen, home accessories, accessories, gifts, meals, movies, theatre, eating out, entertainment parks, household help, travel packages, club membership, computers, peripherals & internet usage, etc.

Retailing Scenario in India

Indian retail industry estimated to be \$246 billion and growing at 5-6 percent organized retailing estimated to be \$7.8 billion and growing at 25-30 percent

So far, metros have accounted for 75-80 percent of all organized retailing activity

Going further, Tier-II cities are likely to contribute more significantly and concretely. Consumers in smaller towns are mirroring aspirations & lifestyles of their counterparts in the metros.

Retailers & mall developers are aggressively expanding to capitalize on these aspirations. Examples: Surat, Lucknow, Dehra Dun, Vijaywada, Bhopal, Indore, Vadodara, Coimbatore, Nasik, Varanasi, Ludhiana etc

India today is seen as country of Malls. Malls are the new face of Indian Retailing

About 70-80 million sq ft of space from 400 malls expected

to be operational by end of 2008 & 600 by end of 2010 across 60 cities

Mega projects (> 1 million sq ft) being planned in major metros Specialty malls already in place & many more in the offing seamless malls, factory outlet malls, luxury malls, women's malls and wedding malls etc.

FDI in real estate has led to increased interest from International property developers, global private equity investors, domestic players floating retail real estate funds, Pantaloon Group's Kshitij & Horizon International Fund as well as developers taking mall management seriously

However stumbling blocks remain such as limited access to capita, absence of technical expertise, archaic laws governing sector, retailing sector does not enjoy an industry status, lack of organized supply chain management, unavailability of skilled manpower.

Domestic players should attempt to replicate Wal-Mart, Carrefour etc in the country before these retail giants finalize plans for an India entry.

Organized retailing in India offers tremendous opportunities for large corporates, Small & Medium Enterprises (SMEs), entrepreneurs, professionals, business investors, manufacturers & suppliers.

Retailing will bring about employment generation. It already accounts for 6.0 percent of total employment in India. Job opportunities for semi-skilled/unskilled workforce, will be provided in contrast to IT where white-collar jobs are the norm. It will also bring about improved quality of jobs (through training & development) and investments in cold chains & sophisticated back-end Infrastructure. It can strengthen the capability of suppliers and increase revenues to the government through tax collection.

Adoption of improved performance monitoring systems like GMROI, inventory turnover etc leads to, improved merchandise planning & shelf-space management, automated replenishment systems leading to lower stock-outs, elimination of middle-men causing improvement in distribution margins in the supply chain, direct procurement from farmers leading to better realizations In the end, consumers gain from superior price-value equations. ■

U.S.-India Financial and Economic Forum: Joint Statement

Growth outlook good in India, US; Oil prices cause of concern

At the invitation of Indian Finance Minister P. Chidambaram, U.S. Treasury Secretary John W. Snow led an official delegation to India to co-chair the India-U.S. Financial and Economic Forum, which is part of the broader U.S.-Indian Economic Dialogue. The delegations discussed a number of key issues, including fiscal and tax policies, U.S. and Indian efforts to accelerate the WTO Doha Round negotiations, strengthening India's infrastructure, and collective efforts to combat money laundering and the financing of terrorism.

Besides senior officials from the Ministry of Finance, Department of Economic Affairs (DEA), Government of India, Department of Treasury USA, representatives from the Board of Governors of the Federal Reserve, Securities and Exchange Commission, U.S. Trade and Development Agency, Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, PFRDA, the Ministries of Commerce and Industry, Consumer Affairs and External Affairs participated in the discussion.

In the official meeting, the discussions focused on the following:

Macroeconomic Issues

The two sides discussed a variety of issues that affect global growth. They noted that the global economic performance remained sound, despite the impact of rising oil prices. In India, the growth outlook appears favorable. In the United States, economic conditions remain solid, despite the after effects of recent hurricanes. Nonetheless, both the sides noted several potential risks, including the impact of energy prices, the tightening of financial market conditions, and uneven growth in many parts of the world.

Both sides pointed to the need to maintain global growth while reducing global current account imbalances. They noted that major economies have a shared responsibility to implement policies to reduce these imbalances. In this connection flexibility in exchange rate regime becomes crucial. The U.S. side affirmed its commitment to reduce its fiscal deficit and to increase domestic savings. Though the hurricane relief and recovery efforts are likely to raise the budget deficit in the short term, the deficit outlook over the medium to long range is for steady declines due to tight controls on discretionary spending and continued strong

economic growth. The Indian side affirmed its intention to pursue policies to maintain strong overall demand.

Financial Sector and Infrastructural Issues

The delegations discussed India's efforts to strengthen its financial system, lower the costs of financial intermediation and increase access to finance for agriculture, small businesses and the poor. Both sides noted the importance of having a strong insurance and pension sector in order to increase long term savings and the availability of long-term financing. Indian officials emphasized their key priorities for financial sector reform, including expansion of financial services to poor and enhancing private sector capabilities. The delegations agreed to arrange further consultations to share experience and expertise on these issues.

Indian officials emphasized their commitment to infrastructure development as a means of reducing poverty

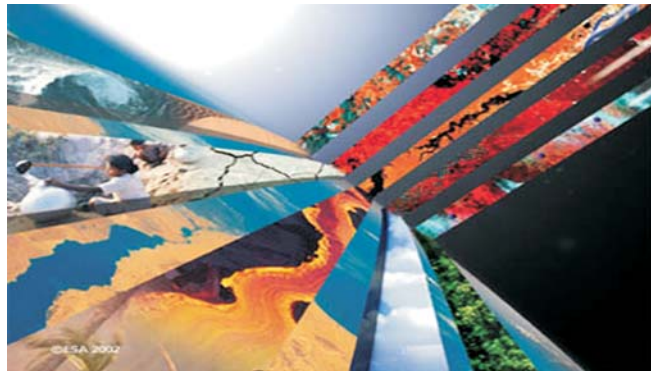


and expanding economic opportunities. While public investment in infrastructure will be augmented, the delegations discussed ways of encouraging more private financing for infrastructure projects. The Indian and U.S. sides agreed that a stronger investment climate would encourage more U.S. private sector firms to invest in Indian infrastructure development. Both sides underscored the importance of an effective dispute mechanism that will give greater confidence to investors.

International Cooperation

The two sides reiterated the importance of actions to identify and combat terrorist financing and money laundering. They reaffirmed their intention to implement the recommendations of the Financial Action Task Force (FATF) designed to prevent the abuse of financial systems, and they agreed to work together to identify and freeze terrorists' assets.

Both sides agreed to continue technical cooperation in the area of currency security, including detection and enforcement. Preventing the counterfeiting of national currencies is part of the fight against financial crimes and important to maintaining the integrity of the financial system.



India and the United States stressed that a successful conclusion of the WTO Doha Development Round negotiations is essential to promote global trade and growth. They agreed that a satisfactory outcome on agriculture negotiations, as well as services, would be crucial in this regard. They urged for progress at the upcoming Hong Kong Ministerial.

DEA Secretary Ashok Jha and Ambassador D. Mulford signed a cooperation framework agreement that will facilitate U.S. Trade and Development Agency projects in India. ■



Potential huge for doubling Indo-US trade to \$40 billion by 2008

Union Minister of Commerce and Industry Kamal Nath has called for doubling the merchandise trade between India and the United States to at least US \$ 40 billion by 2008.

Addressing a meeting of leading Indian businessmen in New Delhi recently, Kamal Nath referred to huge potential for trade and economic cooperation existing between the two countries and said the target of doubling India's economic engagement with the US within three years was possible.

Currently, India's total trade with the US is valued at US \$ 21 billion (i.e. India's exports to the US amounting to US \$ 14 billion and India's imports from the US amounting to US \$ 7 billion).

Kamal Nath told the meeting, which was also attended by US Trade Representative Rob Portman, that Non-Tariff Barriers constituted one of the major obstacles in the expansion of trade between India and the US.

"If we are able to sort out the Non-Tariff Barriers, there should be no difficulty in achieving targets howsoever ambitious", he said.

In this context, Kamal Nath said, the first meeting of the Indo-US Trade Policy Forum (TPF), set up as part of an overall Economic Dialogue during the visit of the Prime Minister Manmohan Singh to the US in July this year, assumed great significance.

"The US is India's largest trading partner and accounts for 11 percent of India's trade (18 percent of India's exports and 7.0 percent of India's imports), but India accounts for only 1.0 percent of US total trade. While India's exports to US are growing at 16 percent per annum, India's imports from US are growing at 25 percent per annum. Whereas Indo-US trade is growing at a significant 20 percent per annum overall, this is still lower than India's overall average rate of growth which is in the region of 25 percent," Kamal Nath added.

Portman was in New Delhi to co-chair a meeting of the Trade Policy Forum, along with Kamal Nath. The Forum's canvass covers mutual consultations on both bilateral and multilateral issues. ■

Rural Infrastructure vital to boost agri-business



US Consul General Henry V. Jardine has recently assumed office in Kolkata. In a very erudite address to the Indo-American Chamber of Commerce, touched various aspects of Indo-US relations, especially in the wake of their upsurge following the July 2005 summit between Prime Minister Manmohan Singh and President George Bush. Following is the text of Consul General Jardine's speech.

Before I start, I would like to express my condolences and those of the U.S. Consulate for the victims of the recent earthquake in Jammu and Kashmir. The earthquake was a devastating natural disaster that destroyed the lives of thousands, but the subsequent examples of human courage demonstrated by the people of India and Pakistan have been a great inspiration to see and hopefully a sign of future closer cooperation.

In discussing Indo-American relations, I can add that one personal development in our relations was my recent arrival here in Calcutta just two months ago. I consider myself very fortunate to be here now, in this very dynamic and economically growing region, at a time when relations between the United States and India are becoming so close - as we forge a stronger Global Partnership.

Demonstrating our two countries' growing global cooperation, this past July Prime Minister Singh, while in the United States, signed a broad ranging agreement enhancing our strategic partnership. The three important areas of that partnership included:

- Putting in place economic policies that will unleash private investment and create new jobs across India - including here in West Bengal.
- Assuring that India's energy requirements are met through the use of new and renewable technologies, including civil nuclear; and
- Building regional stability through strategic and military cooperation.

As US Ambassador to India David Mulford said when he made his remarks to members of the Indo-American Chamber of Commerce in Calcutta this past August: US - India relations are at an all-time high . . . Our two great pluralistic democracies are now positioned for a partnership that will be crucial in shaping the international landscape of the 21st century.

In the context of economic and commercial ties, those relations have never been better. The US exports to India are up by 50 percent and India's exports to the US are also up by 15 percent for the first quarter of 2005. The recent Open

Skies Agreement with India is already increasing air traffic and creating new jobs.

Reflecting the rapid economic changes here in this State, the Associated Chambers of Commerce and Industry (Assocham) reported recently that from 2001 to 2004, a period coinciding with the present Chief Minister's tenure, West Bengal saw an impressive 15 percent growth in the State's Gross Domestic Product (GDP). West Bengal is now the third fastest growing economy in the country. Its GDP in the service sector since 2001 has grown at a blistering 25 percent. Banking and insurance led that sector with 56 percent growth from 2001 to 2004. Finance, real estate and other business services grew by 43 percent during the same period.

This renewed commitment on both sides to building the economic relationship has been noticed in the US business community. Our engagement has strengthened business confidence. The US Mission is welcoming more US business delegations in India than at any other time, including many sponsored by individual US states. Here in West Bengal, we are seeing the expansion of US businesses and the presence of large brand names like IBM, American Express, and others.

The CEO Forum

To enhance this relationship, one economic initiative that was started just recently was the CEO Forum. The Forum consists of 20 of the most prominent CEO business leaders in the US and India, 10 on each side. They have been asked by President Bush and Prime Minister Singh to identify ways for our two governments to further build business confidence and remove barriers to trade and investment to propel growth, job creation, and delivery of social benefits to our people. This Forum is entirely independent of our two governments and collectively represents trillions of dollars of

investment capital. In fact, one of the Forum members is a part investor in the Second Vivekananda Bridge that is presently being constructed near Calcutta.

Free Market

The key aspect of the growing economic opportunity is also that the state governments follow through on the progress being made at the national and international levels. Private enterprise and the free market is the key to long-term progress. If policies are designed well, investment will flow and economies will flourish. The increasing interest by US businesses in setting up or expanding their operations in West Bengal -- such as PepsiCo's recent expansion announcement -- is evidence of the this truism.

Governments do play an important role in setting the fair ground rules for much economic activity and the State Government of West Bengal plays a very critical role at the local level in implementing the strong US-India partnership for facilitating investment and ensuring that regulations that create a dynamic commercial and economic environment.

Prominent Challenge

The most prominent challenge is world-class infrastructure, which India must provide as a platform for sustained higher growth and rural development, especially in agriculture. Bringing together federal and state authorities and public and private players is essential.

Opening up sectors of the economy where private investment is now restricted, such as retailing, real estate, food processing, small-scale industry, and telecommunications will improve rural connectivity and help generate the growth and revenue streams necessary to provide positive returns to infrastructure investment. With proper roads, water delivery systems, and cold storage chains, the recently liberalized food-processing industry, as well as other forms of



agribusiness, could become important sources of consumer benefit and rural employment. To help address these needs, the newly inaugurated US-India Agribusiness Initiative is aimed at building partnerships between US and Indian agricultural institutions.

These areas have the potential to generate a virtuous economic circle, where rising productivity and certainty raise farm incomes and give rise to demand for manufactured products and services -- thereby benefiting all segments of the society. The experience of India and its Asian neighbors shows that continuing rural poverty stems not from too much economic reform but from too little.

It is increasingly understood that India has much to gain from bold initiatives that liberalize its economy and, in turn, generate broader political support through greater economic prosperity. Such reforms improve living standards in ways the average citizen can feel and understand. Impressive results in the IT and telecom sectors already demonstrate the dynamics of less regulation, free foreign direct investment, freer trade in services, and consumer benefit. Only a few weeks ago, Infosys, which provides IT support to many US companies, announced plans for a huge expansion in Calcutta.

National Market & IPR

Two other areas that will require concerted action if India is to attract the huge investment it requires are the creation of true national markets and full protection of intellectual property rights. India's ability to implement a national VAT and remove fiscal and regulatory barriers to interstate trade will create true national markets of a size and scale necessary to for significant business commitments.

Continued progress in intellectual property rights, or IPR, is also necessary for India to attract more US investment in biotechnology, pharmaceuticals, and clinical research. We share a major interest in science and technology, and India is proving to be a world-class player in these fields. As IPR protection improves, US companies will become major investors, contributing capital, top quality science and technology, global management expertise, and new jobs.

Nano & Biotech

As an example of this, just recently our two governments signed the India-US Science and Technology Agreement at Johns Hopkins University in Baltimore, Maryland. The agreement will facilitate exchange of data and establish collaborative projects in nanotechnology and biotechnology. Union Science and Technology Minister Kapil Sibal said on signing the agreement, it "will be a great leap forward in joint



cooperation." An earlier effort in 1993 to negotiate a similar agreement stalled over disagreements regarding IPR provisions. This agreement will now serve hopefully as the first step in even more scientific cooperation in the areas of space, energy, health and other technologies.

Energy Security

Prime Minister Singh has also identified energy security as a priority that must be addressed if India is to achieve its ambitious growth agenda over the coming decades. Adequate and reliable supplies of energy at reasonable cost are essential to fuel India's rapidly growing economy. With this in mind, our two nations launched the US-India Energy Dialogue last May. The Energy Dialogue's goal is to increase energy security for both our countries by diversifying how we get our energy by expanding cooperation in areas such as clean coal, civil nuclear energy, and new technologies that open opportunities in renewable energy. Streamlining and expediting this energy progress will be important from both private sector and government perspectives.

In addition, business activity and people-to-people engagement will be critical to the transformation of US-India relations. To support this engagement, our Consulate and the US Mission in India is very busy processing a huge workload of visas. The Consulate processes over 24,000 visas a year and India, as a whole, has a total volume of 400,000 U.S. visa applications - the second highest demand in the world. Indian students - nearly 80,000 - are the largest foreign student body on US campuses. At the same time, we see US



MBA students coming to India to intern at BPO companies.

Business Visas

To help the business traveler, the State Department now has a Business Visa Center accessible on the Internet. This is the latest step in our continuing efforts to facilitate the issuance of visas for business travelers. The Business Visa Center assists businesses in the United States by providing information about the visa application process for business-related visitor visa travel to the United States. The Website explains the process to companies wishing to invite employees, clients and business partners to the United States. The Business Visa Center is accessible at: http://travel.state.gov/visa/temp/types/types_2664.html.

It is also available by e-mail at: BusinesVisa@state.gov.

The United States and India are also strengthening an increasingly dynamic strategic relationship. Cooperation on political issues--from promotion of democracy abroad to global peacekeeping operations, to combating terrorism and WMD threats -- are at the core of the bilateral relationship. Defense cooperation has reached new levels and military cooperation in the tsunami disaster was unprecedented. Defense Minister Pranab Mukherjee and Secretary of Defense Donald Rumsfeld signed a New Defense Framework for the US-India Defense Relationship on June 28th. This agreement will guide our defense relations for the next decade in a wide variety of areas, including the enlargement of defense trade, improved cooperation between our armed forces, co-production of military hardware, and greater technology transfer.

The successful cooperation of our two militaries during the response to the tsunami disaster last year has been followed more recently in September by much appreciated Indian

military assistance to victims in the United States from Hurricane Katrina. These are remarkable examples of how far we have come, and the great potential we have for the future.

Again, as a sign of our strategic cooperation here in West Bengal, next month we will see a joint Air Force exercise: COPE-India. The exercise will be one of the largest exercises between our two air forces and will involve an extensive array of the latest air force technology.

These developments do not compromise India's sovereignty or independence. These are agreements between two equal, important partners, who look to the future and understand what some of their shared values and objectives must be.

Cause of Freedom

Finally, as two great democracies, the US and India have committed to work together to advance the cause of freedom and democracy in the world. At the White House, President Bush and Prime Minister Singh agreed on a Global Democracy Initiative that outlines our two nations shared commitment to democracy and the belief that we have an obligation to the global community to strengthen values, ideals and practices of freedom, pluralism, and rule of law. With our solid democratic traditions and institutions, our two nations have agreed to assist other societies in transition seeking to become more open and democratic. We both recognize that democracy is central to economic prosperity and development and to building peaceful societies.

As an initial step in this effort, both the U.S. and India committed to establishing a virtual Coordination and Information Center to share best practices on democracy, identify opportunities for joint support, and highlight capacity-building training programs. The Virtual Democracy Center website can be found at <http://democracy.state.gov>.

The United States and India are also cooperating closely under the auspices of the Community of Democracies, supporting UN electoral assistance programs, and have each provided \$10 million to the UN Democracy Fund.

In concluding, I hope I have explained how extensively the relationship between our two countries has expanded and strengthened. The cooperation is across a range of areas: economic, scientific, social and strategic. We can see the benefits of this enhanced relationship here in West Bengal with growing investment, economic growth and opportunity. I feel very fortunate to be here and at such an auspicious time and I look forward to working with you all in doing our individual parts to promote the closer cooperation between our two great democracies. ■



Rousing welcome to Consul General
Michael Owen & Commercial Consul
James Cunningham in Mumbai

More interaction with Chamber, highest priority

Newly-appointed US Consul General in Mumbai Michael Owen and Commercial Consul James Cunningham were given a rousing welcome reception by the Indo-American Chamber of Commerce, West India Council (WIC) at a function held in their honour at ITC Grand Central Sheraton Hotel on October 6.

Speaking on the occasion, Owen said that his "highest priority is to promote good business ties, trade and investment between India and the United States."

Owen said that business and economic relations between the two countries were at an all-time high and in order to further strengthen these, he was looking forward to interacting with the chamber more often.

On his part, Cunningham said that the U.S. Commercial Service, to which he belonged, would like to work closely with IACC to strengthen "our relationship" and implement the initiatives that came from both.

He said that Consul General Michael Owen, the U.S. Embassy in New Delhi and President Bush in Washington had great expectations in terms of trade promotion.

"The only way we will be able to deliver on their expectations is to work through actively aggressive partners like the IACC, we feel there are mutually beneficial initiatives," Cunningham said.

The US Commercial Service is currently analyzing the initiatives in retail, education, energy, entertainment and outsourcing to assist local companies in their efforts to import U.S. products and services.

Cunningham mentioned that he was looking forward to meeting with IACC office-bearers collectively as well as individual members and hearing from them their priorities on how best to forge new alliances between the two countries "in this exciting period of growth in India."

Later, the celebrity audience, comprising more than 150 IACC and other invitees was entertained by the ethnic Kuchipudi and Bhangra dance performances by India's well-known artists.



IACC welcoming Newly appointed Consul General Michael Owen with his wife Annerieke Owen



Newly appointed Commercial Consul James Cunningham of the U.S. Commercial Service with Ashank Desai



L to R: Atul Nishar, Michael Owen, James Cunningham, Gopal Jain and Ashank Desai



Gopal Jain presented a memento to Consul General Michael Owen and Farokh Balsara presented a memento to Jim Cunningham Commercial Consul.



36 - Still Going Strong

Prabhakar is new National President, calls for a new thrust in Indo-US ties

The 36th Annual General Meeting of the Indo-American Chamber of Commerce (IACC), held on September 29, 2005 in Mumbai, saw the smooth changeover in presidentship from Ranjit Sen to B. Prabhakar. A new Executive Council was elected and Deepak Pahwa and Farokh T. Balsara were elected Executive Vice Presidents of the Chamber.

Soon after his election, Prabhakar said: "I am happy to take over as National President of the IACC at a time when Indo-US economic and political relations are poised for a major transformation. Businesses from both the countries have to play a major role in adding value and giving a new thrust to the economic agenda. I shall endeavor to build and consolidate the good works done by my predecessors in bonding the businesses of both the countries, particularly the small and medium enterprises of both the countries".

Earlier, IACC's outgoing President Ranjit Sen welcomed the members present at the AGM, who heartily applauded his contribution to the functioning of IACC.

Frank Hartle, Senior Director of the Hay Group, a US-based human resources management consultancy organization, made a presentation on "The Indian CEO Competencies for Success." It covered the comparisons between Indian CEOs and their western counterparts and also between public and private sector CEOs in India.





Surge in Indo-US ties

Spate of spin-offs in the offing

In an electronic newsletter to IACC, newly-elected National President B Prabhakar has said the strengthening economic relations between India and the United States have led to significant spin-offs in terms of collaborations.

Following is the text of Prabhakar's letter:

Many important developments are taking place in Indo-US economic relations. Let me flag-mark some of these. A US realty firm Tramwell Crow Company (TCC) -- has bought 30 percent stake in Chesterton Meghraj Property consultants, a realty services company of Meghraj properties. Shyam and Hari Bharti controlled Jubilant has acquired 100 per cent equity in Target research Associates, a US based clinical research organization. A US fund is buying 16 percent equity of Gammon subsidiary Gammon Infrastructure Projects. And the list goes on. Some of these developments in business relations are brought out in this issue. Many other tie-ups have already been made and are in the public domain and equally impressive number of tie-ups is in the pipeline.

N-energy & Insurance

On the policy side too there have been many significant developments. India wants the US to amend the law relating to civilian nuclear energy cooperation before New Delhi surges ahead with the proposed separation of its civil and military nuclear facilities as required under the July 18, 2005 declaration. Importantly, India also hired services of a public relations firm in the US for lobbying primarily with the Democrats. This is in addition to the services availed from the already contracted PR firm, which is close to the Republicans. From the US side Ambassador David Mulford made clear the concerns of the US insurance industry form holding back the decision to enhance the threshold limit for FDI in insurance.

Retail Trading

On the retail front, it is expected that in a few months from now, the Indian Government may bring about the longawaited reform, which would enable some of the US retail majors to set up their operations in India. IACC as a partner in progress has been catalyzing public opinion for a more proactive approach towards liberalization in critical areas including infrastructure, civil aviation, finance, retail etc. ■

Withdraw Fringe Benefit Tax: IACC

The Indo-American Chamber of Commerce (IACC) has suggested withdrawal of the Fringe Benefit Tax (FBT) at the earliest since it has adversely affected the competitiveness and globalization efforts of Indian companies.

In a statement issued recently, IACC has said: "In today's highly competitive corporate landscape, there should be a premium on innovation, pro-activeness and brain trust. That can be ensured only when meritorious employees are rewarded adequately. Only then such talents can be retained and assigned to assume greater responsibilities. FBT rides a rough shod over these well established corporate practices by taxing the perquisites and making the employees and

management equally liable to pay tax."

According to IACC, the government at the outset should prove whether FBT is an Income Tax or an Expenditure Tax. "It does not have the characteristics of the Income Tax since the incidence of the tax is not on income but expenditure. But Expenditure Tax cannot be levied in the garb of a direct tax. That requires legal sanctions. Otherwise, it is constitutionally invalid," the statement said.

"It is necessary that the government weigh these considerations before taking a final decision on the continuation of the FBT," IACC added. ■



Deepak Pahwa

Man for All Seasons

Deepak Pahwa, the newly-elected Executive Vice President of the Indo-American Chamber of Commerce, is Group Chairman, Pahwa Enterprises and Managing Director

of Bry-Air (Asia) Pvt. Ltd. An alumnus of St. Xavier's, Jaipur, Pahwa graduated in Electrical Engineering from Banaras Hindu University in 1969.

The foundation of the first company of Pahwa's group was laid in 1979, with the starting of Arctic India Sales, a leading marketing company for HVAC&R products. Today, Pahwa Enterprises is a group of knowledge-based, technology-driven air-engineering companies specializing in products and technologies with 'desiccant at the core in relation to air.' The core manufacturing strengths of the member companies of the group is in air engineering and environmental control technologies. The companies have a technical and financial alliance with European and American companies and are manufacturing products based on the latest in world technology for the domestic and international market.

Even though the group is an entrepreneurial 'small-medium enterprise' (SME) with personnel strength of about 400+ and success in introducing high technology products in India and its exports to South East Asia and North America; it's dynamic growth under the leadership of Pahwa are often quoted as model examples.

Pahwa was awarded, in 1989, the "entrepreneur of the year award" in the small medium enterprise entrepreneur category 1987, a national award presented by the then President of India.

Pahwa has been elevated to the grade Fellow, ASHRAE (American Society of Heating, Refrigeration and Air-conditioning Engineers) USA. He also serves on several technical committees, TC 3.5, TC 5.5 and TC 5.7. He also chairs the ASHRAE India Chapter's Research Promotion Committee, and is the Co-Chairman of the TC 4.3: Ventilation Requirements & Infiltration in India. He is a life member of ISHRAE.

He is also Managing Committee Member, PHD Chamber of Commerce & Industry and the National Vice-President, Indo-American Chamber of Commerce.

He has been a member of several trade delegations to USA, Canada, Korea & Japan and has addressed various gatherings on the investment climate and 'doing business with India'.

He has presented several technical papers on various aspects of Air Engineering at various international forums and has been a member of several trade delegations to USA, Canada, Korea & Japan and has addressed gathering on the investment climate and 'doing business with India'.



Farokh Balsara

Man of Many Business Facets

Farokh Balsara, the newly elected Executive Vice President of the Indo-American Chamber of Commerce (IACC), is a partner with the Risk & Business Solutions of Ernst & Young. A commerce

graduate from the University of Bombay, Balsara is a member of the Institute of Cost & Works Accountants of India. Currently, he is a member of the Advertising Standards Council of India as well as the entertainment committees of FICCI and CII, both industry apex organizations.

Balsara has done exceptionally well in a vast array of fields in his 19-year career, ranging from identifying process

related risks, improving efficiency and effectiveness of key business processes, developing controls to mitigate business risks in several large Indian entertainment and advertising companies.

Balsara also provides Transaction Support Services to a number of multinationals, strategic investors, venture capital firms and private equity funds as well as providing valuable expertise in a variety of market reviews and feasibility studies and providing a strategy for multinational companies interested in establishing a base in India.

As Regional President of the Chamber, Balsara organized the Global Offshore Outsourcing Summit and two festivals, which are remembered by corporate circles till today.



Varanasi Branch

India will leave China behind - Adani

Rajesh Adani, Managing Director, Adani Exports Ltd has predicted that India will leave China behind in International markets.

Participating in an interactive session with members of the Varanasi (U.P) Branch of the Indo-American Chamber of Commerce (IACC), Adani said: "China has reached a point of stagnation where it is doubtful that it can retain the success it achieved earlier in the International Market. I am confident that India will leave China behind, as the government-controlled sector has no accountability in the same manner as in India."

The Adani group is exploring possibilities of distributing natural gas in two places in U.P. IACC took this opportunity to invite Adani for a discussion along with various eminent

WTO Training-cum-Awareness Programme

Training cum-awareness programme on World Trade Organisation (WTO) was organized by IACC in collaboration with District Industries Centre, Varanasi on October 6-7, 2005. Members of the Chamber, eminent industrialists, citizens and media professionals were addressed by Founder Chairman of IACC (Varanasi) Ashok K. Gupta, who said: "India's association with WTO is an important and sensitive issue which warrants an open discussion on various forums."

"While China joined the WTO only after being fully prepared to face the pros & cons of WTO, India joined without doing its homework thoroughly. Now there is no retreat and we have

to work within the framework given to us by ensuring that our small scale industries are not adversely affected," Gupta said.

From the importance of WTO, urgent need for reform in labour laws, deteriorating trend of small scale and cottage industries to the provision of world class infrastructure and promotion of international trade; all the above points were elaborated on by various speakers.

Concern over Naxalite movement

On October 20, 2005, an informal luncheon meeting was organized by the IACC with . Jai L. Nair, Third Secretary and Dinesh Dubey, Political Advisor, Political Affairs, US Embassy, New Delhi, on the impact of the Naxalite movement in the state.

Participants expressed their concern over the growing influence of the Naxalite movement, which was affecting all aspects of political, social and economic life. With politicians also moving hand in glove with these vested interests, the best way to negate these activities would be to provide a proportionate distribution of agricultural land and create job opportunities to the unemployed youth and also focus on economic development of the area. ■



industrialists, entrepreneurs, citizens and media persons who attended the high profile meeting.

Adani briefly elucidated on Adani Exports Limited saying, "We are a global trading house in India and one of India's largest net foreign exchange earners with a turnover of Rs. 17,000 crores. The company is mainly operating in the areas of Energy, Agro-Products, Textiles, Metals, Minerals, Fertilizers, etc in more than 55 countries."

Founder Chairman of IACC (Varanasi) Ashok K. Gupta said: "There is great scope for export in the agro-based industry." During the interactive session with the audience, participants agreed that the main problem was power supply and that there was an urgent need to provide good infrastructure to industrialists.

Gujarat Branch

Consul General Michael Owen visits Gujarat

Newly-appointed US Consul General Michael Owen has said recently that he is hopeful of improved cooperation between the US Consulate and the IACC (Gujarat) in order to further develop trade relations between India and the US.

Speaking at a luncheon reception in his honour by the IACC Gujarat Branch in Ahmedabad on September 8, 2005, Owen said a large number of non-resident Gujaratis (NRGs) had contributed significantly to the US economy over the years, which spoke a lot for the entrepreneurial spirit of Gujarat.

Owen stressed the importance of Indo-US relations "which are at an all-time high" and assured that due importance would be given to development of trade and commerce.

Consul for Economic and Political Affairs Bill Klein was also present at the interactive session, attended by a large number of senior IACC members and Industry representatives.

Cunningham's meets IACC Gujarat members

IACC Gujarat Branch also hosted a dinner meet and interactive session with Commercial Consul Jim Cunningham and other senior officials of the US Commercial Service on Sept. 15, 2005.

IACC Gujarat Chairman G S Sekhon and members of the Branch Council and the Chamber had an in-depth discussion with Cunningham and appraised him of the opportunities available in Gujarat and its significance as an ideal investment destination.

Cunningham promised further cooperation and interaction between USCS and IACC Gujarat, in terms of information-sharing, events and guidance, saying that he looked forward to working with IACC Gujarat and visiting Gujarat again in the near future.

The KPMG Seminar

IACC Gujarat Branch organized a highly successful revenue-generating seminar on "Performance Management Systems" on September 17, 2005. The highlight of this seminar was the enthusiastic response and participation from various sectors. The expert faculty was sourced from KPMG (Globally Renowned Consultancy) and was interactive in nature. Case studies were presented and discussed, making the participants to really feel enthused. Corporate companies such as Vadilal, Zydus Cadila, Bayer, Bosch-



Chairman G.S. Sekhon Felicitating Nishid Shivdas

Rexroth, Reliance, etc... participated in the programme.

Seminar on "Doing Business in USA"

IACC Gujarat Branch organized on July 23rd, 2005 a highly successful revenue-generating seminar, on the theme, "Doing Business in USA." The expert faculty was Dr Chandler Sharma (Sr. Partner, Smith White Sharma & Halpern, a renowned US Immigration & Law firm based in Atlanta). The highlight of this seminar was the enthusiastic response from the participants. Dr Chandler Sharma answered numerous queries on a vast and varied range of issues, and had a very interesting interaction with IACC members, participants and also members of the press. Queries ranged from the issue of personal and business visas to immigration laws. Due to the enormous response and very positive feedback generated, the IACC has received requests to hold such seminars frequently. ■



R to L: IACC Chairman G.S. Sekhon, Michael Owen (Consul General, US), William Klein (Consul-Political), Branch Secretary Krishna & Asst. Secretary Swapan in Conference.



Ethics Award for Meattle

Kamal Meattle, CEO, Paharpur Business Centre & Software Technology Incubator Park (PBC™ - STIP) has been presented the 'Ethics is Good Business Award' by President A. P.J. Abdul Kalam during the PHD Centenary Celebrations the Vigyan Bhawan recently.

As a government-recognized private STIP unit, Meattle's company is committed to perform business in a transparent and ethical manner and is known as 'the Company that has made Customer Care Its Business'.



Dataquest Lifetime Achievement Award for Sonawala, India's Hardware Pioneer

Hemant Sonawala, Chairman, Hinditron Group and Past President of IACC has recently been awarded - the Life Time Achievement Award 2005, in the field of IT - by Dataquest / Cybermedia in New Delhi.

For Sonawala, IT does not just mean Information Technology, but Indian Talent. Spanning four decades, his mission has been to leverage India's engineering expertise. Sonawala is driven by the motto - India needs to become self-reliant in engineering technology, even if it does not become completely self-sufficient.

Sonawala was the first to encourage foreign hardware houses to open shop in India. He was instrumental in getting the hardware manufacturing business to India, long before the industry started talking about the need to have a

strong manufacturing base in the country. He made these manufacturers recognize India's potential. He brought Digital to India at a time when India was just an import destination, thus laying the ground for Indian hardware manufacturing.

For being one of the founders of India's domestic IT industry and for laying the foundation in his role as an industry pioneer, entrepreneur, and, later, as CSI president, for which the market grew and, subsequently, the software and services revolution happened.

SME tie-ups: IACC delegation to visit US

The Indo-American Chamber of Commerce (IACC) is planning to take a high-level business delegation to the United States between February 25 and March 10, 2006 to boost business relations between small and medium enterprises (SMEs) of the United States and India.

Headed by Hemant S. Sonawala, Past President, IACC. The delegation will visit Indiana, Washington, Oregon and Idaho. Interactive meetings are being planned with State and Federal government officials in all the four States.

The theme of the business delegation is "India as a Strategic Partner in Trade & Business - A New Horizon". The

delegation will comprise CEO's from 12-15 leading companies from India in the following industry Sectors:

- Electronics Equipment and IT
- Nano & Bio-Technology, Healthcare, Medical and Hospital equipment and services
- Infrastructure Ports, Roads, Airports
- Consumer and Food products wine, cheese, etc.
- Tourism and Education

For further information, contact IACC Secretary-General R.K. Chopra.

USERC delegation attends WEFTEC 2005

A 26-member US-ERC delegation comprising engineers, senior government officials, individuals from contracting companies in industry, chemical firms and consultants, attended the 78th WEFTEC 2005, the Water Quality Event, held in Washington from October 29 to November 2.

US-AEP program of USAID has been leading a delegation to WEFTEC every year. Since US-AEP has closed its operations in Mumbai in September, 2005, the mandate had been handed over to US-ERC.

US-ERC has provided services that include registration, organizing important meetings, housing, and most importantly forwarding leads that matched the delegate company profile at the exposition. Ms. Suba Gajapathi, Asst. Manager, US-ERC was nominated to lead the delegation.

Achievements at WEFTEC.05:

- Success stories : The two Indian companies that have tied up with U.S companies for agency distribution and importing of equipment are Clean Environment Consultancy services and 'Subhash Projects and Marketing Ltd' (SPML). Subhash Projects and Marketing Ltd' (SPML) are collaborating with Magnadrive Corporation (product categories Drives). An MOU is in the process of being signed with two more companies i.e. In-Situ Inc. (product categories Data Acquisition, pH Analyzers etc.) & F.B Leopold Co., Inc. (product categories Flow meters, Sludge collectors etc).
- US-ERC has collected a database of over 100 U.S companies which are interested in India for agency distribution, direct sales or collaborations for their products

and services.

- Meetings with Lynn H. Orphan, President, WEF & Ken K. Maynard, Director, International Programs for the delegation were organized by US-ERC. This meeting was held to express views and suggestions to gain maximum benefit for participation at this show and for exposition & conference in the future. The suggestion also included to offer discounted rates for conference, training workshops, publications at their bookstore and other events. In the past, US-AEP had support of the IIE office in Washington to take care of registration, fee waivers etc. US-ERC has requested full support from WEF for bringing delegations in the future shows. This is extremely essential as proactive support could be given to delegates for meeting people during their visit to WEFTEC.

- WEF is keen to work with US-ERC to promote WEFTEC.06 in Dallas, Texas. Since WEF is an educational and technical organization comprising of industry professionals, they have expressed to provide support services to US-ERC in terms of conceptualizing programs related to Water Quality Management, nominating speakers from their organization for our programs.

Future possibilities:

- Work jointly with WEF to promote WEFTEC.06 to be held on Oct 21- 25 in Dallas, Texas and target more delegates.
- To provide services to the U.S companies (from WEFTEC.05) with an export interest in India. ■

Need for Coastal Zone Conservation by Private Sector

The United States Environment Resource Center (US-ERC) organized a round table deliberation on "Private Sector Participation in Coastal Zone Conservation in South Asia" on October 3, 2005. Participants at the discussion included Katharine Koch, Director, U.S. State Department's Regional Environment Office for South Asia; R.K. Chopra, Secretary General, IACC; Veerendra Veer Singh, Mumbai Research Centre of Central Marine Fisheries Research Institute; Girish Raut, Member, Mangrove Committee of the Municipal Corporation of Greater Mumbai and others.

The focus of the discussion was on conservation issues and causes for concern at the major coastal cities along the

Arabian Sea and how the private sector addresses these key issues, identifying mechanisms to engage greater private sector participation in coastal zone conservation and lastly how the US could be helpful in promoting transboundary coastal strategies in South Asia.

Ms. Koch was particularly concerned with the problems facing the coastlines of Pakistan, India and Bangladesh as the aquatic life, particularly the fishes, was getting affected. She said, "the need of the hour was a greater participation by the private sector in addressing some of these key issues and engaging in coastal zone conservation." ■



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