

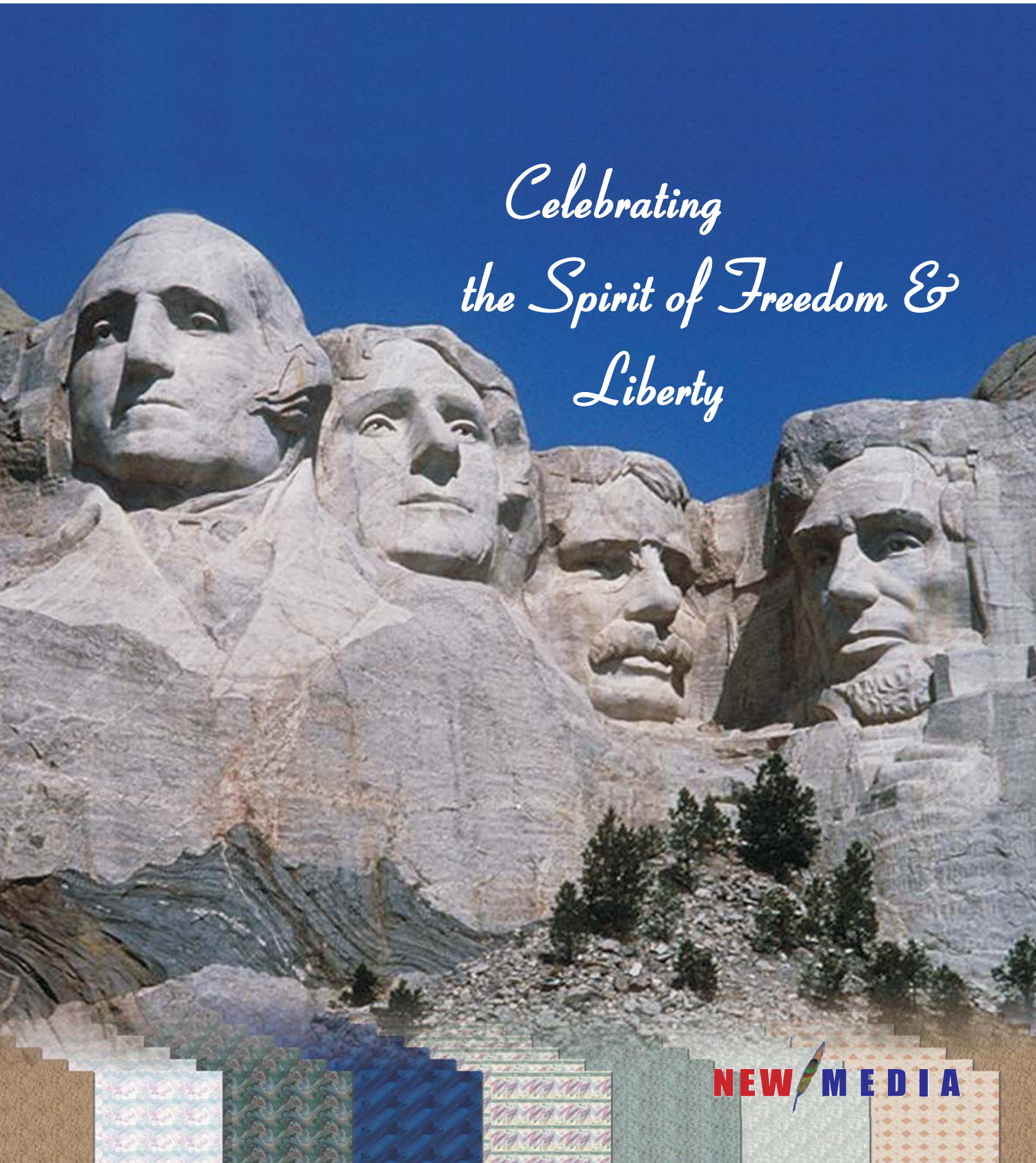


INDO-US BUSINESS

The Newsmagazine of Indo-American Chamber of Commerce

JULY-AUGUST 2004

*Celebrating
the Spirit of Freedom &
Liberty*



NEW MEDIA

In This Issue

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Energy Sector

Dear Readers,



Greetings. The current issue cheers millions of Americans, who have just celebrated their Independence Day. As the sole global Superpower, America today sets pace for the whole world in every sphere, especially politics and business. We at Indo-US Business, committed to promote bilateral economic relations between India and America, are happy that the global powerhouse is coming out of its economic blues. We carry a Fact Sheet, which states that more than 1.5 million jobs were created in 10 months in America. Which takes us to the contentious issue of outsourcing. We have been arguing all along that it will be in the larger interests of America that its multinationals should outsource back-office jobs to countries like India in order to improve their global competitiveness and ability to create more high-end jobs in that country. Relevantly, we have in this issue, two features on the subject outsourcing in human resources and the entertainment industry. A special report on how

India has emerged as a major BPO player in Banking, Financial Services and Insurance also figures prominently in this issue. Then there's a special feature on CAPEXIL reaching out to the US market through the International Tile & Stone Show, staged in New York. An in-depth article covers various issues concerning education as part of GATS and their implication for both India and the US. Again, both India and the US have a heavy stake in higher learning and knowledge, the two inseparable spheres, which make them partners in exploring Space. We present the gist of Indo-US Science Conference on Space. A write-up on Energium 2004, a conference-cum-exhibition provides an insight into the issues related to the energy sector. The current issue takes you to Las Vegas, the great gambling city, where the Gem & Jewellery Export Promotion Council, staged its biggest fair in the US, dazzling celebrity visitors with Indian creativity, etched in gold and studded with diamonds. We have plenty of news from the vibrant Indo-American Chamber of Commerce, including its celebration of the US I-Day, with a grand musical extravaganza. In the end, what matters most to the US and India, both democracies, is the celebration of the Spirit of "Freedom, Liberty and the Pursuit of Happiness," as famously propounded by Thomas Jefferson in his "Declaration of American Independence" We cherish that spirit.

Wish you happy reading.

Satya Swaroop

Managing Editor

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Dear Friends,

The United Progressive Alliance (UPA) Government at the Centre, headed by Dr Manmohan Singh, has inherited a strong economy, which has been nurtured cautiously over the last decade. It is indeed a pleasant coincidence that the chief architect of the economic reforms programme, initiated in 1991, is now the country's Prime Minister. This development amply reflects the fact that India's economic reforms process is irreversible, and globalization of the Indian economy is a continuing process. Though the sceptics may see the differing ideologies of present



coalition Government as speed-breakers for the process of reforms, yet the fact remains that what is being amplified by coalition partners is only the genuine concern of a large number of population. I personally believe that "economic reforms with a human face" is the need of the hour as the prosperity of the civil society at large means larger market for business and industry.

The new Government presented the Economic Survey on 7th July

2004, which reflected the inherent strengths of the economy. Indian economy has emerged as the second fastest growing economy of the world and is expected to achieve more than 8% GDP growth. The industrial and services sectors are growing rapidly. Leveraging on the growth pattern of agricultural sector, boosting agricultural growth through diversification and emphasis on agro-processing to achieve higher agri growth should be the objective for near future.

In the area of public finances, the new Government is focusing on fiscal consolidation and eliminating revenue deficit. The passage of Fiscal Responsibility & Management Act is the step in the right direction. As monsoon, so far, has been erratic, the challenge would be to maintain inflation at around 5%, especially in the prices of agricultural commodities. Foreign exchange reserves of the country have reached \$120 billion as of July 12, 2004 and there are indications of hardening of interest rates in near future.

The new Government at the Centre needs to focus more on investment in infrastructure to make India a manufacturing hub. The power sector, especially, needs sharper focus. The Government's announcement to give more time to State Electricity Boards (SEBs) to unbundled is the right move. However, more private and foreign investment must be attracted in this critical sector through transparent and coherent policies at the Central and State levels. In the area of road development, the Government has rightly shifted its focus to corridor management from road construction. The Rakesh Mohan Committee estimated in 2001 that the economic cost of bad roads ranges from Rs 200 billion (US \$ 4.3 billion) to Rs 300 billion annually.

Recently, some US Congressmen urged India for legislation to do away with trade barriers. They recommended that India implement domestic economic reforms with greater vigour to promote more rapid growth open its economy further to the global market by reducing administrative restrictions and other barriers to foreign trade and investment. It is heartening to note that the Indian Government is planning to take several measures in the same direction. To achieve higher 10% industrial growth, the

Government intends to tackle the issues of reservation for small scale industries, high customs tariff, rigidity in labour laws, reaping economies of scale, friction in creation and closure of firms, and distortions in indirect tax structure. Adequate supply of credit and low transaction costs would certainly help in making Indian economy more vibrant and attractive for the investors.

The burgeoning foreign exchange reserves have provided flexibility to hasten trade reforms by stressing on liberalizing foreign direct investment regime to make it an engine of growth as in China. On customs duty, whose peak rates were reduced to 20% in the Interim Budget, the Government intends to gradually reduce it to align them with that of ASEAN countries. To achieve the specified milestones in fiscal adjustment, the Government has highlighted the need for sustaining the reforms in tax and expenditure administration.

Apart from flexible labour laws, the Government has announced to adhere to the deadline of April 1, 2005 for transiting to state-level Value Added Tax system for rapid industrial growth. Introduction of Value-Added Tax (VAT) is essential as the current regime of domestic trade taxes at the state level was characterized by distortions and inefficiencies arising from cascading and multiple rates. It must be mentioned that implementation of VAT and recommendations of the 12th Finance Commission would be critical determinants of fiscal improvement at the state level.

Interest rates are expected to go up due to high fiscal deficit and improved credit demand from the commercial sector. With fiscal deficit remaining high and signs of pick up in the flow of credit to commercial sector, the possibility of interest rates moving northwards cannot be ruled out. The Reserve Bank of India (RBI) has continued its soft interest rates policy stance, imparting greater flexibility to the interest rate structure. We hope that this trend would continue as considerable investment is needed to boost various sectors of the economy and generate more employment. What is worrying is that lending rates in India have remained "sticky" and not fallen in line with deposit rates. The Benchmark Prime Lending Rate had not benefitted all borrowers, prompting RBI to advise banks to align the pricing of credit for improved fund flow to the industrial sector.

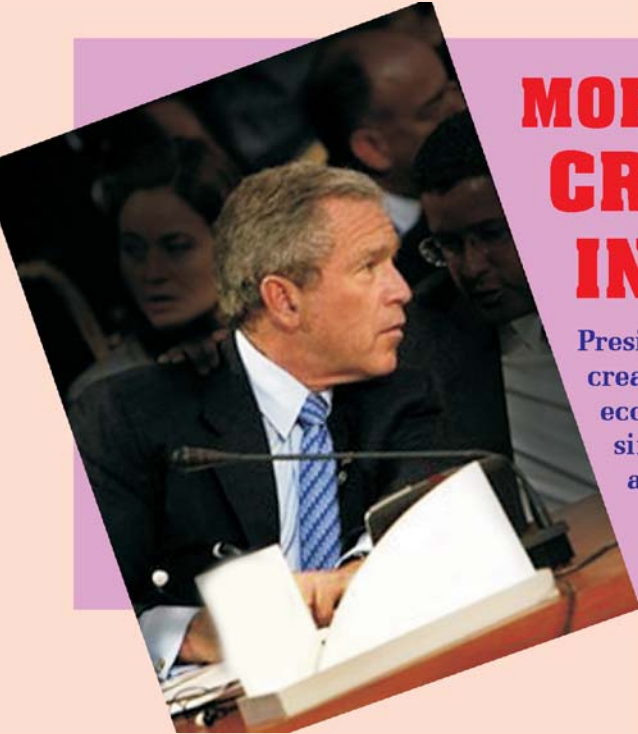
India's foreign trade is contributing immensely to the economy. However, the negative impact of hardening of global oil prices and volatility among major currencies on country's exports will have to be tackled to maintain the momentum of growth. There is also a need for designing specific micro strategies for export growth, besides emphasizing on the services exports. The accumulation of huge forex reserves provides an opportunity to the new Government to deepen trade and other administrative reforms in the external sector.

The increase in foreign equity in telecom, civil aviation and insurance, announced in the Union Budget for 2004-05, is a welcome step as it would spur cross-border mergers and acquisitions and hopefully more strategic alliances between Indian and US enterprises.

Recent bilateral developments have shown that India is a much better ideological fit for the US. I am hopeful that we will witness an increase in US investment or trade with India as quickly as India further reforms environment for investment, recognize the sanctity of contracts, protect intellectual property, and bring down the trade tariffs.

V. Rangaraj

President, Indo-American Chamber of Commerce



MORE THAN 1.5 MLN JOBS CREATED IN US IN 10 MONTHS

President George Bush's economic policies have been aimed at creating a steady drive in job growth and strengthening the economy at the same time. The President has propounded a six-point plan to strengthen America's economic recovery and create jobs in America. New job figures released and other indicators show that President Bush's economic policies are working.

The economy has posted steady job gains for each of the last ten months, since August 2003 -- creating more than 1.5 million jobs. According to statistics released recently by the Bureau of Labor Statistics (BLS), 112,000 new jobs were created in June, 2004.

- Nearly 1.3 million jobs have been added since the beginning of the year.
- The national unemployment rate stayed constant at 5.6% in June -- down 0.7 percentage point from a peak of 6.3% a year ago. At 5.6%, the unemployment rate is below the average of the 1970s, 1980s, and 1990s.
- Employment over the last year was up in 44 of the 50 states and the unemployment rate was down in all regions and in 46 of the 50 states.
- **National manufacturing employment is up by 64,000 jobs since its low in January.** The ISM Manufacturing survey's employment index reached a 30-year high in May and remained strong in June, indicating further gains in manufacturing employment.
- The household survey shows a similar increase in jobs, up 1.7 million since August.
- **Unemployment rates have fallen across all levels of education, races, and ages over the past year.**
- For people without a college degree, the unemployment rate is down by 0.7 percentage point.
- For both African-Americans and Latinos, the unemployment rate is down by 1.5 percentage points.
- For teenagers, the unemployment rate is down by 2.2

percentage points.

Background: President Bush's Actions are Driving the Economy Forward -- Now is Not the Time to Turn Back

President Bush's economic policies are working. The economy is strong and growing stronger. Factories are busier, families are earning more, homeownership remains at record levels, and people are finding work.

- **Economic growth since last summer has been the fastest in nearly 20 years.** The American economy grew at a strong annual pace of 3.9 percent during the first quarter of 2004 -- above the historical average, and continuing the strong growth seen over the previous two quarters.
- **America's standard of living is on the rise. Real after-tax incomes are up by 11%** since December 2000 -- substantially better than the gains following the last recession. Since the President's 2001 and 2003 tax cuts, personal consumption levels have risen significantly.
- **Retail sales** other than motor vehicles in the first quarter of 2004 increased 11.8 percent, more than double the average annual rate of growth over the last decade.
- **Consumer confidence** is at its highest level in 2 years. The Conference Board's index of consumer confidence increased over 18 index points in the past 12 months, from 83.5 last June to 101.9 this June.
- **New housing construction** in May remains at levels near those of December 2003, when they were at their highest in almost 20 years.
- **The national homeownership rate**, in the first quarter of 2004, remained at the record high of 68.6 percent set in the previous quarter.
- **Minority homeownership** set a new quarterly record of 50.8 percent in the first quarter, up 0.2 percentage point

from the fourth quarter and up 1.5 percentage points from the first quarter of 2003.

- **Inflation** remains low by historical standards, with the core CPI (Consumer Price Index) and the core finished-goods PPI (Producer Price Index) both rising only 1.7 percent over the last 12 months.

- **Mortgage rates** remain near historic lows, making homebuying easier and more affordable.

- **Productivity** grew from 2000 to 2003 at the fastest 3-year rate in more than 50 years. This has bolstered profits and will lead to significantly higher real wages for workers.

- **State tax revenue** grew by 8.1 percent over the four quarters ending in March 2004, with nearly all of it attributable to the improving economy rather than to increased taxes -- fully 7.1 percent of the revenue gains reflected the economic recovery. This is the best four-quarter growth rate in nearly 4 years.

- **Manufacturers** have been reporting increased activity and new orders more than at any time in the last 20 years.

- From its low in mid 2002, the **stock market** is up about 40% and the NASDAQ is up almost 70%.

Many Americans are working hard to make ends meet. We must continue to push forward on a pro-growth economic agenda that meets the needs of the American people.

- **Making tax relief permanent** -- raising taxes now would put the brakes on our growing economy.

- **Providing worker skills** -- preparing Americans for the skilled jobs our economy will create in the years to come.

- **Controlling health care costs** -- giving America's working families greater access to affordable health insurance by providing association health plans and health savings accounts.

- **Reducing regulation** -- ensuring that Federal regulations do not unduly handicap America's entrepreneurs by streamlining regulations and reducing paperwork.

- **Reducing frivolous lawsuits** -- supporting enactment of medical liability reform, class action lawsuit reforms, and asbestos litigation reforms to expedite resolutions and curb the costs lawsuits impose on American businesses.

- **Adopting a National Energy Policy (NEP)** -- ensuring that America has a reliable and affordable source of energy and reducing our dependence on foreign sources.

- **Opening new markets overseas** -- helping to create jobs at home by expanding markets for America's products and services around the world.

US enters era of rising interest rates



With Alan Greenspan, US Federal Reserve chairman, and fellow policymakers hiking the main short-term rate by a quarter point to 1.25 percent, the first increase in four years, the United States is entering an era of gradually rising interest rates and this may crimp the world economy as well, analysts say.

This is the first increase in an expected series, gradually returning the federal funds rate, which banks charge each other overnight, to normalcy -- about 4.0 percent at current inflation -- by the end of 2005. Wells Fargo Bank chief economist Sung Won Sohn said it will have a global impact. He said inflationary expectations would be milder globally, and pressure for rising interest rates would increase, particularly on the European Central Bank.

Higher US rates also are likely to boost the dollar, easing pressure on European exporters. But, overall, it could act to dampen global growth, he said. "Housing would be a good example," Sohn said. "Housing is not going to do as well with rising interest rates."

A house price "bubble" in the United States and Europe was unlikely to grow larger as pressure grew on interest rates, and "it could even deflate slightly as is happening in Australia," he said.

Wachovia global economist Jay Bryson said US borrowing costs remain stimulative for now. "As domestic demand in the United States continues to expand, that will continue to provide locomotive support for the rest of the world," he said and added higher US interest rates could dampen financial flows to the developing world by making US investments more attractive.

Europe is unlikely to follow the Fed's lead until as late as 2005, because the economic data are mixed and inflationary pressures appear to be easing along with oil prices. Neither will the Bank of Japan, which has decided to leave its ultra-easy monetary policy unchanged.

For Asia, China's attempts to brake the economy would be a more serious problem for emerging economies in the region if Beijing went too far and brought growth to a halt, the economist said.



Indo-Pak thaw key to South Asia's peace & prosperity

- Christina Rocca

The United States regards peace between India and Pakistan, both nuclear powers, who have fought three wars over Kashmir since their independence from British rule in 1947, is crucial for reducing tensions in South Asia. U.S. Assistant Secretary of State for South Asian Affairs Christina Rocca believes that the growing desire of political leaders from both the countries towards resolving all their disputes, including Kashmir, provides the U.S a golden opportunity to help the region attain durable peace and prosperity. Ms. Rocca's opening statement on June 22 to the House of Representatives Committee on International Relations in Washington about US policies toward South Asia clearly reflects the US concern for the region. Here are the excerpts.

Mr. Chairman and members of the Committee, thank you for inviting me to come here today to talk about our policy priorities in South Asia. September 2001 placed a South Asia riven by conflict and division at the front lines of the global war on terrorism. Not quite three years later, with the support of the American people, the Congress, and the Administration, the region stands at the verge of potential breakthroughs. The next few years will provide a crucial opportunity for the United States to help South Asia become a peaceful, democratic and prosperous region, free from terror and nuclear threat.

We are winning and consolidating the peace in Afghanistan and while not a focus of my testimony today, success in Afghanistan is critical to long term regional stability. Our commitment to assist Pakistan's full transformation into a modern and moderate Islamic democracy remains a pillar of our long-term strategy in the war on terrorism.

As India increases its global reach, we are working to build an effective strategic partnership. Strong U.S. engagement is vital to ensure that Bangladesh does not fall back into poverty and fall victim to extremism. Due to its location, aspirations and capabilities, the future of Sri Lanka is assured, if it can achieve a lasting peace, and our long term strategic interests dictate that we pursue this goal. A fragile democracy is at stake in Nepal, where a Maoist insurgency has unraveled the weak political and economic threads that held it together, and the US must help South Asia

avoid the potential humanitarian crisis and instability this could cause as well as the presence of another failed or authoritarian state.

Over the last year, and especially in recent months, the momentum for positive change has increased. Pakistan continues as a major ally in the war on terrorism. Al-Qaida and Taliban operatives continue to be captured there, and the government has intensified its operations around the country and near the western border. Pakistan's economy has moved from crisis to stabilization and growth, and the impasse between President Musharraf and the legislature was resolved in December with his agreement to step down as head of the army at year's end. The public exposure of A.Q. Khan's activities and investigations by various governments has severely disrupted his black market proliferation network. It is now in the process of being dismantled.

The recent rapprochement between India and Pakistan has enabled a new composite dialogue and given a new boost to regional cooperation meetings in stark contrast to the threat of a possible nuclear confrontation in 2002. The United States and India are also working to formally expand strategic cooperation while deepening their partnership across multiple fronts. The suspension of Sri Lankan peace negotiations last year did not end the ceasefire or informal cooperation between the government and the LTTE. In Bangladesh and throughout the region, we continued to advocate and assist progress towards

accountable democratic governance, sustainable development, and mutual understanding in order to address the underlying causes of extremism and instability.

An Ever-Growing Partnership with India

With the newly elected government taking office in India, we are continuing cooperation on regional and bilateral issues. In January 2004, we announced our Next Steps in Strategic Partnership (NSSP), an initiative designed to deepen our U.S.-India relationship. Expanded cooperation under the NSSP on civilian nuclear activities, civilian space programs, high technology trade, and an expanded dialogue on missile defense will bring significant economic benefits to both sides, and improve security in South Asia and beyond. The United States and India share a fundamental commitment to democracy. We hope to work more closely together to promote democracy, especially in problematic countries like Burma.

Our bilateral Defense Planning Group, joint exercises, and military exchanges have greatly increased security cooperation. A High Technology Cooperation Group is advancing trade and investment.

U.S. assistance programs, including our ESF initiative targeting areas of special concern to the government, are helping India to complete financial, trade energy, water, and agriculture reforms to improve economic stability and reduce poverty. Our programs also promote better access to education, justice, and services by women and vulnerable groups. In addition, our programs strengthen law enforcement capability. Our health programs support the prevention of HIV/AIDS, tuberculosis and other diseases, and increased child survival issues also addressed through a bilateral Global Issues Forum whose concerns range from trafficking in persons and human rights abuses to environment, science and health.

We will also be working to strengthen the economic and commercial side of our relationship, which is growing, but not nearly as fast as it could.

Pakistan: Frontline State in the War on Terrorism

In Pakistan, all our policies and programs support our primary goal of helping Pakistan reach its objective of becoming a moderate, prosperous state, and preventing terrorism directly through security programs and also through democracy, development and outreach programs that combat extremism and instability. In other words, the funding we are requesting for Pakistan in FY 2005 directly helps the United States in the Global War Against Terror and Operation Enduring Freedom.

As our FMF programs facilitate the capture of al-Qaida and Taliban remnants and strengthen our military ties with Pakistan, we help tackle the conditions that breed terror by providing substantial amounts in ESF for macroeconomic stabilization and growth, and support for social sector

programs.

A return to full democracy in Pakistan is central to long term stability. National elections in October 2002, although flawed, restored a Prime Minister, a National Assembly and four Provincial Assemblies, and President Musharraf has indicated he will step down as head of the military by the end of 2004. After a prolonged impasse, Parliament is beginning to function, and a devolution program has begun to revitalize local government.

Terrorist attacks in Pakistan over the last year, including two attempts on President Musharraf's life, remind us that progress hangs in the balance, while underscoring the need to shut down terrorist organizations and the networks that support them; something the government is working to do.

Regional Stability: Nonproliferation and Indo-Pakistan Ties

Given the realities we face in South Asia, we are also focused on preventing actions that would undermine the global nonproliferation regime and regional stability. Thus we are working to prevent an open ended nuclear and missile arms race in the region, discourage nuclear testing, and prevent onward proliferation to other countries. Our actions with both India and Pakistan are consistent with our obligations under the NPT and with our commitment to the Nuclear Suppliers guidelines

A stable South Asia is an important interest we share with the nations of the region. The recent agreement between India and Pakistan to pursue a wide-ranging composite dialogue with the objective of reaching a peaceful settlement on all bilateral issues, including Kashmir, is a real breakthrough. We are encouraged by the confidence-building measures agreed upon in recent months, and hope they will be implemented quickly. India is also conducting a dialogue with the Kashmiri All Parties Hurriyat Conference. We will continue to watch closely and encourage positive steps. Our public diplomacy funds are used to help facilitate deeper ties and understanding.

HIV & AIDS

As we pursue the above priority policy goals, our ongoing programs also address other issues of regional concern. Our diplomatic efforts and programs aimed at combating trafficking in persons have been refocused and intensified to raise the performance of South Asian governments in accord with criteria in the Trafficking Victims Protection Act. We are combating HIV/AIDS throughout the region as well as in India, where the numbers are the largest.

Mr. Chairman, I have only been able to touch our priority concerns about stability and security in South Asia. On the whole, while the region faces many challenges, I believe there is reason for confidence that the countries and people of South Asia will be able to build a secure, peaceful and prosperous future.

Indo-US Space Science Conference

Partners in Space

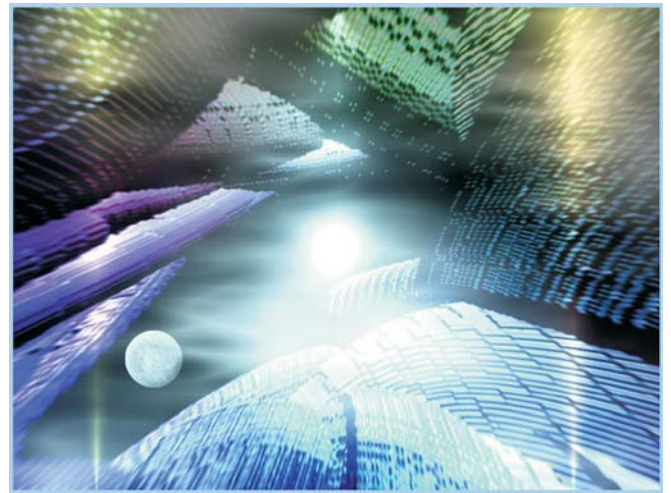
The “India-United States Conference on Space Science, Applications, and Commerce: Strengthening and Expanding Cooperation” was convened in the southern Indian city of Bangalore from June 21 to 25, 2004. The conference was attended by more than 600 delegates representing the scientific, engineering, and business space communities, in addition to senior government and space agency officials from India and the US. The conference made crucial recommendations impacting future activities between the two countries in the areas of space science, space commerce, satellite communication, satellite navigation, earth observation, disaster management, and space education.

The conference was attended by more than 600 delegates representing the scientific, engineering, and business space communities, in addition to senior government and space agency officials from India and the US. The conference made crucial recommendations impacting future activities between the two countries in the areas of space science, space commerce, satellite communication, satellite navigation, earth observation, disaster management, and space education.

At the end of the Conference, the space communities of the United States and India agreed upon a vision for enhanced cooperation between the two countries to their governments, business enterprises and research institutions for their consideration and appropriate action: Following are the salient features of the Vision.

1. Both the United States and India have tremendous capability and capacity in space science, technology and applications. Through scientific and technological cooperation and farsighted commercial endeavors, and in an appropriate policy and business environment, these assets can be leveraged to the benefit of both nations and contribute to sustainable global economic growth and scientific advancement.

2. Areas with strong potential for enhanced cooperation in



civil space research and other activities between India and United States, as discussed in the Conference, include:

- a. Earth Observation Science, Technology and related Applications including natural resources management, water cycle, atmospheric sciences, infrastructure, etc.
- b. Satellite Communications Technology and Applications including tele-medicine, tele-education, etc.
- c. Satellite Navigation and Applications
- d. Earth and Space Science including Astronomy, Planetary Science and Solar-Terrestrial science, etc.
- e. Natural Hazards Research and Disaster Management Support

f. Education and Training in Space

3. In the commercial sector, aerospace enterprises from India and the United States can profitably explore promising opportunities for business development in the areas of Earth Observations, Satellite Communications and Satellite Navigation through possible collaborative business ventures serving national and global markets. .

4. Supportive policy and business environments in India and the United States will facilitate enhanced civil space cooperation and encourage active networking among government agencies,



private enterprises, and academic and research institutions to the benefit of both nations and the world. Efforts by both governments to strengthen the bilateral relationship, address policy issues and facilitate business cooperation are welcome.

5. Efforts begun at this Conference should be continued. Cooperation and commerce between the two nations in the area of civil space could be facilitated through a high-level mechanism involving key representatives of government, business, academic and other non-governmental organizations from the United States and India. Under the leadership of the Ambassador of the United States to India and the Chairman of the Indian Space Research Organisation, meetings at appropriate intervals could enable the mechanism to monitor and review progress on civil space collaboration between the two countries.

6. In addition, the contact points in key organizations and other forms of networking recommended by the Conference Symposia can usefully serve to address issues as they arise in order to ensure that the enhanced cooperation envisioned by this Conference will be realized.

'We have a common goal'

(Following is the message of US Ambassador to India David C Mulford)

The United States and India have a common goal of building a strong and dynamic relationship based on shared values and interests. President Bush made it a priority of his administration to fundamentally transform the U.S.-India relationship to reflect these shared democratic values and interests and to dramatically enhance our bilateral cooperation in a number of areas.

When announcing the Next Steps in Strategic Partnership with India in January 2004,

President Bush stressed that the United States and India had agreed to expand cooperation in three specific areas: civilian nuclear activities, civilian space programs, and high-technology trade. The U.S. and India also agreed to an enhanced dialogue on missile defense. These areas represent the cutting edge of technological science and technology development and can lay the foundation to dramatically enhance bilateral and commercial cooperation between our two great nations.

It is my great pleasure to welcome "The India-United States Conference on Space Science, Applications and Commerce" as an important step in bringing President Bush's vision of a transformed U.S.-India relationship to reality. This Conference represents an important milestone in the NASA ISRO relationship which began 40

years ago with the joint launch of a Nike-Apache sounding rocket from Trivandrum in Kerala. Bringing together hundreds of leading U.S. and Indian commercial, scientific and government representatives to engage and challenge each other on how we can aggressively push our relationship forward in the area of space cooperation is a truly exciting opportunity.

International cooperation in space can help build stronger relations between countries, contribute to economic and social development, and expand the frontiers of human knowledge.

In the U.S. alone, more than 1,300 different space technologies have helped save lives, contributed to U.S. industry, and improved the quality of life for the common person. India is pioneering the use of space technology for development through national resource management, environmental monitoring, communication services and



applications, telemedicine and tele-education. Drawing on the advice and experience of government policy makers, leaders in aerospace commerce and researchers in space science and technology from our two countries, we are confident this Conference will lay the foundation for continued commercial, development and research opportunities within our growing bilateral relationship. Through this Conference, President Bush's vision of U.S.-India strategic partnership is becoming a reality.

On behalf of the Government of the United States of America, I thank our co-sponsors, the Indian Space Research Organization and the Indo-U.S. Science and Technology Forum, as well as the American Institute of Aeronautics and Astronautics and the Astronautical Society of India, the co-organizers of the Conference for their valuable contributions to the success of this important event.

A-I Will Retain Commanding Heights in Core Market

There are reports saying that Air-India is seriously considering launching a cheaper, no-frills budget airline, especially to serve the passenger traffic from the Gulf, South East Asian destinations and the Far East. Could you please explain the genesis of this proposal and at what stage of implementation is it at the moment?

Air-India is currently engaged in the formulation of its long-term vision and strategy in order to address the sweeping changes that are taking place in the competitive environment. Our focus is on growth, product upgradation, operations improvement and cost management.

As a part of this exercise, Air-India is also examining the possibility of launching of a low cost airline to meet the requirements of the price-sensitive passenger traffic segments on the Gulf and SE Asian routes.

Our objective is to fulfill our role as India's national carrier by offering the best possible value proposition to our customers, that is, products that are crafted to meet the needs of our customers at an affordable price.

Recent industry developments and experience indicate that significant reductions in unit costs can be achieved if short haul international operations are transferred to a separate subsidiary company -- which is engineered to reduce costs of operation and improve productivity levels.

This can be done by inducting appropriate new generation aircraft with lower fuel and maintenance costs, scheduling aircraft directly out of source markets, eliminating

Air-India is going to do it in style - the Maharaja way. The national airline has a big plan to expand its network in the US, Australia, East Asia and African sectors and reorganize ground-handling business. The fleet force will also be expanded. The idea is to achieve a market share of 30% in the next three years, says *Mr. V. Thulasidas*, Chairman & Managing Director, in an exclusive interview with *G. Biju Krishnan* of Indo-US Business. The text of the interview is given below:

dysfunctional work practices, inducting manpower at a lower cost platform, outsourcing non-core activities and reducing expenditure on inflight catering, the cabin crew complement, distribution costs & agency commissions.

This matter is under detailed examination.

With India's economic outlook improving, the prospects for corporate travel have been encouraging in the last few years. Have you initiated steps to take advantage of this situation?

Air-India has taken steps to expand the base of corporate travel by entering into deals with over 100 corporates all over India. Our sales team is also in direct touch with the corporate agents who promote and handle corporate travel. The corporates have been offered competitive fares, immediate confirmation of seats and other facilities like excess baggage, upgrades, etc.

Have you worked out any strategy immediate, near-term and long-term -- to improve the overall image of Air-India and its finances?

Air-India's business strategy and growth plans have been formulated on a multi-pronged approach. Its business plan envisages addition of aircraft capacity to dominate in its core markets and increase its presence in the secondary markets. Work on customer- friendly schedules, improved network connectivity and global standards of customer service. At the same time reduce unit cost of operations through increased productivity and technology upgradation.

Air-India's aim is to achieve a market share of 30% in the



Mr. V. Thulasidas



next three years by augmenting our fleet with both long haul and short haul aircraft. It has commenced thrice weekly operations to Los Angeles from Mumbai via the Atlantic. It is the first direct flight and also the quickest between India and the West Coast of USA. Come winter, these operations will be stepped up to five and soon we will be commencing operations to San Francisco.

Our plan for expansion is underlined by strategic cost management through formation of a budget airline on the India/Gulf/Middle East and India/South East Asia routes and to fulfill the demand of a price sensitive market.

Fleet rationalization, operations improvement, outsourcing non-core activities and supplementing by product improvement will enable us achieve our goal to be among the top five Asian Airlines by the end of the decade.

In view of the improving Indo-Pak relations, the premiums Air-India pays on reinsurance appear to have fallen by 20-30 per cent. To what extent will it benefit Air-India financially?

Air-India was successful in obtaining a reduction of approximately 22% on renewal of its aviation insurance policy for the financial year 2004-05 vis-à-vis last year based on our safety record.

Air-India has drawn up a fleet expansion plan sometime back to acquire 28 aircraft from Boeing Company and an Airbus SAS at an estimated cost of \$2.2 billion. The Civil Aviation Ministry is supposed to order 10 long-range Airbus A340 jetliners and 18 short-range Boeing 737-800 planes.

Air-India has submitted a project report to the government for the acquisition of 10 Airbus A340-300 long-range and 18 Boeing B737-800 short-range aircraft, that is, a total of 28 aircraft. We understand that these projects will be taken up for consideration by the government soon.

One sensitive area that Air-India has to tread carefully involves industrial relations and its dealings with

employees' unions. Are there any attempts to evolve a strategy to ensure the smooth running of the airlines in the overall interests of the corporation as well as the nation?

Air-India has taken the unions into confidence while working out the vision and strategy. The employees' unions have appreciated the necessity for Air-India to grow, to start a lost cost carrier and manage costs more effectively for meeting competition as also to enhance its market share.

Air-India employees' unions have, by and large, been very co-operative in the recent past and this is reflected in the fact that Air-India has not lost any man-days due to industrial unrest since May 1, 1996, barring the strike by Indian Pilots' Guild (IPG) last year, which was firmly dealt with by the management.

After posting a modest operating profit in 2000-01, Air-India fell back in the red for the subsequent two years. Could you give us the figures for 2003-04 and the projections for 2004-05?

Air-India had earned a net profit of Rs.15.44 crore during the financial year 2001-02. It had not fallen back in the red for the subsequent two years as it earned a net profit of Rs.133.85 crore during 2002-03 and it is estimated that there would be a profit in the year 2003-04 too. We hope to be able to remain profitable in 2004-05 also.

Your latest fleet strength is 35 aircraft, including the leased ones. What are the projections for the future?

Air-India's current fleet comprises 34 aircraft four B747-200s, two B747-300 Combis, nine B747-400s (three of which are leased) and 19 A310-300s (11 of which are leased).

Pending the purchase of the 28 aircraft detailed in my answer to Question 5, Air-India is considering the induction of 10 long-range and 14 short-range aircraft, that is, a total of 24 aircraft on lease -- and the phase out of the four B747-200s and two B747-300 Combis -- during the next two/three years. Based on this, Air India's fleet size could increase from 34 to 52 aircraft.





Prabhuu Sinha

Finance and Accounting Outsourcing Towards Realizing the Potential

Prabhuu Sinha*, Bennet Kumar**

A Glance at the F&A Outsourcing Marketplace

After the increasing use of HR outsourcing since the late 1990s, the BPO industry is turning its eyes to another "horizontal" function, finance and accounting (F&A), to see if it will follow the same path toward outsourcing. The worldwide F&A business process outsourcing (BPO) market is expected to grow from \$11.3 billion in 2002 to \$17.9 billion in 2007, at a compound annual growth rate (CAGR) of 9.5 percent.

The typical processes that can be outsourced within the Finance and Accounting Function include:

- Accounts payable (including travel and expenses)
- Accounts receivable
- Billing
- General ledger
- Tax management
- Treasury and cash management
- Management accounting

Yet to realize the potential

However, while the demand for F&A outsourcing is definitely strong, organizations are not as prone to outsourcing their F&A functions as other processes / functions like HR. Within F&A, the most commonly process is billing (particularly in the utilities sector), tax management and risk management. What is interesting is that specialized accounting companies or BPO providers with a focus on financial processes, handle most of these engagements. Therefore, the generic BPO companies or smaller organizations with a multi-vertical strategy for growth are not yet active in the F&A space.

Therefore, while there is a tremendous potential for BPO in the Finance and Accounting space, the market still is on the way to achieving this potential, both in terms of the processes that are outsourced and in terms of widespread provision of such services.

This article attempts to examine the key factors that drive F&A outsourcing as well as those factors that inhibit F&A outsourcing from reaching its potential. Further, key actions for service providers and clients in order to overcome these inhibitors are also derived.

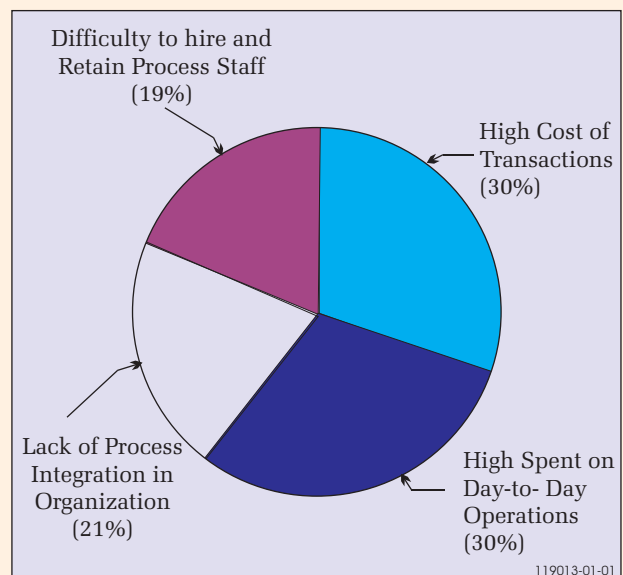
A Look at the Drivers and Inhibitors

What are the key factors that are driving outsourcing in F&A? And what are the factors that are inhibiting widespread use of Finance and Accounting outsourcing? These are questions that both clients and service providers are pondering at the moment. Some of the key factors are:

The Key Drivers:

The top pain points in the Finance function gives insight into some of the drivers. The following graphic depicts these pain points according to a survey by Gartner:

Cost and access to expertise are key drivers



Source: Gartner Dataquest (December 2003)

As can be seen, high cost of transactions is a key pain point that CFOs attempt to address through outsourcing. Further, the need to focus on more strategic finance activities by reducing time spent on day-to-day operations is also important. Further, the expertise factor comes into

play when CFOs seek to use outsourcing as a means of gaining access to highly competent personnel, as well use vendors expertise to ensure that Finance processes are effectively integrated.

The Key Inhibitors:

Inhibitors are primarily external

- The economic conditions prevailing in many enterprises has led to a "wait and watch" attitude, leading many CFOs to withhold any outsourcing initiatives relating to the finance function. This is because they cannot afford any disruption linked to a transition from an in-sourced environment to an outsourced environment. This concern could be termed as 'transition risk'

- Regulatory constraints (Sarbanes Oxley), security and privacy issues are slowing the sourcing decision for financial processes. This could be termed as 'compliance risk'. However, this risk is could be termed as secondary as compared to the primary 'security' risk arising from internal perceptions within the finance function.

- CFOs are keen to experiment on BPO initiatives, but prefer to experiment in functional areas that are not directly under their purview as a first step. HR services are seen as holding less risk if the vendor doesn't perform to expectations, whereas risk is higher if things go wrong in an F&A BPO engagement. This essentially refers to 'performance risk' or 'operational risk'

The above inhibitors have a common characteristic in the sense that they are all 'external' in nature i.e. not originating from situations that are within the Finance function itself. The perception of transition risk occurs because of a lack of confidence in the ability of service providers to manage this well. And perceived service provider capability is also a key driver for 'operational risk'. Further, 'compliance risk' has its origins in external

regulations.

Realizing the Potential What needs to be done?

The fact that the key inhibitors are primarily external in nature, brings to the fore the fact that service providers have a greater role to play in enabling F&A BPO to realize its potential.

Lets look at some of the key actions that service providers can undertake to enable clients to overcome these inhibitors:

- **Ensure repeatable service delivery capability through standardization** Developing repeatable solutions is one of the key success factors for F&A BPO. This can be achieved

by integrating service processes with key underlying IT components like standard packaged applications. Further, using process frameworks or industry frameworks will also enable better solution deployment and best practices, and also support a systematic effort to address aspects like performance and compliance risk.

- **Develop a consultative approach to relationship development** - An ideal F&A BPO relationship management person needs to have various skills, foremost being a consultative ability to understand the CFOs mindset and propose solutions that address all the key areas of concern.

- **Quantify value** To effectively justify the value they are delivering and to ensure continued process improvements, service providers need capabilities to benchmark clients' internal business process costs and performance and compare them to their own, throughout the life cycle of the outsourcing engagement.

- **Ensure smooth and effective transition** Service providers need to have a solid transition plan, not only for the processes but also an employee transition plan for their clients' internal business process department. By sharing and communicating this plan to their clients, service providers can dramatically reduce the risk of client dissatisfaction during the transition stage.

- **Build collaborative relationships with clients** Outsourcing of the Finance function cannot be treated as a hands-off relationship.

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*** **Bennet Kumar** is a Lead Consultant with Satyam Computer Services Ltd., with a focus on process improvement in the IT-enabled services space. Bennet is a co-author of eSCM version 1.1 and is also an Authorized Lead Evaluator and Trainer for the eSCM.*

There invariably is a high degree of interaction and collaboration between the retained organization and the outsourced entity. Therefore, the primary points of contact play a key role in such relationships. In most BPO relationships, end-user clients become attached to their primary points of contacts because the engagement is relationship-intensive (more so in F&A processes). However in typical service providers, this poses a challenge since most relationship managers' progress is dependent on their ability to move around between several accounts. In order to build good relationships with clients, service providers need to provide ways and means for relationship managers to progress even while continuing to manage the same relationship. Further, service providers should develop solid transition planning in regard to replacing the primary point of contact for their clients. Since these transitions can at times take up to an entire year, they need to be managed systematically.

A few commonalities stand out in the above action points:

- Need for a planned, standardized and systematic approach, not only in operations but also in relationship initiation, performance measurement and development
- Need to build expertise driven value into all work that is done for the client, right from processing F&A transactions to managing the relationship

One effective means to address the above action points effectively is to adopt a process approach to all activities. This includes building best practices based processes, e.g. based on industry standards like the eSourcing Capability Model (eSCMSM) from Carnegie Mellon University. Therefore, in summation, the F&A BPO potential is enormous. Service providers need to understand the specific pain points of CFOs and build best-in-class processes if this potential is to be realized. Considering that specialist organizations with a focus on finance and accounting have taken the lead in F&A outsourcing, they need to play a proactive role in enabling client organizations to overcome the inhibitors and realize the potential for F&A BPO. Another category of players who could contribute in a major way is 'insourced' service providers who operate for large organizations in the financial services space. Considering their high expertise levels, they could be a natural choice for client organizations, if such providers actively look for external customers.

'FRIENDS OF INDIA' IN US SENATE

A new organisation called 'Friends of India' has been formed in the US Senate, similar to the 10-year-old Congressional Caucus on India and Indian Americans in the US House of Representatives.

This is the first time in the history of the US Senate that a country-focussed caucus has been constituted and announcing its formation was the driving force behind the move Senator John Cornyn, a freshman Republican Senator from Texas who recently visited India.

Cornyn, who was the keynote speaker at the Second Annual Capitol Hill Gala Dinner of the American Association of Physicians of Indian Origin on Tuesday night following AAPI's two-day legislative conference, said co-chairing 'Friends of India' in the US Senate would be Democratic Senator Hillary Rodham Clinton of New York.

He said that Senate Majority Leader Bill Frist, Tennessee Republican and Minority Leader Thomas Daschle, South Dakota Democrat had also agreed to become members of the Friends of India group and so had 18 other Senators from both sides of the aisle.

Cornyn said he 'undertook the job of creating an India Caucus in the US Senate, because of the incredible experience I had in India and because of the importance of US-India relations'.

"The response has been really outstanding across the political spectrum to the formation of such a Caucus and to me that says a lot to work on the good relationship we have in the Senate toward promoting ties between our two democracies," he said.

Cornyn acknowledged that it was unfortunate that over the years, and particularly during the Cold War years, despite both the US and India being democracies with so much in common 'did not have good relations', and described it 'as an accident of history', which has to be put right. "We have to make up for lost time," he said.

Indian Ambassador Lalit Mansingh who has been promoting the idea of the Friends of India Caucus in the US Senate among Indian American groups said he was ecstatic over the news.

Mansingh, who was also present at the AAPI dinner, as Cornyn was announcing the launch, said he had been in touch with the Senators and others over forming such a group. He told *rediff.com*: "I have to commend all the Indian leaders of the Indian American community that finally made this happen."

"Cornyn came back very charged after his trip to India and said 'I want to do something to promote US-India relations' and so we said 'this is something you can do'," Mansingh said. "So we were in contact with him."

"Even though he was aware of the formation of such a group I wanted them to say it," Mansingh said. He said there would be a formal launch.

Banking, Financial Services and Insurance (BFSI)

India Captures Bulk of Global Financial BPO Market - Report

It has been quite a revolution in the financial services offshoring industry with India emerging as a leader in this knowledge segment, accounting for about four-fifths of the global market, according to a report. Prepared by Deloitte & Touche, a reputed consulting firm, the report said far-reaching changes in the financial services industry have happened much faster than anyone predicted, with India gaining market share from established centers, such as Ireland, Canada and China.



Today, India's closest competitor appears to be the Philippines, the report said, adding that some concerns have been raised that the former's success might complicate its future, as demand for skilled workers increases pressure on wages.

The numbers involved in offshoring are staggering. The year 2003 saw a 46 per cent increase in the number of financial institutions with offshore operations, while the number of offshore jobs grew by 500 per cent. The report predicted that by 2010 more than one-fifth of the overall industry cost base will have shifted offshore.

This implies cost savings of more than \$150 billion, a massive boon for the biggest firms, whose economies of scale tend to make them the predominant practitioners of offshoring.

It is, of course, vital, said the report, that firms get offshoring right. Managers need to make the right offshoring decisions based on careful analysis of three main factors.

One is location, with India accounting for four-fifths of the global market for financial services, offshoring with the Philippines for now appearing to be the closest competitor.

The second is to buy or build. In the early days of offshoring, many firms outsourced offshore capabilities. In other words, they bought them, just as they would buy any off-the-shelf product or service. Increasingly, however, firms now seek to build capabilities themselves, retaining ownership and control of a captive arrangement via a wholly owned subsidiary, the report said.

Another model growing in popularity is build-operate-transfer, in which a hired vendor gets an offshore operation running smoothly before handing it over to the financial institution, it added.

The third factor is to decide to optimise now or later. Ambitious firms use the shift to offshoring as an opportunity to improve business practices and processes.

But this can be risky. Many firms prefer to move their processes as they currently stand (a practice known as shift and lift), putting off the effort to make improvements until the transfer operation has been successfully completed.

If they get these decisions right, said Deloitte, then firms should be well placed to harvest the fruits of offshoring.

Significant though these challenges are, however, said Deloitte, the potential gains make offshore one of the most compelling competitive forces in the history of the industry.

India faces massive shortage of IT professionals

India urgently faces a shortage of around 200,000 IT and ITES professionals. The shortage is bound to grow to 3.6 million in the next eight years.

According to a Nasscom-Mckinsey study, India needs at least 630,000 IT professionals in 2004, but it still lacks 175,000 in manpower. By 2006, there will be another 430,000 fresh demand to be met.

It will increase to another 990,000 in 2009 and by 2012 it will reach 3.6 million. And if Morgan Stanley estimates are to be believed, Indian offshoring industry is expected to increase by more than triple to 24 per cent from eight per cent currently.

Expressing concern over the dearth of getting qualified professionals according to the need of industry, those in the industry say as there exists a shortage in the supply of manpower, India has to urgently address the situation by focussing more attention on the education system.

The IT training institutes are tuning themselves to the emerging scenario in BPO industry, which is supposed to grow by at least 54 per cent, by introducing new programmes co-designed with the industry to meet their demands.

While NIIT and the IT wing of Zee Group have announced new programmes in ITES-BPO training, the state governments of Andhra Pradesh, Karnataka and Kerala are devising new plans to train youth in the BPO sector.

There is a shortage of qualified professionals. It's true. As an IT raining institute we are working with industry to solve the problem, Dr Smarajit Dey, president of NIIT says.

The training scenario is dramatically changing these days as the industry is more involved in developing the curriculum. They are interacting with the institutes on their needs. After identifying their manpower needs, now the industry informs the institutes they are aligned with about their specified needs and train people accordingly.

As the trend is emerging, the institutes are redefining their relationship with industries. Earlier, if the industry's participation in training sector was dismally low, the situation is changing fast. Leading employers are now excited that they have an opportunity to customise a part of the curriculum, as well as participate in the selection of the students.

Says Dey, "The industry is more active now a days than earlier. They are specifying us about their needs and requirements. So we can supply them well trained people."

"This kind of co-operation with the trainers and industry combines the generic IT skills with company-specific skills to create a pool of professionals who are both industry-ready

and are productive immediately," Dey elaborates.

Economically, for the company, this means cost effectiveness. Companies from now onwards don't need to worry about training a fresher to suit the company.

But if India is going to lag behind in creating professionals, industry sources feel that the country will suffer as it is a dependable source of forex.

Even the slump of 2001 didn't affect the Indian industry here as contemplated. Though the slowdown created apprehension in industry and training sector, it soon recovered its lost pace and displayed its inherent strength, they say.

But if India is complacent in training fresh professionals, India's contenders will grab the opportunity, Dey ponts out.

India stands a good chance in the industry as Indians have the required skill for the industry like conceptual, software and communication skills, he adds.

But former Telecom Commission chairman N Vittal, who had played an instrumental part in developing Indian IT industry, cautions the laxity in an article, *The Horse that Flew* that "the English advantage we have may be eroded by 2008 when China has promised that at the time of Olympics practically all concerned, from the porter at the airport to the bell boy in hotel will speak English."

"If this advantage is lost how are we going to overcome the problem?" he asks

He suggests that India should look to regional languages and widen the domestic market in India.

IT training has changed a lot. Earlier, it was single faced. As time changed and technology developed, training became multifaceted. It has become professionally oriented, points out Sanjiv Kataria, an ITeS training expert.

IT training, especially with the invention of BPO, has become more employment oriented assuring students a job, he adds.



MESSAGE

While stones defy their hardness to lend a soft look to the exteriors of edifices, tiles provide a veneer of elegance.

With rising living standards and consciousness about aesthetics gaining ground, stones and tiles have acquired an importance largely unseen and unfelt earlier. CAPEXIL, the leading trade promotion council of India, has left no stone unturned to keep the external trade in this sector on a buzz. It has also contributed robustly in Indian trade turnaround by accounting for about 8% of its exports.



Though the Indian stone industry entered the export scene in the 30s, it has used stones since the prehistoric times. The glorious heritage is amply evident in the awesome beauty of its temples, monuments and shrines from medieval to the ancient times.

CAPEXIL has been a major facilitator, organizing trade fairs and exhibitions, seminars and promotional tours. It has worked towards dynamically changing its profile to fit the modern needs of industry and the community of importers.

Tiles are no less important in raising the aesthetic as well as utility standards in any construction. Whether used in combination with stones or without them, they can turn around the look of a place.

wish the participants at the International Tiles and Stones Show, 2004, New York, USA, all success. CAPEXIL hopes the event at the USA will help lend a new dimension to international trade in stones and tiles.

A.M.S.G. Ashokan
Chairman, CAPEXIL

MESSAGE



Stones are part of culture from time immemorial. The first civilization was reckoned with stones. Now, we have a modern stone civilization growing and improving continuously. Stone which is a part of basic nature, has abundantly contributed to some of the world wonders. Today, after the technological development from mining to processing, the commercialization of stone has developed in all parts of the world. As a result, mining is going on with identification of new stones and processing and promotions are happening in some other parts of the world and the utilization and consumption of stones are going on in major developed countries as well as in the developing countries.

India is endowed with some of the rich varieties of stones that market is looking for. India ranks among the Top 7 stone producers of the world, the others being Italy, China, Brazil, Scandinavia, North America, Spain and Turkey. India has developed granite, marbles, sandstones, slates, quartzite, etc. Most of these stones are already very popular with their own brand names. India today shares 18% of the world's stone production and more than 12% of world's total export.

With standards of living upwards across the globe and businesses trying to consolidate with newer paradigms, there is no looking back for the stone industry.

I wish members participating in the International Tiles and Stones Show, 2004, New York, USA, all success.

R. Veeramani

Chairman

Granite, Natural Stones & Products panel of Capexil

US Tiles & Stones Show: CAPEXIL Makes Mega-entry

CAPEXIL is reaching out to the US market through participation in the International Tile and Stone Show in the best possible venue in the United States New York City, from July 15th to 17th, 2004 with its 12 member-firms from tile and stone sector. For the first time CAPEXIL is participating in a big way to reach the biggest natural stone market in the world, i.e. the USA. The following interview given to Indo-US Business by a CAPEXIL official in this context is illuminating:

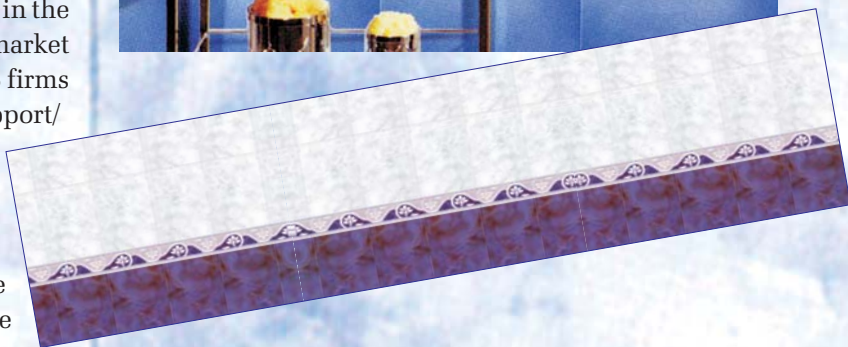
Could you tell us something about your organization and its role in organizing ITSS 2004?

The Chemicals and Allied Products Export Promotion Council (CAPEXIL) is one the major Export Promotion Councils set up jointly by the trade and the Government of India to promote the country's exports of various chemicals and allied products from India. One of CAPEXIL's major product groups that we concern ourselves with is natural stone and its products. By virtue of being an apex body of exporters of natural stones from India, CAPEXIL is at the nerve center of the network of suppliers of natural stone and stone products across India,

The International Tile and Stone Show (ITSS) is a very major trade event on a global scale for the granite and marble industry. CAPEXIL is participating in this event in a big way to promote Indian granite and marble in the United States, which is undoubtedly a very big market for these products. We are also here to identify US firms for joint venture projects with technology support/ know-how.

As one of its organizers, what do you intend to achieve in this event?

ITSS is a global event in the true sense. This trade show attracts a large number of buyers from the



entire the USA and beyond. Many buyers from Canada and from far-flung Latin American countries are expected to visit this fair for making their annual purchases. The USA has the largest potential for Indian marbles and granites, sandstones and slate, stone artifacts, stone working machines, diamond tools, polishing abrasives, etc. for the following factors:

- Maximum consumption of stone in the region.
- Steep uprising demand in the region.
- WTC reconstruction project needs enormous quantities of stones.
- There are many big companies in the neighborhood who have big warehouses.

ITSS provides the key to world's largest stone market at a very reasonable cost. In

fact, the immediate hinterland of this trade show is a big market itself: Within two hours of the Convention Center live 32 million people and within 400 miles live 25% of the US population or 73 million people.

Who are going to be the major participants in the event and who are the visitors and key exhibitors?

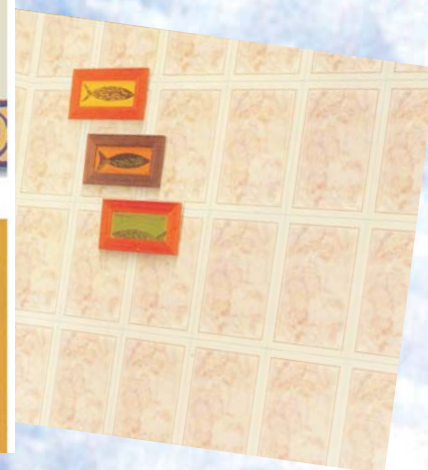
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major exhibitors will be exporters, quarry owners, processors and manufacturers of machines, diamond tools, polishing abrasives, stone artifacts, monuments, chemicals, etc. As for visitors, we expect architects, interior

designers, stone specialists, traders, importers and distributors, retailers, industry & government representatives and, above all, buyers to participate.

How do you think the event will strengthen the Indo-US relations?

Business is the lingua franca among the nations, because it is the medium of well-planned out exchange of products, resources and most importantly, ideas. So a relationship is made to last when a deal is struck. Having said that



SPECIAL FEATURE

we believe that, by our participation in 1TSS-04, NYC, USA, will help enlarge our business activities in the USA and Indo-US trade in respect of the tiles and stones sector.

Have you been holding events and seminars in collaboration with US agencies? Or with any other world agencies?

CAPEXIL has been holding events and seminars in



collaboration with the US agencies in respect of rubber manufactured products with another of its major product groups. CAPEXIL and the Indo-German Export Promotion Project have been jointly promoting exports of Indian granite, natural stones and products in Germany.

Does Outsourcing feature in any of your business? If so, how?

CAPEXIL is also participating in ITSS-O4 to source advance technology as also machineries for Indian granite/marble industry.

CAPEXIL'S FIRST EVER PARTICIPATION IN INTERNATIONAL TILE AND STONE SHOW, NEW YORK

*CAPEXIL is reaching out to the US market-place through participation in **The International Tile and Stone Show** in the best possible venue in the United States New York City, from July 15th to 17th, 2004 with its 12 member-firms from Tile and Stone Sector. For the very first time Capexil is participating in a big way to reach the biggest natural stone market in the world i.e. USA.*

VENUE: JACOB JAVITS CONVENTION CENTRE

NEW YORK CITY, USA

BOOTH NUMBER: 2313, 2414, 2311, 2412, 2309, 2410, 2307, 2408, 2305, 2406 & 2401

List of Participant

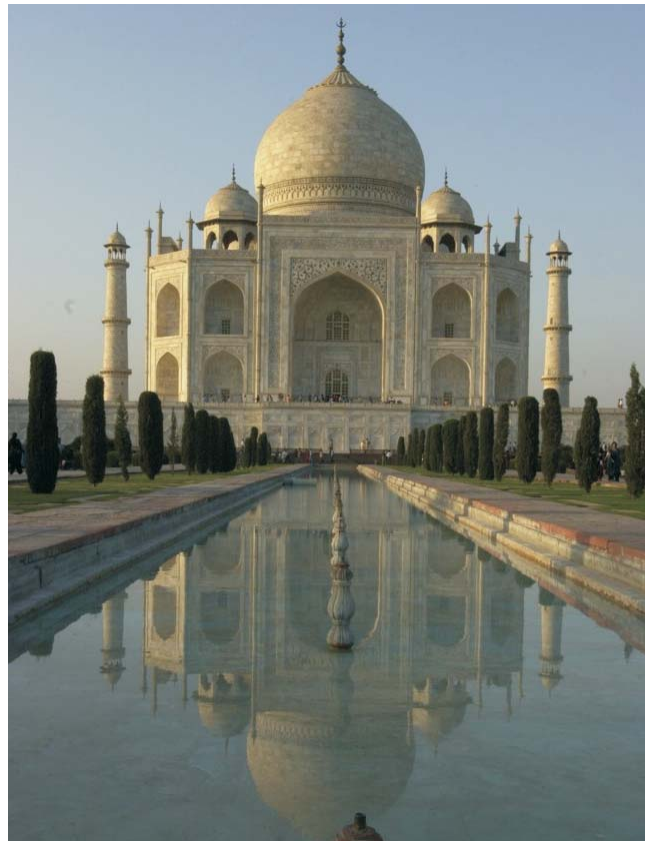
Sl. No.	Participants	Phone/Fax/E-Mail/Website No.
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06	M/s. Techno Spark Granites Pvt. Ltd., 1341, Kavalbyrasandra, R.T. Nagar Post, Bangalore – 560 032.	080-23336833/23436550 080-23435758 technospark@vsnl.com www.technosparkgranites.com
07	M/s. Ajanta Manufacturing Ltd., Orpat Industrial Estate, Rajkot Highway, Morbi – 363 641, Gujarat.	02822-231444/45/46 02822-230125 aml@orpatgroup.com
08	M/s. Rashi Granites, P-117 & 118, Bommasandra Industrial Area, 4 th Phase, Hosur Main Road, Bangalore – 560 009.	080-27833210/27833692 080-27833057/26657514 granite@blr.vsnl.net.in www.indiagranite.com
09	M/s. SNA Granites, 858, Uthukuli Road, Kunnathur – 638 103, Erode Dist, Tamil Nadu.	04294-263388 04294-263399 snag@eth.net www.snaggranites.com
10	M/s. SNI Granites, 515, Uthukuli Road, Kunnathur – 638 103, Erode Dist., Tamil Nadu.	04294-263377 04294-263766 snig@vsnl.com www.sni granite.com
11	M/s. Earth Stone Exports, No. 272, 4 th Cross, H.M.T. Layout, Mathikere, Bangalore – 560 054.	Telefax: 080-23573236 srigg@vsnl.net
12	M/s. Macdanal Granites Pvt. Ltd., A-343, 9 th Main, Peenya 2 nd Stage, Bangalore – 560 058.	080-28362277/3997 080-28362350 macdanal@bgl.vsnl.net.in

INDIAN GRANITE'S GLOBAL CONQUESTS

Granites and other stones can truly be called the repository of culture, civilization and history. Much of the world's past would have remained buried in oblivion had it not been for stones. Some of the world's great monuments have been fashioned out of stone which have withstood the ravages of time remarkably well. India's past too, is replete with magnificent architecture, the foundation of which is granite and other stones. Can any one forget the glories of Taj Mahal, Mahabalipuram, Konark and the unforgettable rock cut monolithic temples of Ellora and Hampi? Modern man bows in wonder at these magnificence. The genius of India's skilled artisans have literally made the rock come alive.

Global Interface

If stones wrote the nation's history in the past, today it is sculpting a new chapter. The artistry of the artisans of yore has today been supplemented with high technology and a global market. With this twin pronged thrust India's granite industry is winning and expanding into new markets as the excellence of India's granite establishes new standards. Today's new cultural ambassadors are Granite, Marble, Sandstone, Slate, Lime Stone and Quartzite etc. But granite undoubtedly leads the market.



Granite come under two broad classifications common and value added. Cobblestones, pavement kerbstones etc. fall under the first category. The second category encompasses building slabs, tiles, monuments, architectural and fabricate pieces and sculptures. This, however, is merely an indicative range. There are many more varieties offered by specialized exporters on made-to-order specifications for the demanding overseas customers.

It is estimated that Granite exports from India represent merely the tip of the iceberg. India has perhaps reached only 20% of its true potential. And even though exports of granite products grew by 20.3% such growth can be sustained and surpassed as well. Ground for such optimism are buttressed by the huge potential of the world's trade in granite. A liberalized tariff regime, dismantling of administrative controls and the role of the Internet in bridging the physical gap between the producer and the buyer are factors that are responsible for creating a level playing field for Indian exporters of granite products. The industry too has been a model of responsibility. It has modernized, invested heavily in infrastructure and upgraded technology and skills. This has resulted in Indian exporters breaching barriers in the hitherto closed high value markets. The proximity of Indian exporters to these markets is another factor, which explains India's strength in exports of granite products.

Infinite Varieties

The variety of granites from India is as wide as it is exotic. The Indian granite varieties in Black, Red, Blue, Green, White, Yellow, Brown, Grey besides the unique Black Galaxy, Multicolors and Juparanas are well received in all the global markets. The Green, Pink, White and Beige Marbles and the Sand Stone varieties and Slates are internationally very popular.



W. Bengal shifts export focus to new products

The Eastern state of West Bengal known for its eternal splendour and rich cultural heritage has set the target of its share in the all-India exports to 9% and the state's focused areas of exports are not only the traditional goods but also fruits, vegetables, flowers, software and other agricultural items.

This was stated by **Mr. Nirupam Sen**, Minister-in-charge, Departments of Commerce & Industries, Industrial Reconstruction and Public Enterprises, Development and Planning, Government of West Bengal, in the inaugural session of the **Export Summit** organized in Kolkata, on June 15, 2004. Present on the dais were **Mr. T. C. Venkat Subramanian**, Chairman & Managing Director, EXIM Bank, **Mr. Muthuraman**, Chairman, CII, Eastern Region, and other guests.

Excerpts of his speech:

West Bengal has distinct geographical advantage in terms of export potential. It is flanked by three of India's SAARC neighbors, namely, Bangladesh, Nepal, Bhutan, and it is close to Myanmar. Its potential is strengthened due to proximity to the large markets of the Southeast Asian countries. With South Asia Preferential Trade Area becoming a reality West Bengal is a prospective gateway for India to expand trade with Bangladesh, Nepal and Bhutan and also with Myanmar through Assam and Manipur. Kolkata could serve as a main trading hub and Siliguri as the Satellite for India's trade with the neighbors. Opening of Nathu La pass will also give significant boost to trade and commerce in this region. West Bengal is already a premier foreign exchange earning State in India through export of various agricultural commodities, minerals, manufacture goods and software. Availability of infrastructure, skilled labor and raw materials for manufacture of exportable commodities have created a permanent base for exports from West Bengal. During the period from April September, 2003 value of exports through ports located in West Bengal stood at Rs.7,761.35 Cr. against the all- India figure of Rs.1,27,545.11 cr. Our share in the total volume of exports was 6.09% during the period.

As a step towards boosting exports from the State of West Bengal, the State Government has already formulated its export policy. You are aware that the basic features of our export policy are:



- Increase State's share in all India exports to 9% in 2006-07 from the level 6.2% of 2001-02.
- Setting up a State Export Promotion Council involving different Export Promotion Councils, Chamber of Commerce, Commodity Boards, etc.
- Setting up a Commerce Cell in the Directorate of Industries with the Director of Industries as the Export Commissioner.
- Strengthening the Board of Trade, simplification of procedures to accelerate the pace of disposal of various clearances required by the exporters.
- Allowing the round the clock movement of export cargo within the city of Kolkata on selected roads.
- Introduction of market information service for the exporters.
- Adequate strengthening of infrastructure facilities for promoting exports.
- Providing land to manufacturer exporters in export promotion parks and growth centers.
- Setting up of Trade Fair Complex in Kolkata.

Formulating the policy initiatives into action are in process. Towards execution of the Trade Fair Complex foundation stone has been laid by the Hon'ble President of India for which the necessary action has been taken.

This apart, the West Bengal Incentive Scheme, 2004, that has been notified provides for all the existing benefits applicable for export-oriented units under the West Bengal Incentive Scheme, 2002. These include capital investment subsidy, interest subsidy, refund of stamp duty, registration fee, etc.

The first sector specific greenfield special economic zone, Manikanchan in Salt Lake, Kolkata for Gems & Jewellery units has been operationalized. The SEZ Act has already been passed. Rules are being framed. The Government of India has declared the Falta Export Promoting Zone to be a Special Economic Zone. Development of some other special economic zones with private sector participation is also on the anvil. It is pertinent to note that export is a subject in the Union list and it devolves upon the Union Government to take initiatives for promotion of exports. The State Government only plays a supplementary role in this regard. We are confident that the measures initiated by our Government will boost exports from

the state. In the last summit I also referred to certain specific issues that require the attention of the Government of India. Improvement of infrastructure, including road connectivity to the ports and land custom stations, improving performances of Kolkata Port including Haldia and improvement of navigability of the Hooghly River are the major issues where the Central Government has to take proactive measures. Since substantial exports are conducted with Bangladesh, Nepal, Bhutan through the land custom stations located in West Bengal the infrastructure including roads need upgradation. The Custom Stations are also required to be adequately developed. The issues merit immediate attention for strengthening our national economy.

The growth of industry in the steel sector in the state is encouraging. The share of our state in the export during the period stood at 8.19%. The growth has, however, taken place in spite of the growing protectionist tendencies around the world.

As regards the jute sector, I would like to note that in this

traditional sector we had always an advantage but the dilution of the Jute Packaging Materials Act and the decision of the Government of India to gradually withdraw the compulsory use of jute packaging materials are proving increasingly detrimental to the jute industry as a whole. In the international market we have also to compete with others, establish our position and this will give sustenance to the jute industry of our country.

In the IT Sector, West Bengal posted the growth rate of 46% at Rs.750 cr. during 2003-2004. You are already aware that West Bengal's IT vision 2010 aims at transforming the State into one of the premier technology hubs in Asia and we are taking effective steps to actualise our vision.

It should be mentioned that the State Government has also taken a number of export-oriented initiatives, which include setting up of Kolkata Leather Complex for promotion of leather exports and Toy Park at Salt Lake to encourage growth of the toy-making industry.

NEZs: New Areas of Focus



In a paper presented on the occasion of the **Export Summit**, Mr. T.C. Venkat Subramanian, Chairman and Managing Director of Exim Bank, listed the special economic zones and the industries they must focus on. In the eastern region, he said, there are the Falta SEZ and the Salt Lake SEZ, while the ones that are approved for establishment are Paradeep SEZ, Gopalpur SEZ and Kulpi SEZ.

The industries that are to be focused are pharmaceuticals, leather & leather goods, handicrafts, textiles & garments and gems & jewellery. The agricultural products known for in the east are pineapple (Tripura), *lychee* (West Bengal, Bihar), potatoes (West Bengal), flowers (orchids) & cherry (Sikkim), ginger (Sikkim, Assam), ginger & turmeric (Orissa), vegetables (Jharkhand, West Bengal), mango (West Bengal), which could be exported.

He went on to highlight the export potential of horticulture in the Bihar and Jharkhand regions, which account for 25% of agricultural products. As a whole, India is the second largest

producer of fruits in the world after China. He added that there were opportunities in banana, mango, pineapple, organic fruit, vegetables, floriculture products, processed products making the eastern region one of the major producers of fruits and vegetables. The major markets for its products are EU, USA, Middle East, North Africa and East Asia.

There is vast scope for export potential of IT Enabled Services from the Northeast region.

On the subject of special economic zones in eastern India, he spoke of the opportunities in online education, call centers, medical transcription, multimedia, and GIS. The northeastern region is known for its attractive financial structure and tax incentives, a large majority of English speaking society, high workforce quality and IT policies are capable in attracting business to the NE states.

He added that the Exim Bank would be a facilitator and was fully geared to drawing externally-oriented companies to the eastern region.

The Exim Bank Chairman stated in his paper earlier that India was one of the fastest growing economies in Asia. India's growth at 8.1% was next only to China's 9.1%. The overall Asian trade has been more impressive than global performance.

He also touched upon the recent policy initiatives of the Government of India and enumerated the agreements with neighboring countries, such as the India-ASEAN Framework Agreement on comprehensive economic cooperation, the India-Singapore Comprehensive Economic Cooperation Agreement and the India-Thailand Free Trade Agreement (FTA).

The event was held at Hotel Taj Bengal, Kolkata, to take stock of the export growth in the Eastern region. Mr. Rajiv Mukerji, Chairman, International Trade Sub-Committee, CII (ER), welcomed the participants.

Mr. B. Muthuraman, Chairman, CII (Eastern Region), delivered the theme speech, while Mr. Ravi Poddar, Deputy Chairman, CII (ER), paid a vote of thanks.

American Independence Day Stars & Stripes: It Waves Forever to Music



Hearty welcome to all...
Mr. Farokh T. Balsara, Regional President, WIC, welcoming the guests for the evening.

Namaste! My fellow Americans
Shri Govinda, Bollywood star and MP, being welcomed by Mr. Angus Simmons US Consul General, Mr. Farokh T. Balsara, Mr. V. Rangaraj, President, IACC.

America's Popular 'Uncle Sam'
Theatre artist Tom Alter comperes for the evening playing the role of 'Uncle Sam'.



Some say it with flowers and some others with song. The Indo-American Chamber of Commerce, the vibrant trade link between India and the US, celebrated the American Independence Day in the most befitting manner with a grand

musical extravaganza, titled rightly - "Reach for the Stars". And conducted at the right venue the prestigious Jamshed Bhabha Theatre (NCPA), sitting pretty on the edge of Nariman Point, where the turbulent Arabian Sea conducted its own monsoon symphony that evening. And the day was Saturday, July 3, 2004, the eve of the American Independence Day. Here's a report on the grand bash.

The focus of the evening was the event "Reach for the Stars," during which the leading talent of Mumbai stage took the gathering on a musical journey. Leading artistes who performed included Gary Lawyer, Vivienne Pocha, Rodney, Bianca Gomes, Soniya Saigal & Darren Das along with his troupe. The show had young dancers performing to some of the Jazz, Rock & along

with a live band, "The Sixth Sense".

Popular tracks like "New York New York", "My Way", "Ain't no mountain higher", "I will survive", "Kumba Chero", "What's Love Got To Do With", "Raining Men", "What A Feeling" and many other hits enthralled the

packed auditorium. The

1000-strong audience comprised executives from some of the Indo-American joint ventures, members from the US Consulate, the American Centre, U.S. Commercial Services, celebrities, creme de la creme of Mumbai, leaders from industry and commerce, expatriates and distinguished members of the Chamber.

Darren Das kick-started the fast event with the rendering of the American national anthem followed by the Indian national anthem. The compere for the evening was veteran actor Tom Alter playing the role of Uncle Sam. Entry to this grand fellowship event was free for members and their spouses, thanks to the contributions from main sponsor UPS Jetair Express Pvt. Ltd. and co-sponsors Microinks and Airtel.

US Consul General in Mumbai, Angus Simmons was the Chief Guest, who shared the dais with the youthful Bollywood Star Govinda, the newly-elected MP and the Guest of Honour for the function.



Thank You UPS !!

Shri Govinda felicitating Mr. Thomas Mathew, MD, UPS Jetair Express Pvt. Ltd. Also seen in the picture is Ms. Shabina Patel, Head - PR& Events, IACC.

Farokh T. Balsara, IACC Regional President said: "Our Chamber is pleased to host this celebration of the 228th Anniversary of American Independence for the second consecutive year. It is, indeed, a reflection of the solidarity and warmth that we Indians share with our fellow American colleagues and business partners."

The highlight of the starry evening was a lucky draw where exclusive gift vouchers along with a bumper prize were presented to the winners from among the audience. The gift vouchers were from the Taj Group of Hotels, Resorts and Palaces, Grand



To Dream the impossible dream...

Grand Finale concluding the celebration of the American Independence Day (L to R) Gary, Sonia, Bianca, Darren, Vivienne and Rodney.

Hyatt and JW Marriott, Intercontinental, Mumbai. The

Bumper Prize was presented by Emirates Airline. Emirates sponsored two economy class tickets to Mumbai-New York-Mumbai which was won by our lucky IACC member S.K Banerji, Managing Director, Saraswat Bank.

All good events must conclude with the best of cocktails and a dinner of exotic delicacies dished out by Farrokh Khambatta against the strains of tunes stirred up by Ernie on the synthesizer and the other artists as the partying continu

ed. The guests danced their way into the Other Side of Midnight, till the event morphed itself into the best memory of the year. "I certainly look forward to the day when

organizations in the U.S. reciprocate this gesture and celebrate our Indian Independence Day in the U.S.," Mr. Balsara added.



Joyous Celebrations!

Audience swaying to the beats.



And the winner for the bumper prize is.....

Mr. S.K. Banerji, M.D, Saraswat Bank receiving the lucky draw prize two return tickets to New York sponsored by Emirates.



Honouring the Deserving...

Past president Hemant Sonawala felicitating Farokh T. Balsara, Partner, Ernst & Young, Brian Brown, MD, Citigroup, Mr. Ashank Desai, CMD, Mastek for their outstanding contribution to IACC.

Indian Budget

Foreign Investment Gets Fillip in Fine Fiscal Feat

In a daring departure from the past, Finance Minister P. Chidambaram has brought agriculture and the common man to the centre stage of the Indian economy without sacrificing the tempo of reforms at the altar of populism in his Union Budget for 2004-05.



Chidambaram presented the first Budget of the United Progressive Alliance (UPA) in New Delhi on July 8, which was strongly pro-poor but also cheered investors with sweeping liberalisation measures, envisaging an economic growth of eight per cent.

The suave and articulate Finance Minister said his "mantra" would be "maintaining growth with equity." That the Harvard-educated lawyer-turned politician, should take up cudgels for the poor and generally neglected agriculture speaks volumes for the change in governmental focus, warranted by the watershed of an election.

The clever Chettiar, born with the inherent business acumen of his community, did not lose sight of global realities that demand all inclusive reforms. He reiterated India's pledge to carry forward economic reforms, initiated by Dr. Manmohan Singh, the present Prime Minister, during his tenure as Finance Minister in the first half of the 1990s- India's most critical years.

In one stroke, Chidambaram lifted the ceiling of direct foreign investment in the three crucial infrastructure areas of telecommunications, civil aviation and insurance. That the present government, which received a mandate from the poor should think of boosting direct foreign investment is indicative of its commitment to continue with reforms.

It was the strongest message the Budget had sent out on Foreign Direct Investment (FDI) that the UPA government meant business and its bold decisions in relation to boosting capital markets did not betray any ideological predilections its Leftist allies professed.

Chidambaram described his Budget as "caring and daring" and ruled out any reconsideration of the decision to raise sectoral caps on foreign direct investment in telecom, civil aviation and insurance.

"We have shown we are a caring and daring government. We are caring by addressing agriculture, rural economy and infrastructure, providing for safety net programmes like food for work. We are daring by liberalizing the economy further," he said.

Chidambaram said he did not expect any problem on the issue of raising FDI caps in telecom or civil aviation. What was already being in the telecom sector in a non-transparent manner would now be done in a transparent manner. He said already up to 74 per cent FDI was allowed in the sector, 49 per cent directly and the remaining indirectly. Now the entire 74 per cent would be allowed in a direct and transparent manner.

Chidambaram proposed the setting up of an Investment Commission to make India an attractive destination for investment. The Investment commission will suggest measures to woo both domestic and foreign investment.

Farm sector gets much-needed boost

Agriculture, the backbone of the Indian economy, received the much-needed boost in the Budget with Chidambaram offering this key sector cheaper credit, higher farm and cattle insurance facilities and tax concessions to allied segments such as horticulture and dairying.

Of the 12 highlighted thrust areas in the Budget for specific promotion, four belonged to the agricultural sector. These include doubling agricultural credit, expediting irrigation projects and investing in rural infrastructure. Further, he promised to improve agricultural product markets and promote agri-business and provide farm and livestock insurance.

Chidambaram said the initiatives taken were in line with UPA government's Common Minimum Programme which focuses on the development of agriculture and rural economy, provision of employment and continuance of reforms with a human face.

In Mumbai, the stock market shed 112 points at 4,844 as the budget, despite the analysts describing it a fine balancing act. Brokers said the budget, however, fell below their expectations.

Analysts, however, predict that the measures proposed in the Budget for the overall development of the economy in general and the manufacturing sector in particular, will cheer up the capital markets and investors, both Indian and foreign.



IIJS 2004

Our Goal is to Create World's Best B2B Fair

- Sanjay Kothari

At the height of preparations to kick-start the prestigious India International Jewellery Show (IIJS) 2004, Sanjay Kothari, Chairman of the Gem & Jewellery Export Promotion Council (GJEPC), the apex body organizing the global event, took time off to talk to Veerendra Bhargava and Shruti Sinha about the world's most sought-after B2B Fair. Kothari also touched other issues concerning the gem and jewellery industry and the Council's untiring efforts to make India the dream destination for buyers in this sector.

The Show Means Business

IIJS 2004 is a totally business to business show. Earlier, we were also doing consumer shows but this is the fourth year since we have started doing B2B shows. The shows that take place in the other parts of the country are consumer shows and here we are not allowing any consumers. Compared to last year's 600 exhibitors, this year we have their number more than doubled. The number of companies participating also has risen by more than one-and-a-half times. Even international participation has more than doubled this year. We want to take this show to the peak of such events in the gem and jewellery sector, the world over, held at Basel, Las Vegas, Hong Kong and Italy. Our aim is to take this show to the level of these international shows and to make India as a preferred destination for gems and jewellery.

Today it's Diamonds & Tomorrow, Jewellery

Today India is already a preferred destination for the diamonds with 90 per cent of the polished products supplied from India and we want to secure the same status for the gems and jewellery sector. In 2003, our gems and jewellery exports touched \$ 2.5 billion, up from the previous year's \$1.5 billion. But still our share in the world market is insignificant. If we can reach to \$ 10 billion by 2009 as targeted, it will be a great achievement. Last year our total diamond, gem and jewellery exports fetched \$12 billion and this year our attempt is to touch \$13 billion and by 2007, \$16 billion. In achieving this target, the IIJS 2004 will play a pivotal role as a single platform to all, from small artisans to big exporters and entrepreneurs and act

as business facilitator.

Exchange of Ideas

Besides, the Show will provide an occasion for exchange of innovative ideas from across the gems and jewellery markets the world over through seminars. Speakers of global reputation will be giving lectures. A special provision would be made for student designers as there would be a great need for developing work force to realize the targeted production and exports. You might be aware that India entered the jewellery market only in 1991 only. Despite our expertise, we were mainly catering to the domestic market. Since the time we entered the gems and jewellery market, our requirements have been totally different. Take for example, the machine-made jewellery. It requires professional training. We are trying our best to create a large, trained workforce.

Need for Trained Workforce

When we compare education or training in the gems and jewellery sector here and abroad, there is a vast difference. Professional training and education are not a part of the regular curriculum in our schools. Consequently there is a dearth of teaching faculty in this field and they have to be brought from countries like Hong Kong, Germany and Italy. This requires a lot of funds. We are trying our best to get these people to train our workers and managers. Now we have joined hands with the National Institute of Design and the National Institute of Fashion Technology to work out how best we can create designs by ourselves rather than depend upon technicians from the western world.

We need know-how to make low-carat jewellery

Sanjay Kothari also answers questions concerning the need for importing technology, importance of education and training and raising a strong workforce of skilled technicians to make the Indian gem and jewellery industry competitive in the world.

What measures would you suggest to modernize the Indian gems and jewellery sector and make it competitive in comparison to countries like Israel?

As far as diamonds are concerned, we are way ahead of Israel. But jewellery is one area where modernization is required. The latest technology and the latest know-how is required. As I said earlier, we are trying to bring experts from different parts of the world, may be Italy or Germany to train our manpower and have the latest technology and machinery, especially to manufacture the low-carat and low-weight jewellery. And once we do that I don't think anything can stop us from acquiring a 10 per cent share of the world jewellery market. We are also looking for government funding but if we don't get it then we will have to raise our own resources. It appears from the present budget that there may be a provision for such assistance. Then we will go for it. Otherwise, we will seek assistance in a mix and match pattern, where there will be funds from the Council and from other sources, like donations from the industry.

Do you feel that you can look up to RBI to take certain measures to help exporters in this sector?

Well, RBI has been intervening from time to time to see that the rupee does not depreciate to a great extent. But as it is an import based industry, raw material is imported and we have to pay money for that. True, the value addition part and the profit part is getting affected, the stocks get affected but it is not a major hurdle.

India is now emerging as a manufacturing hub in the world in terms of getting outsourcing jobs. What have you to say in this regard?

Actually speaking, we are not the ones who are outsourcing. It is the US that is outsourcing and we are the ones working on that. We are supplying to them. However, what we can do is to have buyback arrangements with them as I feel that in about five years, the jewellery market will shift from the western world to India and China. We have still to open up. Some of our proposals will be accepted in a few years time. For example, take the low carat jewellery. Nobody in India is manufacturing them. So

if we lower the duties, then they can come here, open their factories and ultimately the know-how will come to us. We just have to show them the large market that we have. Whether it will be accepted by the women folk here or not is another thing. As it is, the low-carat jewellery is coming here through the NRI route.

What is the share of gems and jewellery sector in the economy

Today our share is 17 to 18 percent in a scenario of \$12 billion. And we will continue to have that share. We will definitely achieve our target as I have mentioned above.

Are you also organizing workshops?

We are having workshops and we will bring people from other parts of the country to Mumbai to show them the institute so that they can take advantage of that. This is a basic need our institute in Andheri seeks to fulfill, that is education. We are planning to set up some more such institutes in other parts of the country.

Could you tell something about the gems and jewelry markets in the US, the Latin American Countries and Switzerland?

There is a bilateral trade between India and all these countries. We export up to 40 per cent of our products to the US. As much as 50 percent of the world's jewellery is sold in the US. As far as other countries are concerned, all efforts are being made to develop these markets. I had myself taken a delegation the LAC countries. We are also trying to work out how we can have an access to these countries.

Your comment on the budget.

The general perception of the budget -- it is good with emphasis on health, education and agriculture and water resources. In the context of our sector, it is definitely a welcome sign to see gold and platinum being brought to one level. Abroad, platinum is very popular and is worn frequently. Reducing duty will enable us to import more and make the calculations simpler for us and the customs department, especially when the jewellery pieces are imported into India.

The JCK - Las Vegas 2004 India Dazzles at Global Jewellery Show

La Vegas- the great haven of gamblers, where fortunes are made and squandered, empires built and destroyed as are reputations. A windowless and clock-free environment, where one rapidly loses track of time and money, the two most important entities in a man's world. That's Las Vegas for you. To caution over-ambitious roulette revelers as also to help those who want to keep the dice rolling, here's our sound advice. "The only way to make money in a casino is to own one". Try it out if you can. It was in this reckless city that Indian jewellery designers dazzled celebrity visitors with their product display at the JCK-Las Vegas 2004 Show, held from June 4 to 8, 2004. It was a spectacular win. Viva La- Las Vegas!!

India made the greatest impact this year at the JCK-Las Vegas 2004 Show with more exhibitors participating in it than before, driving home the point that India is the destination for quality gems and jewellery. The Gems and Jewellery Export Promotion Council (GJEPC) has helped Indian designers and exhibitors to make inroads into international markets planned promotional programs and advertisements to showcase this country as the ultimate source for buying the world's best jewellery. It is no wonder that Indian exhibitors acquired more space at the show this year. India was offered as many as 63 stalls in two separate enclosures, Level 1 and Titian Hall. The India Pavilion was simply the biggest draw at the Show.

In a significant development this year, the Council had reached an agreement with JCK Show Management to promote and market their shows in India on a mutual arrangement. Hitherto, Media Scope of Mumbai has been handling the marketing of the space for JCK. It has now been entrusted to the Council to market and manage the space for Indian exhibitors at both Phoenix and Las Vegas shows for 2004.

The exhibitors were mainly from Mumbai, Delhi and Jaipur, showcasing studded jewellery. The readily saleable items were studded necklaces and rings. The exhibitors agreed that this was indeed a "buying show" since there have been a lot of orders that were booked. They were also convinced that JCK Las Vegas was the biggest show in the US and most of the buyers do source their inventory through this show.

Being a land whose past is shrouded with some mystique and its present, an evocation of ancient heritage, the India Pavilion was frequented by more buyers than any other stall. The Council did not spare any creative effort at giving a fabulous identity to the Indian Pavilion, including colors from the Indian National Flag, so that it stood out among other pavilions in the World's Fair section.

Following promotional activities were taken up by the Council to promote the India Pavilion:

An Exhibitors Catalogue was distributed among buyers at both, Level 1 and Titian Hall, to promote the Indian Pavilion and to serve as an easy guide to the Indian participants.

A commercial CD showcasing each and every exhibitor's wares at the India pavilion was screened at the Titian Ball Room and Main Aisle in the Council's booth on a plasma TV. Banners were hoisted at the entrance of Level 1, which read "Welcome to India Pavilion".

The Council's booth at the Main Aisle at Level 1 had a tall sign board with all the exhibitor's names and booth numbers. The exhibitor's names and booth numbers were displayed near the Titian Hall entrance as well.

An Indian Evening was organized by the Council to showcase Indian jewellery through a Fashion Show titled "Unmatched India" with both, Indian and American models. About 1000 invitations were printed and each exhibitor was given 10 cards and allowed to bring his/her own buyers for the show.



Council's representative with JCK Group Sales Director (L-R) Dolly Choudhary, John Tierney, Group Sales Director, JCK, Bakul Mehta & Naheed Sunke



Indian Pavilion

Buyers were invited for the show from the database received from the JCK Organizers, Rino Tinto representative, Rapport & Co, IDCA, Exhibitors. Invitations were extended to all the exhibitors at the Plum Club at the show and through the Indian Embassy at Washington DC.

Advertisements were placed in JCK Magazine, Visitors' Navigator. A commercial CD showcasing each and every exhibitor's wares at the India pavilion was screened at the Titian Ball Room and Main Aisle in the Council's booth on a plasma TV. Banners were hosted at the entrance of Level 1, which read "Welcome to India Pavilion".

Showcasing everything from new to classic pieces, unique to trend-focused, finished to loose stones, The JCK Show - Las Vegas 2004 offered buyers the ultimate buying experience during the spectacular event, staged at the Sands Expo and Convention Center. More than 2,700 exhibitors and 13 custom pavilions featured in the Show, satisfying the customers in a variety of price offerings.

The impressive list of exhibitors who participated in The JCK Show - Las Vegas 2004 includes a fabulous array of jewelry designers and manufacturers that had their booths strategically placed within the Show floor in order to create an effective buying environment for attending retailers.

DESIGN CENTER

You won't have to travel far to find nearly 150 of the most creative jewelry talents from around the globe. On display at the Design Center were some of the most incredible high-end designer goods in an extensive range of materials, styles and price points. In addition, the Center featured their Rising Star section where six bright, new designers who are inculcated into the mainstream wholesale jewelry market each year.

DIAMOND PLAZA

A dazzling array of diamonds in every color, cut, size and shape was on display in the Diamond Plaza. Loose stones as well as set pieces in all price points from prominent diamond dealers around the world made this Pavilion a must-stop for everything and anything diamond.

EQUIPMENT, TECHNOLOGY & SERVICES/SUPPLIES (including packaging)

Needs which are beyond finished jewelry and gems, were met at the newly expanded and reorganized Pavilion. Sponsored

by Manufacturing Jewelers & Suppliers of America (MJSA), this Pavilion occupied three ballrooms in The Venetian Resort & Hotel. It showcased what's new in retail technology, packaging or accessories. From boxes to bags to bench supplies, from polishing equipment and CAD/CAM software to jewelry display merchandise, packaging and accessories, this pavilion featured it all from A to Z.

GALLERIA PAVILION AT CENTRAL PARK

Nearly 30 designers and producers of exceptional jewelry with more than 1,000 years of combined knowledge and experience made up the Galleria Pavilion at Central Park.

PLATINUM PAVILION

Featuring a newly re-designed look and a wide variety of bridal and fashion platinum designs created by 42 of the industry's top international and domestic designers, this Pavilion also boasts a host of great amenities. These include large, comfortable lounge areas, as well as food and refreshments exclusively for Platinum Pavilion shoppers. If Platinum was what you were looking for, the 2004 Platinum Pavilion, sponsored in conjunction with Platinum Guild International, U.S., was the place.

WORLD'S FAIR

Take a trip around the world without leaving Las Vegas. The World's Fair Pavilion featured the largest international jewelry representation in the United States with products from countries including Belgium, Brazil, Canada, China, France, Germany, Great Britain, Greece, Hong Kong, India, Ireland, Israel, Italy, Japan, Korea, Mexico, Spain, Sri Lanka, Switzerland, Thailand and more!

INDIA EVENING

The Council organized an India Evening on June 7 at the Bellini Ball Room at the Venetian Hotel. A Fashion Show choreographed by Elric D'Souza from Eden Company added glamour the theme for fashion show, Unmatched India. The show featured six beautiful Indian models and an equal number of their counterparts from the US, stalking the ramp in a blend of East and West, to showcase dazzling jewelry from India. The finale was the draping of the sari in tricolors, which evoked a lot of passion among the Indian community and buyers at the show. The audience gave a standing ovation befitting the finale.



Bakul Mehta, Vice-Chairman, GJEPC addressing the audience at the India evening



Fashion show during India evening

GJEPC Market Research Catch up with Key Trends & Think Blue



In the fast-changing kaleidoscopic scenario of fashion jewelry in the US, three key trends have emerged, according to a market study conducted by the Gem and Jewellery Export Promotion Council (GJEPC). Catch up with the Goddess Trend, Art Deco and Vintage Glamour before they give way to others furiously knocking at the door of the affluent.

The Goddess trend is the first of the three, which appeals to a young affluent customer, generally in the age group of 25 to 30. Fashion trends include sweet sophisticated looks and sexy simplicity, such as plunging necklines. In jewelry, the trends include opera-length; line earrings replacing chandeliers and colors, particularly blue. A key jewelry shape for the Goddess trend is the teardrop, seen in pear-shaped diamonds and colored gems. The trend is now moving away from pink towards blue. Necklaces are again becoming important after a number of years that saw the primary jewelry emphasis turn away from the neck. At the same time, as the long trend gains momentum, so will a countertrend of a very short necklace. Other trends on the horizon in the Goddess look are a return of burnished yellow gold, and possibly even green gold and the intaglio.

Art Deco appeals to a customer in her 30s and 40s. It's luxurious and tailored, architectural and sleek. Fashion stalwarts like Prada, Narciso Rodriguez, and Giorgio Armani reign supreme. In jewelry, brands with signature styles include Cartier, Chanel, and Neil Lane. Important shapes are the Ascher and emerald cuts and fringe as a design element. For the Deco look, the opera length grows even longer - to swinging jazz length. Deco appeals to the collector's mentality, it is noted that many jewelry houses like Cartier and Verdura are reinterpreting their own previous designs for a new customer. Some of the key items for this look are multiple bracelets, Deco-styled diamond watches, and new pieces mixed with estate pieces.

Vintage Glamour appeals to customers from 20 to 50 plus. It's an ongoing trend with changing icons. It's a very girly look and for this trend brooches will again be important, but a younger customer will wear them anywhere but on the lapel. A young consumer might wear one on her shoulder, waist, or hip. A brooch in the hair will become important in this trend, so

jewellers should sell brooches with an adaptor to make it wearable in the hair. Double cuff bracelets are also going to be important for this look.

The moot take-home point is to show customers that they're on top of the trends. Around 80 per cent to 90 per cent of merchandise should be the hottest new trends. If a jeweler is uncertain of a trend it is recommended the retailers buy one or two "wow" pieces, even if the jeweler thinks they'll never sell. Chances are there that at least one person in town will be there who will like the piece.

Indian companies can look forward to manufacturing jewellery in tune with these trends in the next few months. JCK Las Vegas is the biggest show in the US and is the place for booking orders rather than setting trends. Buyers come here to buy and book orders and that is why India should capitalize on this and become "the buying destination" since India can offer "cost effective" prices to the American retailers than its other competitors. A word of caution to the Indian market that is still thinking pink, blue rules !!

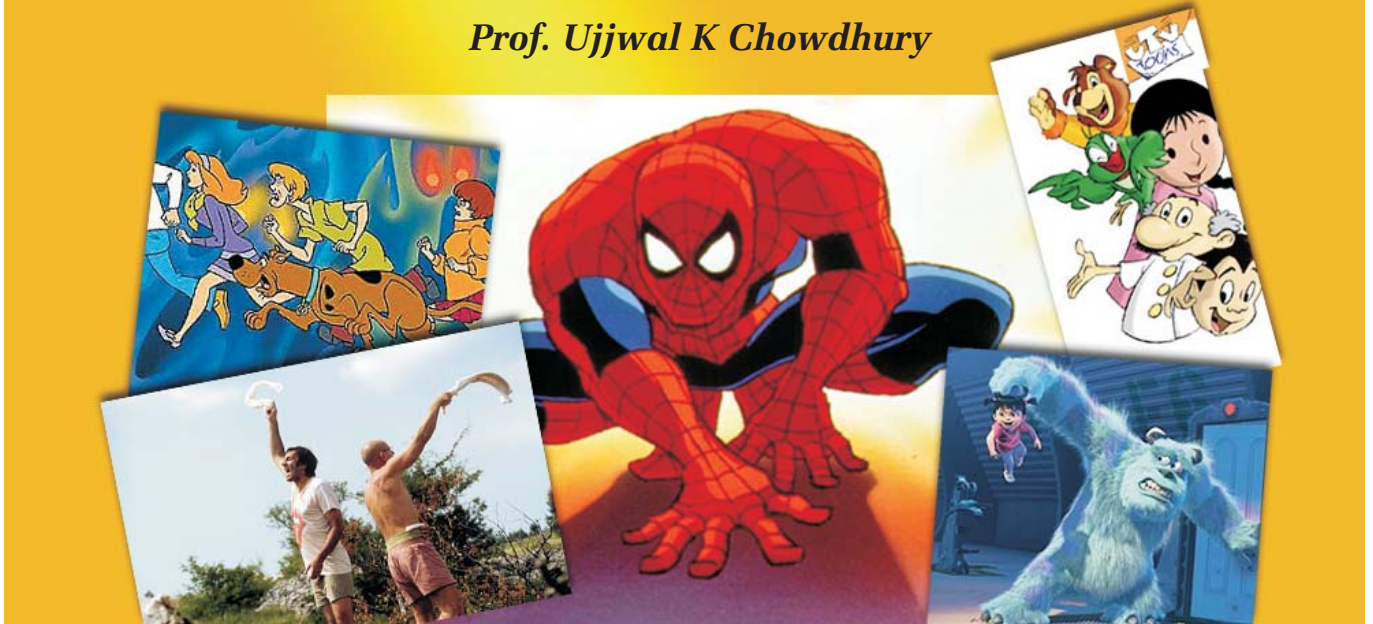
Keeping a close watch on the emerging fashion trends in the US becomes imperative to Indian jewelry manufacturers in view of the increasing volume of trade India has built with that country.

India for the first time featured in the top 20 exporters to the US in 2002 and accounts for over 1 per cent of US imports. The gems and jewellery sector contributes liberally to Indian exports to the US.

This sector is India's leading foreign exchange earner, accounting 18 per cent (nearly one-fifth) of India's total exports in fiscal 2003-04 (April/March). Its growth has been phenomenal, shooting up from \$ 28 million in 1966-1967 to nearly \$ 12 billion in 2003-2004.

Entertainment: The Next MILESTONE

Prof. Ujjwal K Chowdhury



In 2003, India produced more than 900 films (all Indian languages together), had a viewership of 40 crore at home and abroad, and earned more than Rs.100 crore by exporting films. In contrast, Hollywood produced only 628 films and had less than 30 crore viewers (in the US and abroad), but earned close to a trillion dollars!

A study by PNC Ltd. shows that films can be produced in India at one-fifth the cost in Hollywood. The film, *No Man's Land*, which won Oscar in the year in which *Lagaan* made it to the finals, was produced at seven times the cost of *Lagaan*, though Aamir Khan's masterpiece was considered costly by Indian standards.

It is now a proven fact that India does not lack the talent or creativity to produce good films, but its entertainment industry is unorganized. Besides there is no professionalism and corporatization. It is also poor in technology and investments.

But things are changing, which is evident from certain emerging trends. And one of the trends is that the entertainment industry is set to become the next milestone in the great Indian outsourcing journey that began with the ITES outsourcing. In recent times, India is winning

animation contracts and has become a hot outsourcing destination for reasons not hard to identify: Lower costs (often at a quarter charged by the US companies), a large English-speaking workforce, a track record in meeting Western companies' technology needs, huge IT manpower and technical expertise, and the quality offered by the technical and creative work-force.

The other factor is the huge movie industry Bollywood -- that churns out over 900 films every year. More than 2.5 million people are involved in this cauldron of creativity with movies being produced sometimes without a trace in the box-office, and others that make an international mark. This has resulted in cities such as Mumbai, Hyderabad and Bangalore offering a state-of-the-art mix of software skills, production and animation expertise and

studio infrastructure.

Even a recent NASSCOM study corroborates these facts. Being the home for the second largest entertainment industry in the world and a vast pool of talent, India is emerging as an important destination for offshore animation industry. The strong base of English speaking skills, low production costs, a vast reservoir of talent, well-



Prof. Ujjwal K Chowdhury

equipped studios and a rich heritage of traditional literature form the inherent strengths of India to make it the most favored destination in Asia Pacific region, says the study.

Set on a higher growth trajectory, the global animation production market is likely to touch \$50-\$70 billion by 2005, while Indian market is expected to go up from \$0.6 billion in 2001 to \$1.5 billion, Nasscom says in its report. Noting that the cost of animation production in India is much lower than in the US, Canada, South Korea, Taiwan and the Philippines, the report recommends co-production arrangements with major animation film-producing countries to take advantage of the growing market.

On an average, the cost of production of a 30-minute TV animation program in US and Canada would be in the range of \$250,000 to \$400,000, while in India it would cost only \$60,000, the study points out. The compelling reasons that are shaping the development of animation industry in India include demand for animation production services from overseas animation studios due to India's lower costs of 2-D and 3-D animation production and technical manpower.

In order to increase global and domestic demand for Indian animation content, Nasscom recommends development of national brand identity in the subject matter and style of animation and strengthening interface between local studios, producers and international distributors. The report also suggests co-production treaties with countries like the US and Canada.

There is also a need to develop and strengthen supply base of animation production studios by importing hardware and software equipment to make Indian animation industry internationally competitive, the report says.

Let us look at some of the recent deals, which prove this emerging trend:

- A \$14-million deal between Italy's Mondo TV, Europe's No. 2 cartoon producer and distributor, and India's Padmalaya Telefilms.
- Ramoji Film City in Hyderabad has been involved in making seven Hollywood motion pictures over the past six years by way of providing equipment, crew, sets and post-production facilities.
- In Mumbai, ace director Subhash Ghai's Mukta Arts now boasts of worldwide clients.
- In Delhi, Sandeep Marwa's Noida-based Film City Studios has struck deals with several big names across the

world.

- Pentamedia Graphics has implemented 3-D animation films, such as Sindbad and Alibaba, and its clients include players from Japan, Korea and France.
- Kerala-based Toonz Animation India has clinched a co-production deal with the UK-based Treehouse Production for a fun, spook animation series.
- Animation company Color Chips has entered into an alliance with a South Korean Government agency to explore possibilities of Korean filmmakers tapping low-cost technical expertise in India.
- Turner Network's Cartoon Network has bought seven locally-made shows from Pentamedia, Toonz and CB Media Ventures for broadcast in India.
- Foreign firms have offered cartoons such as Mondo's "The Legend of Zorro" and "Sandokan."
- India's Sony Network, meanwhile, is about to launch an all-Japanese animation channel.
- Padmalaya will make 104 cartoon episodes for \$14 million and distribute Mondo's library for \$15 million in cash and stock. Padmalaya, a unit of India's largest listed media firm, Zee Telefilms, will also set up a 3D animation studio in Mumbai to make cartoons for \$7,000 a minute which is one-third of the cost in Europe.

Till now post-production of movies from the US has been outsourced to locations such as Japan, Taiwan and Korea. India is the new entrant. So far, analysts estimate Indian companies have won some \$50-\$100 million in business, a small slice of the \$10 billion global animation industry. Nasscom forecasts huge revenues in this segment of the entertainment industry. By 2008, the digital content development, animation and engineering and design industry would touch \$1.5 billion, employing about 300,000 people. According to some other industry estimates, the cost of outsourcing one hour animation work to India is estimated to be close to \$60,000, against \$1,60,000 to \$200,000 that other leading animation centers in Korea, Taiwan and the Philippines in Asia charge. In the US, this would cost between \$250,000 to \$300,000 to produce one hour of animation. Global entertainment and media giants such as Walt Disney, Fox Entertainment, and Time Warner are looking to tap Indian resources.

Industry experts say that the business being generated can be broadly classified into two areas --- special effects, animation, editing and post-production work at Indian studios, including work for TV soaps as well as

commercials. The second area includes strategic as well as back-office IT-related work sourced from Indian software giants such as Infosys, Wipro, TCS, Cognizant, to plug specific requirements that are a result of the convergence era. These include low-end jobs such as digitizing visual content to tools for restricting unauthorized online video and music downloads and protecting misuse of DVDs.

The total animation outsourcing market in India is valued at \$100 million and it is exploding by 200 per cent per annum. Some of the Indian in this field are: Pentamedia Graphics in Chennai, Jadoo Works in Bangalore, CD India in Chandigarh, UTV Toons in Mumbai, Moving Picture Company in Film City, Noida, Heart Entertainment Ltd and Color Chips India in Hyderabad, and Toonz Animation India in Thiruvananthapuram in Kerala.

However, amidst all this din to glory, there is one cause of concern though. In the initial rush to meet demand from North America and Europe -- the biggest animation markets besides Japan -- Indian firms took on low-end production work. But that's not the lucrative end of the market, and most have not yet moved on to invest, co-produce or retain intellectual rights -- the areas where bigger profits can be made. Analysts say Chinese companies are quickly becoming competitive in the animation sector as they have in other industries. China's lower costs, coupled with a shortage of skilled Indian animators due to a lack of training institutes, may soon negate India's temporary low-cost advantage. Another limiting factor is that local demand for animation projects remains low and without a strong domestic market, one cannot sustain a growing industry.

Convergence:

The convergence of information, communication and entertainment would make India a hub of global entertainment business process outsourcing in the next few years. Increasingly, it is being observed that India would emerge as a major back operations destination for special effects and animation, with rushes of films shot in the United States and the United Kingdom being brought to India for processing and editing. This would result in creating more job opportunities in India, as the global entertainment industry would cash in on technical advancement, low-cost and the 1.1 billion population of the country. Moreover, box office attendance in the US posted an all-time high last year despite a slowdown in its economy, and the growth of the US film industry will indirectly translate as profits to Indian software firms. The country would witness an emergence of digital theatres, which would help eliminate the burden of taking multiple

prints. Moreover, entertainment will not be restricted only to television and theatres, as people will turn to mobile phones for movie clips and games. Indeed, the emerging technologies hold out the copper lining on the entertainment horizon. There is now scope to bring in newer technologies in areas like broadband and digital services to leverage music distribution in the country, and to utilize India's human resource and indigenous talent in cinema.

Recently, in Mumbai, a path-breaking step was taken through the timely establishment of e-Entertainment Alliance, under which the IT and entertainment industries would work and network in tandem for venture funds, technology development, job creation, intellectual property issues and regulatory changes. It is a partnership among FICCI, India's infotech ambassador Nasscom and entrepreneurship agent TIE. This is expected to take care of the three basics in the entertainment industry -- talent, finance and technology -- and the venture capitalists have already started showing an interest. This is important in the context of the fact that Indian media appears to have caught the fancy of media houses in countries ranging from New Zealand to Japan and Dubai.

The convergence of IT, communications and entertainment is also opening up huge opportunities for IT service providers in the media and telecommunication verticals. An opportunity is also emerging in the e-games industry. The key is specialization. Companies need to select one or two verticals to establish a presence and develop their distinctive/niche capabilities which will help them get a substantial share of the revenue pie.

One limiting factor that inhibits the growth of the industry is the absence of a convergence approach in media and IT training in India. Education even now is largely in watertight compartments of media creativity, management principles and IT skills, and is not aiming to create integration between the fundamentals of these three, which is the need of the hour. The growing entertainment outsourcing from India and the growth of the Indian domestic entertainment market shall depend on creating a pool of techno-savvy creative professionals who understand media markets and marketing and according to the needs of their consumers design their media products. Unfortunately, except a handful institutes, this approach is usually non-existent in the professional educational institutes of the country.

(The author, a former Symbiosis Director, is currently the Founder Director of India's first C-school, Global Institute of Convergence Studies, based in NOIDA and Pune. For further details reach him at: ukc64@rediffmail.com)

Enter netGuru with Animation Mantra

It was in the mid '60s, when the abbreviation IT could have been misunderstood for Income Tax, that the idea for what today is netGuru, Inc. began to sprout. The company, today a giant in the field of animation and construction software, has come a long way since it was given shape by what are called the pathbreaking ideas of Mr Amit Das, who graduated in civil engineering from Kolkata and went to the US to pursue his MS.

"Our founder, Mr Amit Das, is a visionary who realized the importance of designing a software for structural engineering that would help civil engineers in their work," says Mr S. Bhanja, chief operating officer of netGuru India Pvt. Ltd, the Indian arm of netGuru Inc. One of the few IT success stories to be scripted in the east Indian state of West Bengal, considered conservative in ushering in new-age businesses like software and ITes, netGuru's division Research Engineers Ltd set up shop in Salt Lake City near Kolkata very early. "We were one of the first few companies who moved to Salt Lake Electronics Complex. The IT hub was in its nascent stages then and we had moved in from Park Circus in Kolkata where the office was set up in the '80s," Mr Bhanja says. STAAD Pro 2004, the structural engineering software, patented by Mr Das, had gradually become a rage with civil



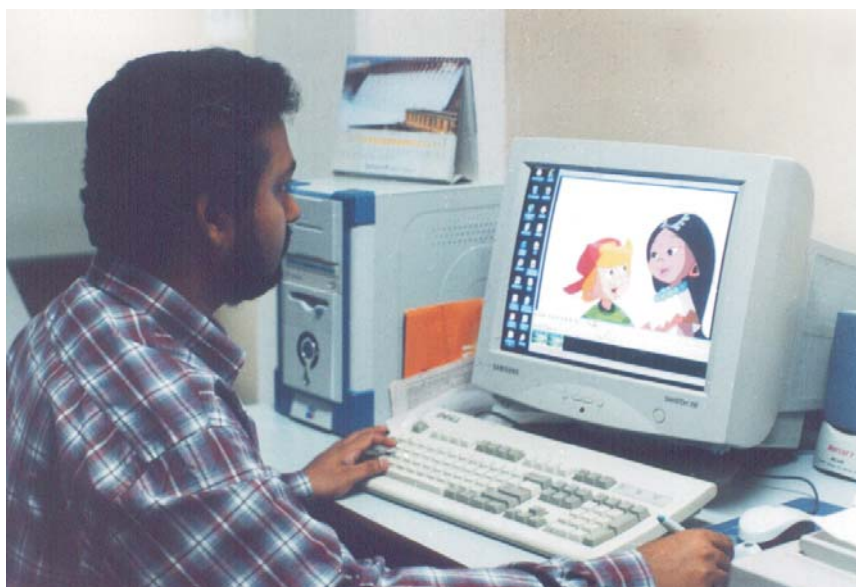
engineers.

Research Engineers, formed in 1982-83, had set up base in New Jersey, USA. As business moved up the value chain, the company decided to shift to the west coast of the US. In California, Research Engineers came close to the influence of Hollywood. It was then that it thought of stretching into what Mr Bhanja calls non-conventional areas of IT. The birth of netGuru as a strong player in Digital Media began with its creative repertoire of animation and multimedia services.

The only animation company to tie up with the world-renowned Visva Bharati University founded to nurture the ideals of Rabindranath Tagore, it has launched an animated series on the poems written by Tagore for children. The VCD aptly named "SISU" contains the works of the bard, revolving around the dreams and aspirations of young children.

The company's digital studio, set up in 1998-99 in Kolkata which is its Asian headquarters, along with its production facility near Los Angeles, California, helped netGuru to harness competencies in the fast growing world of animation services to fork out orders from leading companies like Walt Disney, 20th Century Fox, Universal Studios, Hanna Barbara, General Electric, Cisco, Reliance Industries and ITC, to name a few.

NetGuru's animation services are utilised in corporate presentations, awareness programmes, TV commercials, and the like. It has offices in 45 countries. The Nasdaq-listed company's Indian arm is growing at the rate of 35 per cent,



contributing to the \$30 billion turnover of its global arm.

The crises like the burst of the dotcom bubble left this civil engineering and animation solutions giant relatively unscathed. Says Mr Bhanja with a touch of suppressed pride: "We prefer to maintain a low profile instead of tomming our strengths in all areas of competence. Though our business took some hit in the worldwide plunge of the dotcom phenomenon, we were not seriously hurt." The amiable COO leads us into the animation studio where his men are busy racking their brains and jostling with the twists and turns of the animation world. Here is a place where the quaint world of the Panchatantra is being recreated by giving life to the animals of the ancient text, considered a rich fable of Indian life. The men are working out animations of the various characters in the stories of the text.

"The *Panchatantra* VCD in Bengali has been lapped up by NRIs who want to give their children a feel of the Indian way of life, informs Mr Bhanja, while making us have a peek at the company's Digital Sound Studio in one of its modules at the Salt Lake office.

NetGuru, he says, has become the first Indian company to sign an MoU with the Multi Media University, Malaysia, one of the best institutions in the world, to teach multi media. The two organizations will also work jointly on the education of netGuru's existing high-end faculty and subsequently promote the joint training programs that they have agreed upon. It claims to become the first organization to offer a Joint Certification in Multimedia and Animation in collaboration with the University.

West Bengal's south-western neighbour, Jharkhand, has roped in the competencies of netGuru for its AIDS awareness campaign and for IT infrastructure building for the benefit of its ministries. "This is a landmark initiative of the Jharkhand IT department and we are proud to be a part of this e-Governance project. Due to our global presence, strong knowledge base and technical expertise we are confident of delivering absolutely world-class solutions to the newly-formed state," adds Mr Bhanja.

The understated presence of the US-based company seems to be diametrically opposite the talents it nurtures, which shows in the products it churns out. Like the Highway Engineering and Design Systems REI-HEADSa road engineering software produced by Research Engineers International, a division of netGuru, Inc., the company will keep helping many a vehicle of valuable ideas to keep cruising on the firmament of time.

INDIA WORLD'S 4TH LARGEST ECONOMY

India has consolidated its position as the world's fourth largest economy in Purchasing Power Parity (PPP) at \$2,778 billion behind US, China and Japan.

The Purchasing Power Parity is arrived at by pricing all goods and services at US prices and treating America as standard, instead of converting Rupees into dollars at foreign exchange rates.

According to the World Bank's World Development Indicators 2004, released on Friday and based on 2002 figures, the PPP of United States is put at \$10,414 billion, followed by China at \$5,792 billion and Japan at \$3,481 billion. Germany is placed fifth at \$2,226 billion dollars, according to the report.

In the G-7, only two -- US and Japan -- are ahead of India.

The PPP figures for the other five members of the G-7 are: Germany \$2226 billion; France \$1,609 billion; the United Kingdom \$1,574 billion; Italy \$1,510 billion and Canada 907 billion.

The PPP of Russia (which makes it G-8) has improved to \$1,165 billion, reflecting the rapid improvement in the Russian economy.

US House Praises Americans of Indian Origin

The US House of Representatives has recently passed a resolution lauding the contribution of Americans of Indian origin to the development of that country.

The House highlighted the importance of working together with India to "promote peace, prosperity and freedom among all countries of the world". It cleared the resolution with an overwhelming margin of 412 to 2.

The two members voting against were Ron Paul and Sam Johnson, both Texas Republicans. Another Congressman, Peter Defazio (D-Or), while a member of the India Caucus, abstained. He was of the view that the broad message of the resolution was unbalanced in presenting a picture of Indo-US relations, especially in view of the concerns on account of US "job exports" to India and consequent unemployment problems in America.

Congressman Douglas Bereuter, who moved the resolution, said "India is the largest democratic country in the world and enjoys a close and mutual friendship with the United States based on common values and common interests."

The resolution noted that "people of Indian origin who have for decades immigrated to the US have made extraordinary contributions to the US, helping to make it a more efficient and prosperous country.

" India has also been a key partner in the war against terrorism, the resolution said

And now HRO: Human Resources Outsourcing!

Vinaya Shetty, President, Vin Management Consultants, speaks to Satya Swarup on how corporates in India are fast adapting to outsourced HR services beyond payroll administration.

What are the key services your firm provides to organizations that are new to India?

Human Resources Outsourcing HRO if you like. This essentially entails outsourcing the entire HR function to us and we manage every aspect of the same for our client. We then literally function as their internal HR department!

We also help newer organizations to staff their top management team and assist in recruitment of talent at senior levels. This, at times, may mean that younger persons are hired for senior positions depending on the size and the culture of the company. Hence, this requires one to be very discerning about the business and the availability of the skill sets in the market.

We also assist in the implementation of the worldwide People Capability Maturity Model, that is, People CMM in short.

Why should a company outsource its HR?

I believe it depends on two significant factors -- the "speed" as well as the "availability & willingness of the required resource." If the company wants to accelerate the pace of setting up the HR department or revamp it within a given time frame, it is advisable to outsource, get the experts to do their job and once it is set up, hire in-house. The outsource provider has both a wider breadth and depth of experience and skills to draw upon than is ordinarily found in a Human Resources Department. It is now a strategic approach to outsource all those functions unless there is a demonstrated reason for in-sourcing.

The next question is whether the desired skill sets are easily available in the market place and whether the organization has the capability to attract them at a given point in time. Ironically, after the dotcom bust, many senior personnel are reluctant to take up assignments in a start-up company; so a wise option would be to outsource. This of course would be for a specific period, and once the organization is up and going, it would be the right time to attract an in-house HR person.

HRO is rather unique. Can you share with us how this works?

As the outsourced service provider, we are accountable for the HR function just as an in-house department, ensuring every HR operation is efficiently managed. Typically, a start-up organization would need an HR person to

formulate the HR strategy, design the compensation plan, recruit and induct the team, etc. Given the business realities, the CEO may have to handle it himself or get a senior person who can manage it independently.

In our seven years of consulting experience, we have seen that there are several complications in setting up the infrastructure and ensuring various government compliances. In such a scenario, the CEO may have little time in hand to manage the HR portfolio effectively. Here the service provider steps in to provide the required expertise.

What kind of a company will require such services?

Any start-up organization would definitely find this extremely meaningful and valuable. Also for those organizations that may have been in existence for sometime but have realized the importance of professionalising their HR set-up.

What other HR services do you recommend should be outsourced?

Organisations must get diagnostic surveys done by an external agency, as it enables objectivity and provides a non-threatening environment for employees to express their candid views. I also recommend specialized training workshops, particularly the ones that help in skill building to be outsourced, as this helps strengthen in-house skills that can be leveraged on a continual basis. We have conducted skill-building workshops for managerial development and competency-based interviewing --skills where value-addition has been tremendous. Consequently, the desired results are almost always visible instantaneously.

Is People CMM only suited for the software industry?

No, this is a common misconception. People CMM is a robust quality model that helps organizations institutionalize their people practices and implementing it would inevitably aid in becoming an "Employer of Choice"

Thus, any firm saddled with people issues, particularly retaining talent in a market where the skilled resources are scarce, should implement the People CMM. ITES, pharmaceuticals and banks are also going in for the People CMM worldwide.

Energium 2004'-- Giving a New Lease of Life to Energy Sector

The recently held 'Energium 2004', organised jointly by United States Environmental Resource Centre and the Petroleum Conservation Research Association, provided an opportunity for service providers to exhibit their products and services, identify business opportunities, and forge strategic alliances with companies.

The conference-cum-exhibition was aimed at disseminating information about energy best practices, fostering investment in energy efficiency and providing technical solutions for the commercial building sector. The exhibition showcased the latest technology in energy conservation in industrial, residential and transport sectors.

The conference was inaugurated by Mr. V S Verma, Director General, Bureau of Energy Efficiency. Other dignitaries who attended included Mr. V Rangaraj, President, Indo American Chamber of Commerce (IACC), Mr. Suneel Parasn timer, Director, United States-Asia Environmental Partnership/USAID, Western Region, and Ms Leena Mehendale, Executive Director, Petroleum Conservation Research Association.

There were over 30 speakers like Dr Naval Karri r, Director, Deloitte Touche Tohmatsu; Mr. Abraham Varughese, Head, Energy Management Group, Enercon Systems Pvt Ltd; Mr. Arindam Basu Sr., Executive Marketing, Tata BP Solar; Ms Mili Majumder of the Energy Resources Institute (TERI); Mr Abhay Nalawade, CEO, Genesys International Corporation, Mr. R Subramanian, National Sales and Marketing Manager, Saint Gobain Glass (I) Ltd; and Mr. Tanmay Tathagat, International Institute of Energy Conservation.



Mr. V. Rangaraj, President, Indo-American Chamber of Commerce giving the welcome address at Energium 2004. Seated L-R are Mr. Suneel Parasn timer, Director, United States-Asia Environmental Partnership/USAID; Ms. Leena Mehendale, Executive Director, Petroleum Conservation Research Association, Mr. V S Verma, Director General, Bureau of Energy Efficiency and Mr. Bharitya Dy. General Manager, ONGC.

There were over 100 participants including energy managers, consultants, equipment manufacturers, policymakers, services providers, technical directors, property managers, chief engineers, architects and builders from corporates, hotels, hospitals, malls, banks, departmental stores attended the conference.

The conference was divided into sessions focused on different aspects that would contribute towards making energy conservation possible in commercial establishments. The areas covered were:

- Policy and Regulation
- Financing Mechanisms for Energy Efficiency Projects
- Project Development
- Technology Presentation Sessions
- Green Design and Energy Efficiency
- Energy Performance Contracting
- Case Studies

A compendium was published on the occasion of 'EnergiUm 2004', which carried information on speakers, company details and abstract of all the presentations. Eight companies set up business meeting desks at the venue, which gave them an opportunity to have one-to-one interactions with

- Feedback indicated that people found it easier to replicate case studies that have been implemented. Site visits to facilities that have implemented energy efficiency would motivate others to take up energy conservation and help in understanding implementation issues better.



Mr. V.S. Verma, Director General, Bureau of Energy Efficiency, lights the lamp to inaugurate EnergiUm 2004

participants and understand their requirements.

'EnergiUm 2004' was successful in reaching a common ground on various issues facing energy conservation in the commercial establishment sector. Given below are some areas that were addressed with regards to the future course of action:

TECHNOLOGY

- Business meeting desk enabled one-on-one interaction with technology providers, which was considered beneficial by the participants. Sourcing and showcasing technologies available through catalogue shows or technology screenings will help bridge the gap between end users and technology providers.
- Though there are several technologies available in the market that address the needs of the end user, the awareness levels are not high. Thus efforts to create awareness about technology available needed.
- A need was felt for nurturing Indian inventors and to promote new technologies through incubator initiatives specific to the energy sector.

RESOURCES

- Financial institutions need to address end-user concerns on procedures in project finance. This can be done by presenting case studies and specific information (e.g. project report format and data required to be submitted) on websites.
- Statistics and regular industry reports on energy best practices adopted by different sectors would go a long way in setting benchmarks and providing guidelines.
- More mass-based awareness campaigns/ programs to promote the concept of energy efficiency is needed for a wider audience to benefit.

- Online library to provide information on all aspects of energy efficiency in commercial establishments.
- Training institutes to be set up for energy auditors courses.
- Creation of a dedicated institution that can work with building owners, property managers and businesses to help them achieve efficiencies in lighting, space, heating and cooling.

POLICY

- There is a need for active involvement of state and local regulatory bodies in the development and implementation of energy efficiency building codes, appliance and equipment standards and to set guidelines.
- Government support to bring down cost of implementation through incentives/subsidies for industry.

VARANASI BRANCH

Business in Borderless Regime

Indo-American Chamber of Commerce (IACC), Varanasi, organized a one-day workshop in collaboration with the PHD Chamber of Commerce & Industry, New Delhi, and the Konrad Adenauer Foundation, Germany, on "Managing Business in the Borderless Regime: WTO and After" on May 23.

Varanasi Branch Chairman Mohit K. Saigal welcomed the participants. Mr. Saigal said that WTO agreements on services are of substantial interest to the world economy, as they have the potential to strengthen economic reforms, stimulate investment and capital mobility worldwide and create an institutional framework accounting and financial service transactions. He also said that the growth of the service sector in India has outpaced aggregate GDP growth, which is at present 47% against 29% for the industry and 24% for agriculture.

Mr. Bipin Menon, the guest speaker from Delhi, said that in the changed global economic environment, which has been greatly affected by the troika of institutions like IMF, World Bank and WTO, it is imperative for Indian business to understand the

implications brought about by these institutions for global competition.

In his two-hour long audio-visual presentation, Mr. Menon explained in detail various points such as Trade facilitation (TF), its objective and features, pre-Doha deliberations, Articles V, VIII, X, regional trade agreements, WTO and RTAs, status of RTAs at the end of 2003, rules of RTAs, etc.

Mr. C.M. Krishna said that the regional trade agreements, which are analysed as being exceptions to the multilateral negotiations, are also playing a critical role in expanding trade between WTO members. The opportunities that will arise for Indian exporters after the coming up of the various regional trade agreements as well as extension of the European Union were also dealt upon.

Mr. Krishna explained at length barriers for business in borderless WTO regime. He said that it is very important to understand patterns of cross-cultural business behaviour, specialty that of the Arab world, Latin America & Asia, The Mediterranean, Australia, the USA, Canada, New Zealand and some other countries. Mr. Krishna gave specific examples of cultural barriers that play an important role while dealing with American and Japanese businessmen.

The workshop also discussed tariff, non-tariff and cultural barriers for conducting business in the globalized borderless WTO regime. Different behavioural patterns of business negotiators of different countries attracted special attention during the workshop.

Mr. Puneet Raman, Branch, Vice Chairman, proposed a vote of thanks.



Mr. Bipin Menon, Dy. Director, DGFT, New Delhi (extreme right), addressing the workshop on "Managing Business in the Borderless Regime: WTO and After." Others in the picture are: Mr. C.M. Krishna (extreme left), Hony. Advisor, PHD Chamber of Commerce and Industry, New Delhi, and Mr. Mohit K. Saigal, Chairman, IACC, Varanasi.

KARNATAKA BRANCH

A Smarter Way to Build Brands

Indo-American Chamber of Commerce, Karnataka branch, organized a speaker meet on 'A Smarter way to build Brands', which was held on May 28.

Mr. Ramunujam Sridhar, CEO, Brand-Comm, a brand consulting and communication services company, gave an interesting presentation. The program was well attended and had good interaction..

Mr. Sridhar emphasised that a brand is a lively play of customer perceptions, evolving preferences, vacillating budgets and never-ending bottomline pressures. Yet, behind every successful brand is a smart strategy that shapes it, while diligently building its image with focused communications. A smart and successful brand strategy is one that lends itself to being fine-tuned to take advantage of

opportunities and react to market conditions as they happen without wasteful spending and mindless straying.



Mr. Sridhar Ramanujam, CEO, Brand-Comm, replying to a query from one of the participants at the meet on 'A Smart Way to Build Brands'. Seen on the panel are: Mr. Govind Mirchandani, Executive Vice-President, IACC and Mr. P.R. Ananda Murthy, Vice Chairman, IACC (K).

Guidance Session on US Visa

An Interactive Session on the US visas was organized by Indo-American Chamber of Commerce, Kerala branch, on May 29, 2004 at Kochi. The session was addressed by Mr. Chad S. Peterson, Chief of the Immigrant Visa Unit, US Consulate, Chennai.

Specific topics like immigrant visa, transit visa, business visa, student visa and employee visa were covered in the session. Mr. Peterson answered all the queries of the participants, numbering about 100, including IACC members and non-members. The session proved highly beneficial to businessmen, students and entrepreneurs.

KERALA BRANCH



Mr. Chad S. Peterson, Chief of the Immigrant Visa Unit, US Consulate, Chennai (second from the right), addressing a guidance session on US visas. Sitting on the dais are (from right) Ms. Cecile Malet-Peterson, Mr. Chad S. Peterson, Mr. Francis Alapatt, Chairman, IACC-Kerala, Mr. Satish Murthi, Vice-Chairman, IACC-Kerala.

AMFEST - FIRST-EVER UNIQUE CONSUMER GOODS EXPOSITION

Indo-American Chamber of Commerce hosted 'AmFest', the first of its kind US consumer products exposition-cum-socio-cultural meet at the Taj Land's End in Mumbai from June 3-5. The exposition was inaugurated by US Consul General Angus Simmons and actress Urmila Matondkar. It was a three-day American festival event that focused on fast-moving consumer goods segment, providing opportunities to small and medium American enterprises to showcase their products in India. The exposition received an overwhelming response from participants, namely exhibitors, business visitors and the general public.

AmFest more specifically looked at food & beverages and beauty care and consumer products. Apart from the display of American products and services, the highlights included food fest, wine fest, film fest and the paper show. Additionally, a seminar focused on 'Trade Insights' and featured basic rules for business, tax structure, the Indian demographic profile and the contribution of trade linkages services. The changing face of retail business and the perspectives of American companies in India were some of the other topics that received special attention of experts from various sectors of the industry. Some of the eminent speakers who gave valuable insights were from AC Nielson Research Advisory Services, Indian Importers Association, Ernst & Young, Exim Bank, Leo Burnett, McDonalds, Piramal Enterprises Ltd, Shopper's Stop, to name a few.

The companies that participated in the event included Madera Food, US Soyabean Association, SUSTA, Hersheys, Tobasco, Sun Maid Growers of California, Blue Diamond, California Prune Board, Kellogg and Pillsbury.

Mr. Farokh T. Balsara, Regional President--WIC and Partner, Ernst & Young, who spoke at the event, said the opening of the Indian consumer market to global products has provided more confidence to global manufacturers to target India. AmFest is one such opportunity for these manufacturers to have a "deeper

understanding of Indian markets" and trade dynamics. We hope that AmFest will pave the way through discussions for collaboration opportunities, franchising and distribution arrangements for American companies, thus enabling their easier foray in Indian markets.

Mr. Brian Brown, Chairman, AmFest Committee and Managing Director, Citigroup Global Markets India Pvt Ltd., said IACC believes that this is an ideal time for American companies to tap the ever-growing Indian market directly. And by bringing American consumer goods closer to the Indian people, AmFest hopes to bridge the gap of trade and commerce thereby creating more productive commercial ties between the two economies. This will be an opportunity to test the waters first hand and experience the magic of India.

World-renowned chef Roy Lyons and chef Hemant Oberoi dazzled the crowd with their delectable treats, cooking demonstrations and educational discussions. The focus of the food festival was on Cajun Cuisine. The end of first two days ended with the screening of two films at the Globus cinema theatre, namely, '13 going on 30' and 'Hidalgo' respectively.

Concurrent to the events were three poster shows on each day. The first was "When the Spirit Moves: African-American Dance History and Art"; the second day featured "4th July American Independence Day" / Bill of Rights and the third day featured "Louis Armstrong King of Jazz". The three-day event culminated in a wine fest featuring various wine treats from across the US, which was well attended.

The main objectives of AmFest 2004 was to facilitate a deeper understanding of the Indian market and its dynamics. It presented an opportunity for on-the-ground interaction between the SMEs and possible Indian partners. It also promoted direct interaction between SMEs and Indian end-consumers, to open up collaboration opportunities and facilitate discussions on possible franchising and distribution arrangements.

INDO-US ECONOMIC SUMMIT

Indo-American Chamber of Commerce will host its first-ever '**Indo-US Economic Summit**' on the occasion of the successful completion of its 35 years of existence. The theme of the summit will be 'Raising the bar: Indo-US Economic Relations'. The event is to be held on September 16-17 at the Taj Hotel in Mumbai. It is expected that with the new government in place, favourable international prospects, rightly managed reforms, and private sector investment, through which India could achieve unprecedented economic growth.

It is envisioned that the Indo-US Economic Summit can

be the starting point for fast-track growth reflective of the new wave of relationship between the two countries. The summit will focus on India's competitiveness in manufacturing, pharmaceuticals and the services sector. It would also provide an influential platform for the business community to recommend speedier reforms to the Indian government, which will be significantly represented at the Summit.

For further details log onto www.indousecosum.com

PHOTO FEATURE



Bollywood actress Urmila Matondkar and Consul General Angus Simmons cutting the ribbon on the first day of the AmFest Exposition.



Urmila Matondkar and Angus Simmons visiting the stall of American Soybean Association exhibited by Mr. Ricky Thapar



President of Western India Council Mr. Farook T. Balsara addressing the seminar on 'Trade Insights' held on June 3, 2004. Also seen are (L-R) Brian Brown AmFest Management Committee, Urmila Matondkar & Angus Simmons



LTR Shantanu Khosla, MD, Procter & Gamble, Arvind Sharma, Chairman & CEO, Leo Burnett, India, Druv Gupta, S.F. Wine Cellars/Madera Foods, addressing the seminar on 'Perspectives from American companies in India'



Exhibitor Ms. Bernadette Wiltz of Southern United States Trade Association (SUSTA) seen explaining to a visitor of the stall.

Bollywood actress Sushmita Sen and head PR & Events Shabina Patel in conversation with Mr. Druv Gupta of S.F. Wine Cellars/Madera Foods.



Chef Roy Lyons from Louisanna USA giving a live cooking demonstration



Sushmita Sen tasting one of the dishes prepared by Chef Roy Lyons



Brian Brown (third from left) with wife Kay Brown (third from right) with a section of the crowd at the Wine Fest.



Higher Education, GATS and India: Issues and State of Play

By Arpita Mukherjee

Introduction

With the rapid expansion of service sector and its increasing contribution to GDP, trade and development, the Uruguay Round (1986-1996) of WTO negotiations expanded the scope of multilateral trade negotiations to include services for the first time in the history of trade negotiations. The General Agreement on Trade in Services or GATS, which came into force on January 1, 1995, envisages progressive liberalisation of trade and investment in services through periodic rounds of negotiations, the first of such round to begin no later than five years after the entry into force of the WTO Agreement. Accordingly, services negotiations were launched in January 2000 and are called the GATS 2000 negotiations. These negotiations are still ongoing and are scheduled to be completed by January 1, 2005.

One of the service sectors covered under GATS is education services. This sector is further divided in five sub-sectors, namely, primary education, secondary education, higher education, adult education and other education services. Higher education services includes post-secondary technical and vocational education services and other higher education services. The former refers to sub-degree technical and vocational education, while the later refers to education leading to a university degree or equivalent.

Among the different segments of education services, higher education is probably the one that is most affected by the globalisation drive. This is demonstrated by an increasing number of students going abroad to pursue higher education, exchanges and linkages among faculties and institutes of different countries, increasing private and foreign investment in this sector, increasing international marketing of curricula and academic programmes, etc. With opening up of the economy, governments of many countries including India have reduced state funding for higher education and opened up the sector for privatisation. Over the past two decades India has created a niche for itself as an exporter of knowledge-based services which in turn requires substantial investment in higher education to produce manpower of international standards. The recognition of Indian professionals in the global market, the

affordability and willingness of Indian families to spend more on education coupled with the liberal foreign exchange policy of the government for education has made India a preferred destination for institutes/universities from developed countries. While liberalisation and globalisation is expected to have a positive impact on the volume, quality and spread of knowledge through increased interaction and competition, concerns have been raised in India about the potential adverse impact of liberalisation on equity, costs, quality, distribution and availability of higher education services. As a member of WTO, India is actively participating in the GATS 2000 negotiations. The country, therefore, needs to adopt an appropriate negotiating strategy so as to enhance the benefits from trade and investment in education and counter the negative affects.

The purpose of this paper is to discuss the issues and state of play in negotiations on higher education with specific reference to India. The next section will present an overview of GATS. Section 3 will analyse the liberalisation commitments undertaken by the WTO member countries during the Uruguay Round. Section 4 will highlight the developments since the Doha Ministerial Conference with specific emphasis on the requests and offers. Finally, Section 5 will raise the issues and concerns for India and how the country can gain from the negotiations.

An Overview of GATS

A unique feature of GATS is the classification of the services trade under four different modes:

- *Cross-border Supply or Mode 1* refers to the delivery of services across countries such as the electronic delivery of information and data, etc.
- *Consumption Abroad or Mode 2* refers to the physical movement of the consumer of the service to the location where the service is provided and consumed.
- *Commercial Presence or Mode 3* refers to the establishment of foreign affiliates and subsidiaries of foreign service companies, joint ventures, partnerships, representative offices and branches. It is analogous to

foreign direct investment in services.

- *Presence of Natural Persons or Mode 4* refers to natural persons who are themselves service suppliers, as well as natural persons who are employees of service suppliers temporarily present in the other Member's market to provide services.

The GATS contains two types of provisions. The first are general obligations, some of which apply to all service sectors (e.g. MFN, Transparency) and some only to scheduled specific commitments (e.g. Article XI: Payments and Transfers). The second are specific commitments, which are negotiated undertaking particular to each GATS signatory.

GATS aims to progressively liberalise services trade under the four modes of service supply. For each mode, a country can impose two types of barriers: market access barriers and/or national treatment barriers. A country is said to have imposed a market access barrier if it does not allow (or partially allow with some restrictions) foreign service providers to enter and operate in its market. A national treatment barrier exists when foreign service providers are allowed to enter the market but are treated less favourably than domestic service providers. During the successive rounds of GATS negotiations, Member countries negotiate and undertake commitments to liberalise market access and/or national treatment in specific sectors in what is known as sectoral schedule of commitments and across all or several sectors in the horizontal schedule of commitments. Both the sectoral and horizontal schedules have to be read together to understand the extent and nature of commitments undertaken in a particular sector. Thus, market access and national treatment are negotiated obligations. It is possible for countries not to grant full market access and deny national treatment by putting limitations and conditions on market access and conditions and qualifications on national treatment in particular sectors/sub-sectors. This is done by recording such limitations and qualifications in the commitment schedules under market access and national treatment. It is expected that successive rounds of negotiations will secure further liberalisation by adding more sectors to a country's schedule and removing limitations and qualifications, if any, in sectors/sub-sectors already in the schedule. This is done mode-wise for each sector/sub-sector. It is also possible for countries to make commitments which are outside the scope of market access and national treatment as defined in the GATS. These are called Additional Commitments (Article XVIII). This provides scope for making commitments in such regulatory areas as licensing, qualifications and standards applicable to services.

GATS covers all services except those supplied in the exercise of government authority. It follows a positive list approach which indicates that there is no a-priori exclusion of any service sector and that countries are free to choose the service sectors/sub-sectors and modes within those sectors/sub-sectors for scheduling commitments.

If one looks at the GATS structure, it is probably one of the most “development friendly” agreement in the WTO system as it is based on the notion of progressive liberalisation and allows “appropriate flexibility” to developing countries in scheduling commitments. However, in reality the outcome of the negotiations is to certain extent dependent on the bargaining power of the negotiating countries.

Analysis of Uruguay Round Commitments

The first round of negotiations the Uruguay Round achieved limited liberalisation. An analysis of the commitments indicates that countries at best bound the *status quo* and in many cases there was a rollback from the existing regime. In terms of the structure of commitments, countries showed a willingness to open up less controversial sectors and modes of delivery of services. A large number of commitments were in sectors such as tourism while social sectors such as education and health received very few commitments. Thirty WTO member countries scheduled commitments in education services and among them only 21 countries undertook commitments in higher education. The later includes some major players such as EU, Australia, Japan, New Zealand and developing countries such as Mexico and Turkey. Out of these 30 countries, 15 listed MFN exemptions to provide preferential treatment to trading partners on the basis of bilateral agreements. Major players such as the US, India, Canada did not undertake any commitment in higher education. The commitments undertaken are subject to various restrictions such as condition on nationality (EU), foreign equity limitation (Mexico), need tests for opening private universities authorised to issue recognised diplomas/degrees (EU), etc. Additional restrictions such as immigration requirement, foreign exchange control, difficulties in translating foreign degrees into national equivalent, recognition of former qualification, restrictions on recruiting foreign teachers, high subsidization for local institutes, etc. also affects trade in higher education.

An analysis of the Uruguay Round commitments in higher education shows that developing countries like India gained little since they themselves did not open up this sector multilaterally while their important trading partners have either not scheduled this sector or have

undertaken partial commitments subject to substantial barriers.

GATS 2000 Negotiations: Current State of Play

Services negotiations currently underway in the WTO are a part of the Uruguay Round build-in-agenda under GATS Article XIX. In accordance with this article, the Negotiating Guidelines and Procedures were adopted in March 2001. The Guidelines clarified that the negotiations will be based on a request-offer approach, i.e., each country would make bilateral requests to its trading partners to remove barriers in areas of its export interest but offers will be multilateral. The Doha Ministerial Declaration of November 2001 set up two important dates for the negotiations: Members agreed to submit the initial requests by 30 June 2002 and initial offers by 31 March 2003.

Since the beginning of the current round, countries have presented negotiating proposals that reflect their interest in liberalising particular sectors/modes. Countries such as USA, Australia, New Zealand and Japan have submitted proposals specific to negotiations in education services. Although each proposal is different, all the countries have recognised the need for government to play a significant role in financing, delivering and regulating education services but alongside stressed the need to reduce the barriers to trade in education. The interest of a country in a particular sector or mode is more strongly reflected in the request list to its trading partners. India has received requests from around 25 countries in a large number of sectors and among them New Zealand, Japan, Australia, Brazil, Norway, China and the US have made requests in higher education services. Most countries have requested India to completely liberalise Modes 1, 2 and 3 and to open up Mode 4 to the extent indicated in the horizontal schedule. Only China has made sector specific request in Mode 4 to allow Chinese teachers and other individuals engaged in education or training activities to provide educational services to various foreign entities or individuals. China has also requested that under Mode 3, establishment of joint school or wholly foreign owned schools should be permitted. Australia and Japan have requested for transparency in domestic regulation. Interestingly EU, which has an interest in investing in India, did not make any request in higher education services. Although India has submitted requests to more than 60 countries, it did not make any request in education services. This itself reflects the unwillingness of the country to open up this sector.

Till date more than 40 WTO member countries have

submitted their offers. The offers so far are "initial" have no legal bindings and are conditional upon the negotiations and offers received from the trading partners. A preliminary analysis of the offers show that there has been a limited improvement over the Uruguay Round commitments. Most countries have not bound their autonomous liberalisation measures and have merely tabled their past commitments with some improvements such as more liberal commitments under Mode 1 and removal of certain limitations (economic needs tests, restriction on the form of legal entity, foreign equity ceiling, authorisation requirements, etc.) under Mode 3. Sectoral offers under Mode 4 remained largely unbound but there are certain improvements in the horizontal offers. As in the case of other sectors, most countries have not broadened their commitments in education services. Among countries that have not made any commitments in the Uruguay Round, Thailand and China have made offers in higher education in the ongoing Round. India did not schedule this sector in its initial offer while the US has expressed an interest in scheduling an offer in higher education subject to certain conditions. The US has also emphasised on broadening the coverage of higher education to include training services and educational testing services, but excluding flying instruction. Countries, which have made offers, are of the view that private and public educational systems can co-exist but government should have the right to regulate the educational institutions.

India and GATS 2000 Negotiations: Issues and Concerns

India has both export and import interest in higher education services. The export is mainly in the form of consumption abroad (a large number of Indian students go abroad to pursue higher education) and movement of natural persons (cross-country exchange of teachers and faculty). Of late there has been an increase in cross-border electronic delivery of educational services (distance learning programmes). Indian universities/institutes are also exploring the possibilities of establishing commercial presence abroad. Imports are in the form of consumption abroad (foreign students coming to India to pursue higher education) and increasingly through commercial presence. Since the liberalisation of the 1990s there has been growing commercial involvement and foreign collaboration in higher education services through franchising, twinning and other networking arrangements. It is, therefore, in the interest of the country to actively participate in the ongoing GATS 2000 negotiations. In the multilateral forum India should push for the removal of barriers to movement of students and faculty in countries of export interest such as the US and EU. India should also push

for the removal of barriers to commercial presence in South East Asian, Gulf and African countries since Indian institutes/universities have a keen interest in establishing presence in those markets.

If India is to effectively exploit its potential in manpower based services, there is a greater need for investment in higher education and related infrastructure, a substantial part of which has to be provided by the private/foreign players given the paucity of government funding. The country, therefore, can open up this sector multilaterally while reserving the right to regulate the private/foreign institutes.

The success of any liberalisation measures would depend on the implementation of appropriate domestic reforms. The coexistence of public and private institutes in the post-liberalisation era have raised concerns regarding the quality of education offered by the private/foreign institutes and its availability and distribution. Critics have pointed out that in the absence of nodal agency regulating the educational institutes, there has been a wide variation in the quality of education offered by different institutes. The presence of private/foreign players together with the reduction in government funding for higher education will gradually lead to a two tier system, where the private sector would cater to the affluent class and provide higher quality education while the public sector which is under invested, under staffed and resource constraint would cater to the middle and lower income groups. To maintain quality standards and ensure equitable distribution there is a need for a nodal agency to monitor the higher education system. This agency should be given the authoritative power to review application from foreign institutes/universities and only those institutes/universities that have been accredited in their own countries should be allowed to offer accredited programmes in India. The nodal agency should see that the courses conducted by foreign universities are based on relevance and felt needs of Indian students. It should also monitor their fee structure, infrastructure facilities, etc.

India can use the WTO negotiations as a tool to implement domestic reforms. At present, there is no common training, common curricula or common examination in many professional services within the country and some professions such as engineering do not even have a regulatory body. Due to this, Indian professionals face significant barriers relating to recognition of qualification in the global markets. India needs to develop a domestic standard of certification and training which is internationally acceptable and then multilaterally push for mutual recognition of qualifications.

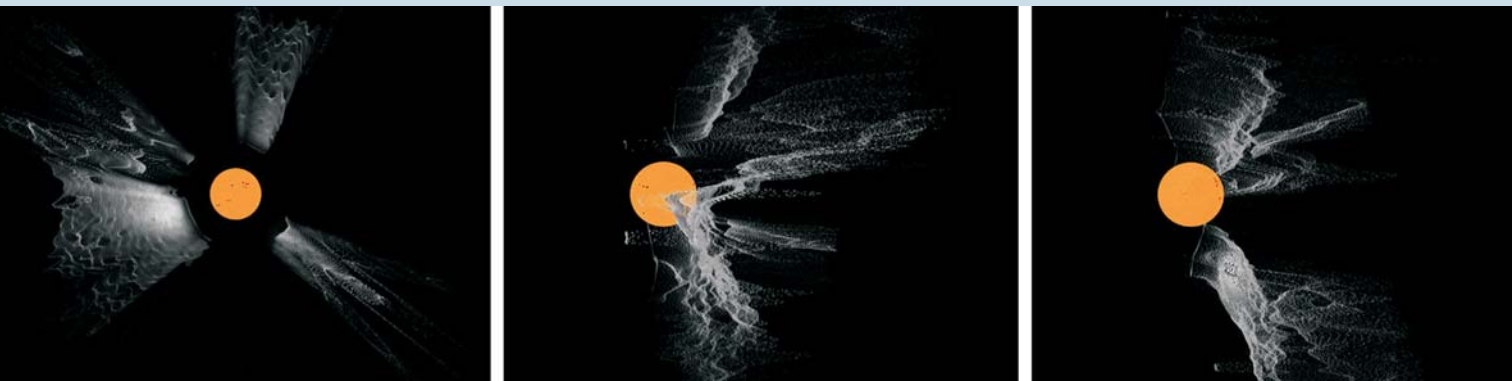
Conclusion

Concerns have been raised in India about the adverse impacts of opening up the higher education sector on equity, distribution, costs and availability of services within the GATS framework. This paper attempts to address some of these issues and how the country can initiate appropriate reform measures to enhance the benefits from trade and investment in education and counters the negative affects. The paper suggests that there is a need for a nodal agency to monitor and regulate the private/foreign institutes in the country. The paper also stresses on the need to maintain international quality standards in education and implementation of measures to ensure international equivalence of degrees and diplomas.

Although India has both export and import interest in higher education services, the country has not been forthcoming in opening up this sector multilaterally. The paper discusses that India should proactively negotiate in the WTO for removal of barriers to trade in higher education and use the negotiations to implement domestic reforms.

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NASA CREATES FIRST 3-D VIEW OF SOLAR ERUPTIONS

NASA-funded scientists have created the first three-dimensional (3-D) view of massive solar eruptions called Coronal Mass Ejections (CMEs). The result is critical for a complete understanding of CMEs, which, when directed at Earth, may disrupt radio communications, satellites and power systems.

The researchers analyzed ordinary two-dimensional images from the joint NASA/European Space Agency Solar and Heliospheric Observatory (SOHO) spacecraft in a new way to yield the 3-D images.

"We need to see the structure of CMEs in three dimensions to fully understand their origin and the process that launches them from the sun," said Dr. Thomas Moran of the Catholic University of America, Washington. "Views in three dimensions will help to better predict CME arrival times and impact angles at the Earth," he said.

Moran developed the analysis technique. He is lead author of a paper on this research published today in *Science*. Dr. Joseph Davila, of NASA's Goddard Space Flight Center, Greenbelt, Md., is co-author of the paper.

CMEs are among the most powerful eruptions in the solar system, with billions of tons of electrified gas being blasted from the sun's atmosphere into space at millions of miles (kilometers) per hour.

Researchers believe CMEs are launched when solar magnetic fields become strained and suddenly "snap" to a new configuration, like a rubber band that has been twisted to the breaking point. Complex and distorted magnetic fields travel with the CME cloud and sometimes interact with the Earth's own magnetic field to pour tremendous amounts of energy into the space near the planet.

The magnetic fields are invisible, but because the CME gas is electrified (a plasma), it spirals around the magnetic

fields, tracing out their shapes. A view of the CME gas in 3-D therefore gives scientists valuable information on the structure and behavior of the magnetic fields powering it.

The new analysis technique for SOHO data determines the three-dimensional structure of a CME. A sequence of three SOHO Large Angle and Spectrometric Coronagraph (LASCO) images is taken through polarizers at separate angles. The ratio of polarized-to-unpolarized brightness at each pixel is then computed. Based on the way light scatters off electrically charged particles (electrons) in CME plasma, light from the structures at angles closer to the plane-of-the-sun will be more polarized than light from those at angles farther from the plane.

The distance from the plane is computed from the measurements, giving the three-dimensional coordinates of the mean scattering position to construct a view in 3-D. (Light which has an electric field oriented randomly in all directions is unpolarized, while light with an electric field oriented in just one direction is polarized.)

With the technique, the team has confirmed that the structure of Earth-directed (halo) CMEs is an expanding arcade of loops, rather than a bubble or rope-like structure. Although the CME eventually disconnects from the sun, the team also discovered the loops remained connected to the source region for an unexpectedly long time, for at least as long as the CME was visible to the SOHO instrument.

The team learned the technique was previously independently developed and used to study relatively static structures in the solar atmosphere during total solar eclipses. The team believes its method will complement the upcoming Solar Terrestrial Relations Observatory (STEREO) mission. The mission, scheduled for launch in February 2006, will use two widely separated spacecraft to construct 3-D views of CMEs by combining images from the two different vantage points of the twin spacecraft.

A Monumental Declaration



July 4, 1776 -- the memorable day when the US Congress proclaimed the Declaration of Independence that it adopted on July 2 after a heated debate at the Philadelphia Convention. The American nation was born with that Declaration, which is an epoch-making political document, a “compact” philosophy of democracy that set in motion the process of American independence from Great Britain. It also set “mighty forces adrift” on the other side of the Atlantic and contributed a great deal to ushering in the French Revolution. The Declaration was a cogently argued out political theory based on certain political **principles** of great import, and thus it set forth a significant political doctrine. Penned by that political genius from Virginia, Thomas Jefferson, the Declaration stated:

“We hold these truths to be self-evident,” wrote he, “that all men are created equal, that they are endowed by their Creator with certain **unalienable rights**, that among them are Life and Liberty and the pursuit of Happiness, -- That to secure these rights governments are instituted among Men, deriving their just powers from the **consent** of the governed, -- That whenever any form of government becomes destructive of these ends, it is the Right of the People to alter or abolish it, and to institute a new government, laying its foundation on such principles and organizing its powers in such form as to them shall seem most likely to affect their safety and happiness.”

Never before had this philosophy of democracy been given so eloquent an expression as in this document. For us in this 21st century these principles are too familiar to need special emphasis, but for those in the 18th century when the idea of democracy was taking root not only in a new continent but also in other parts of the world, these words had had an electrifying effect. That the governments are formed by the consent of the people to protect their unalienable rights and that the citizens have a right to alter or abolish a bad government and institute a new one to secure their rights were all ideas too new and too revolutionary at that time. What is significant here is that the American people not only stated these principles in explicit terms but they also showed that these can be translated into reality. As stated by Nevins and Commager, “Meeting together in conventions they did legally abolish their old governments and set up new ones... The ideas that had been for centuries been the property of philosophers were taken out of the realm of philosophy and made law.”

Jefferson and his colleagues were greatly influenced by what John Locke had stated in the second book on *Two Treatises of Government*. Locke maintained that the supreme function of the State is to protect life and liberty and property, to which everyman is entitled. Political authority, he said, is held in trust for the benefit of the

people alone. When the natural rights of mankind are violated, the people have the right and duty of abolishing or changing the government. It is this doctrine that is written in the preamble to the Declaration of Independence.

Jefferson was one of the members of the five-man committee, including Benjamin Franklin and John Adams, which was charged with the most momentous task of formally drafting the Declaration of Independence from Great Britain at the Philadelphia Convention. These men who attended the convention had the deep-rooted belief that destiny had cast upon them the responsibility of shaping the political structure of an entire continent of vast uncharted territory, stretching from east to west, and that it will be a shining model for many other nations to adopt. Therefore, they knew that the Declaration should not be merely a statement setting out the claim for independence; it should also spell out a political philosophy and a political structure so novel in its concept as well as in its application.

The **federal system** of government, which until then was unknown in any part of the world, is an offshoot of the doctrine laid down in the Declaration. Had it not been for this unique political mechanism, the United States would have been reduced to contending states, where feuding chieftains would have ruled with their trigger-happy lawless bands of followers and people would have suffered great miseries. Democracy would never have flourished, freedom and liberty would have been suppressed; and tyrants would have held sway over the vast stretch of the country, accountable to none but themselves. That such a thing didn't happen is entirely due to the farsightedness of the American leaders. The Federal system was subsequently adopted by Switzerland, Canada, Australia and the Soviet Union. The Indian Constitution also owes a great deal to this unique "American invention".

Jefferson deserves special mention, as on him alone was placed the responsibility of preparing the draft of the Declaration. He was a keen student of politics, but his

interests extended to many other branches of knowledge, including music, architecture, surveying and mechanics. When he arrived in Philadelphia in June, 1775, as a Virginia candidate, he already possessed as John Adams remarked, "a reputation for literature, science, and a happy talent of composition." To quote Nevins and Commager again, "...As a political thinker and writer, in his own generation, he was without peer, after the death of Burke, anywhere in the world. He was fond of reading, observing wild life, and laying the violin. He acquired knowledge of half a dozen languages, of mathematics, surveying and mechanics, of music and architecture and of law and

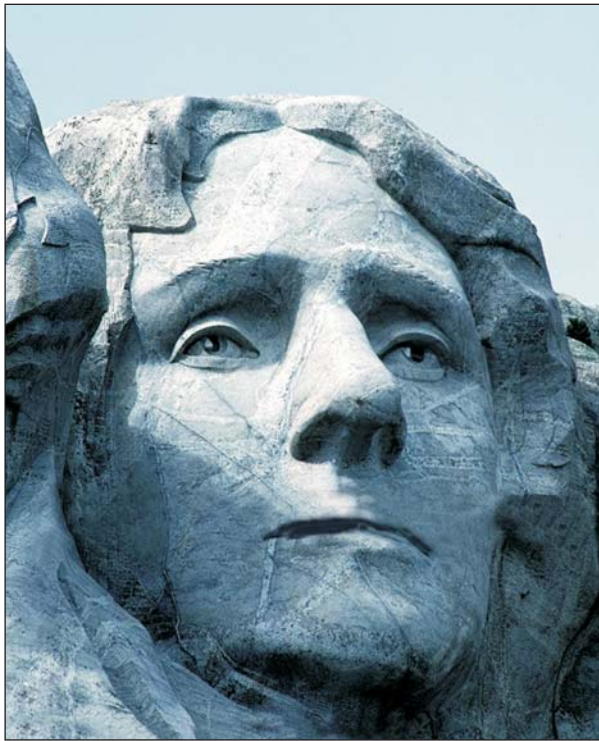
government. He eagerly gathered a large library and a remarkable collection of prints. He wrote about plants and animals, about history politics and education and always with originality and insight. ..."

Jefferson was wary of strong central government, for he thought that such a government would stifle freedom. He fought for freedom from British Crown; he also fought for freedom from church control, for this is another sphere about which Jefferson had strong views. He wanted to keep religion away from politics and rightly so, since mixing of religion with politics had brought about untold miseries to the people and it is still causing intractable problems in several parts of the

world as we all know. All this proves Jefferson's political sagacity that helped the United States to steer clear of religious strifes. And when he became the President of the United States, Jefferson was keen to live up to his avowed political ideals. Under his presidency the US entered an era of expansion, the purchase of the large territory of Louisiana from the French being the first event of great significance. The following inscriptions on his gravestone speak of the man who was one of the great architects of the United States of America:

Here was buried Thomas Jefferson
Author of the Declaration of American Independence
Of the State of Virginia for religious freedom
And father of the University of Virginia

— C.P. Nambiar



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