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**Chairman:** R. K. Prasad  
**Managing Editor:** Satya Swaroop  
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**Consulting Editors:**  
Prabhhu Sinha & Rajiv Tewari  
**Editorial Team:** Tripti Chakravorty,  
Rojita Padhy, Shruti Sinha &  
R. Parameswaran (Kerala)  
**Art Director:** Santosh Nawar  
**Visualizer:** Maya Vichare  
**Head-Busi. Dev. :** Veerendra Bhargava  
**Asst. Manager:** Anand Kumar  
**Accounts Asst.:** Vrinda

## BRANCHES:

### Kolkata:

Anurag Sinha, Branch Manager, A-7/1,  
Satyam Park, 2nd Lane, Near 3A Bus Stand,  
Thakurpukur Kolkata- 700 104  
Tel: 098300 15667, 033-24537708  
Email: anurag@newmediacomm.biz

### Thiruvananthapuram:

R. Rajeev, Branch Manager, TC-17/1141,  
Sastha Nagar, Pangode, Thiruvananthapuram  
Tel: 09847027163, 0471-2352769  
Email: rajeev@newmediacomm.biz

### Coimbatore:

Maithily, Branch Manager, 1577/1,  
Sankara Niwas Trichy Road,  
Coimbatore - 641 018  
Tel: 0422-5391889, 3218600  
Email: maithily@newmediacomm.biz

### Australia Office:

Bandhana Kumari Prasad, 129 Camboon Road,  
Noranda, Perth, W.A. 6062 Tel: 0061 892757447  
Email: bandhana@newmediacomm.biz

### International Marketing:

### G. Biju Krishnan

E-mail: biju@newmediacomm.biz

### New Media Communication Pvt. Ltd.,

B/302, Twin Arcade, Military Road, Marol,  
Andheri (E), Mumbai - 400 059 India  
Tel: +91-22-28516690 Telefax: +91-22-28515279  
E-mail: enquiry@newmediacomm.biz  
www.newmediacomm.com

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Indo-American Chamber of Commerce  
Vulcan Insurance Building, Churchgate, Mumbai 400020.  
Tel: +91-22-22821413/15



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# PRESIDENT'S MESSAGE



**Dear Members,**

The process of global economic recovery witnessed during the last few months is further strengthening and widening. Globally, industrial production is picking up, global trade is rising strongly, financial markets are buoyant, business and consumer confidence is strengthening, investment is heading north and the US economy is showing signs of smart growth. As a result, the IMF has forecast that global GDP growth in 2004 and 2005 would be around 4.5 per cent. The risks to future growth are primarily threatened by adverse geopolitical developments and the rising oil price, which has touched a 13-year high of \$40 per barrel. The global economic growth process would also depend upon the management of large US current account deficit and surpluses elsewhere, adverse fiscal situations in several industrial and emerging economies and management of transition to higher interest rates. The IMF has rightly suggested that it would be prudent to undertake further structural reforms to improve the growth potential, flexibility and resilience to leverage the advantages of economic recovery.

After a year of uncertainty and weak recovery, the US economy showed signs of strong growth in the second half of 2003 as monetary and fiscal policies remained highly stimulative. Growth was led by private consumption, catalyzed by tax cuts and low interest rates, and rising corporate profits. The employment response in this current recovery, however, has been weak raising fears in some quarters that the US economy is in the midst of a "jobless" recovery.

It is estimated that economic recovery would be the strongest in the US, with GDP growth rebounding to 4.6 per cent in 2004, accompanied by continued strong productivity growth. With the impact of past fiscal and monetary stimulus waning during 2004, much will

depend on continued solid investment growth, a sustained pickup in employment and further depreciation of the US dollar over the medium term. As Chairman of Federal Reserve Alan Greenspan has noted, the relative flexibility of the US economy and growing global financial integration should reduce the difficulties in financing deficits. We presume that in view of the moderately tightened monetary policy, interest rates will rise in the second half of 2004.

In India, growth has accelerated on the steam of increased industrial production, monsoon-led handsome agriculture sector growth, low interest rates on consumer and real estate credit, and the global recovery. GDP growth in India has exceeded expectations, though exchange market developments have been dominated by continuous decline in the US dollar, resulting in hardships to exporters. However, so far, the adjustment has been relatively orderly, while there has been a further buildup in the foreign exchange reserves, which has reached close to \$118 billion. Long-run interest rates remain low, apparently partly reflecting expectations that the monetary policy will remain accommodative for a significant period.

Against this background, further progress in addressing India's large fiscal imbalances is urgent, because the recovery will increase the private sector's demand for financing, putting upward pressure on interest rates. India should remain committed to continuously reducing the fiscal deficit. Given India's low revenue-to-GDP ratio, the bulk of the adjustment will need to come from revenue-enhancing measures, including improving tax administration, broadening the tax base, and simplifying the tax regime.

In the backdrop of fast-paced economic developments, the paradigms of Indo-US economic cooperation are increasingly on the upswing, as the two nations continue their drive towards a critical partnership in the 21<sup>st</sup> century. The last few months have witnessed a deepening of military ties, high-technology cooperation, and positive economic developments. After four decades, the two countries are now actively and constructively engaged in enhancing bilateral relations to a meaningful partnership for mutual economic benefits.

India's aggressive stance in World Trade Organization (WTO) talks in Cancun last September saw the country emerge as the leader of poorer countries in a standoff with richer nations over trade barriers, resulting in the collapse of the Doha Round of liberalization negotiations. I must mention that Cancun reinforced some American perceptions that India is still a protectionist economy with too many barriers to trade and investment.

More recently, improving bilateral economic relations have been threatened by growing US disquiet over India's emergence as an outsourcing center. With US

Presidential elections due this November, politicians are starting to view offshore outsourcing as the root of the jobless recovery in the US technology and services. We believe that such adverse developments are transitory in the ongoing transformation of Indo-US economic ties as it is increasingly becoming evident that the positives are outweighing the negatives in the bilateral relationship.

India, with its vibrant democratic system and its ongoing process of economic advancement, holds out the prospect for substantially expanded trade and economic relations with the US. The medium-term policy challenge for both India and the US is to complete the transition from past estrangement to dynamic engagement for a genuine economic partnership.

The Bush Government has lauded recent increases in bilateral trade with India. No doubt, India has the potential of becoming one of the great democratic powers of the 21<sup>st</sup> century. A recent Goldman Sachs study has projected India to be the world's third largest economy by the year 2050. India's technical competence in IT, life sciences and other disciplines of high technology is being greatly admired by US, as India now has companies that compete with any in the world. Despite the hesitant pursuit of reforms in the initial years, India's gross domestic product (GDP) is growing at an unprecedented pace and the Indian economy is moving ahead. Among the larger Asian economies, India's overall performance has been second only to that of China. If India can turn into a fast-growth economy on a sustained basis, it will be the first developing nation that could be credited with using its brainpower, not natural resources or factory labour, as the catalyst for economic growth and development.

India and the US have made substantial progress in high-technology commerce and cooperation despite ongoing US concerns over India's export controls and Indian complaints about restrictive access to advanced American technology. We, therefore, remain upbeat on future progress in the so-called "Trinity" issues.

It is well known by now that the US has a bullish outlook on economic ties with India, driven largely by India's high-tech expertise. Keeping the current outsourcing problem aside, harnessing Indian brainpower will greatly boost American technology and services leadership by filling the projected shortfall in skilled labour. By augmenting R&D teams with the 260,000 engineers produced by Indian institutes each year, the US can use these brains for speedy product launches, prototypes and upgrade quality. As rightly observed by *Businessweek*, Corporate America can no longer afford to ignore India.

We, at IACC, firmly believe that a partnership approach for bilateral economic cooperation will be a win-win situation for both the nations. India --- with its billion-

plus population, democratic institutions and values, steadily growing economy and substantial defense establishment --- represents a partner of great value for the US. In a few years, India will become one of the world's largest economies, the principal security factor in the Indian Ocean region and increasingly important in the overall and Asian power equation. India has become a partner in combating terrorism and, despite past differences on nuclear issues, shares US concerns about international security. In the area of economy and trade, the US stands to gain from steadily expanding ties, especially in knowledge industries in which India possesses major strengths. A more cooperative Indo-US relations can also narrow the gap between industrialized and developing countries on global issues such as trade, environment, AIDS, and poverty alleviation.

India has an equal, if not greater stake, in transformed relations with the US. As India moves ahead with its economic development process, it sees good relations with the world's largest economy to spur foreign direct investment (FDI), to increased trade, to easier access to advanced technology, in particular dual-use products, renewed cooperation in non-military space activities and civilian nuclear technology. Closer ties will further increase American sensitivity to India's key security concerns, most of which relate to the subcontinent. However, we need to dispel this myth that India's economic progress is holding back the South Asian power from fulfilling its potential as a major player on the international stage.

Among South Asian states, only the Indian economy could be labeled as advanced. Increased optimism over India's economy has even produced some consideration in US policy circles of a possible free trade agreement (FTA) with India. To begin with, the two countries should start discussing an FTA in the services sector, which could form the basis to jump-start bilateral economic relationship.

There is need to increase the frequency of US-India Economic and Commercial Dialogue, which would enable both the countries to understand each other's positions better. Both the countries can formulate strategies for understanding each other's positions at the government as well as at the industry level and for establishing a better economic relationship.

The Indo-American Chamber of Commerce (IACC) is organizing the "Indo-US Economic Summit" in Mumbai on July 29-30, 2004. For details of the summit check out our next issue.

**V Rangaraj**

*President*

*Indo-American Chamber of Commerce*



# The Fight Against Trafficking in Persons: Businesses Can Help

By Scott Ticknor

They come to Mumbai following promises of jobs and success. They find a horror beyond their imaginations. They are tricked, drugged, kidnapped, sold by their own families and friends. They are raped and beaten into submission, kept in prison-like conditions, and forced to have sex with up to twenty customers each day. Some 60 percent have HIV/AIDS. Tens of thousands of them live half-an-hour's drive from the Gateway of India.

They are trafficked women and girls -- victims of commercial sexual exploitation, subject to one of the worst human rights abuses in the world today. This modern day slavery is part of a global problem, including a significant problem in the United States and India, and it is increasingly commanding global attention. The UN has called it the fastest growing criminal enterprise in the world.

Business can be a key partner in combating trafficking in persons. Not just with funding, but with in-kind assistance, and in many other areas. Some Indian companies have already joined the fight. They realize that trafficking is not only a compelling human rights cause but it undermines India's workforce and taints India's global image. This article details the nature of the trafficking problem and focuses on the important role businesses can play in tackling it.

## **Trafficking in Mumbai: A Profile**

Mumbai is seen as India's "commercial sex capital," with one of Asia's largest red light districts. Trafficked women and girls in the city are mostly from Andhra Pradesh, Tamil Nadu, Karnataka and rural Maharashtra, although a significant number also come from Nepal and Bangladesh. Non-governmental organization (NGO) sources suggest that the problem of trafficking in India is getting worse each year. Although there are no reliable statistics on the number of trafficking victims in Mumbai or any other major Indian city, some NGOs estimate that one million women and girls are in trafficked commercial sex

situations in India at any given time (with an additional 200,000 new victims each year.) NGOs estimate that 90 percent of sex workers in Mumbai began work well before age 18. Trafficked women and girls live and work in brothels in South Mumbai, as well as in bars and suburban brothels. They are victims of organized criminal groups. A small number are rescued but most do not leave the brothels until they are deemed no longer productive. As ever-younger victims fall pray to HIV/AIDS, many girls are no longer productive at age 16, 17 or 18.

Their individual stories are heart-rending. One observer from the U.S. Consulate in Mumbai had this story to tell about two trafficking victims she met in a Mumbai shelter after they were rescued:

"One girl, now apparently healthy, had been suffering from tuberculosis when she was rescued. She had wanted to escape so badly that she had jumped out of the brothel window, breaking several ribs in the process. She had been trafficked by her father, but wanted to return home. She told us: "There was some misunderstanding, and there won't be any problems this time." Another girl sat inside wrapped in a crumpled blanket. She was emaciated and suffering from late stage HIV/AIDS. Her hair was matted, eyes dull and glazed, and she was in her fourth day of a hunger strike. She was refusing to eat until the staff took her back to her father. Her father, too, had trafficked her, yet when she ran away, she went back to him. He sold her again, and she contracted AIDS. Now she wishes to go home to die with the family who trafficked her."

## **The US and India Fighting Back Together**

The U.S. State Department estimates that at least 800-900,000 people globally each year are bought, sold, transported and held against their will for sexual abuse and exploitation, in slave-like conditions. In his September 23, 2003, speech to the United Nations, President George W. Bush stated: "We must show new



energy in fighting back an old evil. Nearly two centuries after the abolition of the transatlantic slave trade, and more than a century after slavery was officially ended in its last strongholds, the trade in human beings for any purpose must not be allowed to thrive in our time."

An estimated 18-20,000 women and children are trafficked into the United States each year, according to the US Department of Labor. There have been reports of trafficking in at least 20 different states in the U.S. and 26 cities, with victims often subject to systematic abuse. Many come from Mexico. Others come mostly from China, Southeast Asia, and Eastern Europe. For example, in the mid-1990s a large number of young women from Vera Cruz, Mexico were smuggled into the U.S. They were promised good jobs in the restaurant business but instead were brought to isolated trailers in rural Florida and forced to engage in prostitution. If they refused, the women were beaten and threatened with death. U.S. authorities eventually liberated the women and a number of the smugglers were convicted.

The United States government is fighting back. In 2000, the U.S. Congress passed the Victims of Trafficking and Violence Protection Act. It increased the scope for the prosecution of traffickers, raised the prison term for culprits, and required the Department of State to do annual reporting on the problem worldwide. The U.S. Government is committing \$50 million each year to support organizations that are rescuing trafficking victims and giving them shelter and medical treatment. In FY 2002, the Department of State funded over 100 anti-trafficking programs in 50 countries and the US Agency for International Development (USAID) spent over \$10 million in over 30 countries to combat trafficking. There are also numerous domestic government-funded efforts to help victims and fight traffickers in the U.S. In India, the US Government has spent close to \$4 million since 2000 on prevention and awareness, rehabilitation of rescued victims, and strengthening of the Indian law enforcement machinery dealing with human trafficking.

The Government of India and individual Indian state governments are also fighting back. Among other steps taken, India recently ratified the SAARC Anti-Trafficking Convention, which was signed in May 2003, completed a national study of the trafficking situation, and, in 2001, launched a project called "Swadhar" to provide holistic services for women in difficult circumstances, including trafficking victims.

Maharashtra, in particular, has intensified its campaign against trafficking in persons. A January 2004 conference in Mumbai, organized by the U.S.-based non-governmental organization, "War Against Trafficking Alliance," brought together the police, NGOs, prosecutors and corporate representatives for training and

information-sharing in anti-trafficking efforts. During the conference, Chief Minister Sushil Kumar Shinde stated: "Time is fast running out and it is imperative that we search for holistic solutions by taking up our work against trafficking in human beings as a political priority." Former Mumbai Police Commissioner Dr. P.S. Pasricha promised conference participants "a blank check whatever you need to combat trafficking." The Mumbai police have established a special anti-trafficking squad which, over the past six months, has sealed up several brothels holding minors. The Maharashtra government is helping construct a new shelter for rescued trafficking victims.

Much more needs to be done. Across India, there are too few shelters for rescued victims and too few rescues. There are very few convictions of traffickers. More support is needed for rehabilitating victims. There is significant scope for increased awareness building, despite growing press coverage of the problem, including the October 13, 2003 cover story of *India Today*.

Experts acknowledge the need for a multi-faceted approach, including prevention and awareness building, the provision of temporary shelters for rescued victims, counseling and rehabilitation for victims, and the effective prosecution of traffickers, brothel-keepers and pimps. NGOs and elements of civil society have been actively and productively working with state and national governments on these different elements of the problem. Business has also played a part, although there is scope for much more active engagement.

### Business Can Be Part of the Solution

At a conference organized by the Confederation of Indian Industry and the U.S. Consulate in Calcutta in March 2004, U.S. Ambassador to India David C. Mulford made a strong case for business involvement in anti-trafficking efforts. He said:

"As most of you know, I have just come out of the private sector myself. As a banker, you can be quite sure that my eye was kept firmly on the bottom line and on shareholders' equity. But that does not mean that I did not have a heart. That does not mean that I could not tell right from wrong, and could not act on that conviction. In fact, Indian companies have some of the best records of corporate social responsibility."

The Ambassador noted that Tata Group is known for its general support for corporate social responsibility. He quoted Ratan Tata as saying: "We are not doing this for propaganda or visibility. We are doing this for the satisfaction of knowing that we have really achieved and given something to the community in which we are working. We are doing it because we really wish to do it by choice."

Beyond the fact that trafficking in children is a terrible

crime, business has many other reasons to join the fight. To mention just a few, business should be involved, because the trafficked child of today will not live to be the job applicant or customer of tomorrow. Trafficking in children also results in increased social costs and reduced market size for businesses since it generates many ills, including child labor, the spread of the HIV-AIDS epidemic, and the denial to children of their right to education. As leaders in their communities, businesses can play a leadership role in sensitizing society to the vicious crime of trafficking in children.

Businesses globally, including in India, are increasingly sensitive to the need to be socially responsible corporate citizens. There are many examples of programs in which companies have worked together with NGOs to tackle a difficult social problem. For example, a conglomerate of businesses from the U.S., Germany, the Netherlands and the UK have formed RUGMARK. RUGMARK's sponsors (producers and retailers in the West) sell and market carpets from India, Nepal and Pakistan, which are certified not to be made with child labor. Sponsors provide support for schooling and rehabilitation of child laborers (see [www.rugmark.org](http://www.rugmark.org) for details.) In West Africa, international chocolate manufacturers joined with NGOs and the International Labor Organization to eliminate child labor in cocoa farming (see [www.candyuse.org](http://www.candyuse.org).) The Global Alliance for Workers and Communities is a partnership of private, public and non-governmental organizations that supports workers in five countries (including India) in improving their communities and workplace. (see [www.theglobalalliance.org](http://www.theglobalalliance.org).)

### Specific Ways Businesses Can Help

Participants in the Calcutta anti-trafficking conference, as well as those in a similar conference organized last September by the American Chamber of Commerce in New Delhi, identified a number of areas in which companies may usefully support anti-trafficking efforts in India. According to participants, businesses can:

- Generate employment for rural women. Trafficking is in part a consequence of rural poverty, since victims (mostly from the countryside) are lured to the cities by promises of employment or sold by destitute family members. Some companies have targeted employment generation in rural areas, which can help create alternatives for potential trafficking victims and their families, as well as for rescued women seeking rehabilitation. For example, TTK Prestige Limited plans to train 2,000 rural women over a five-year period to sell its pressure cookers, mixer-grinders, gas stoves and spare parts. Hindustan Lever Ltd. employs almost 1,000 rural women in Andhra Pradesh and Karnataka to sell HLL products, and reportedly plans to expand this network considerably.
- Support programs to combat child labor. Industry

programs to provide alternatives for child laborers can also help reduce trafficking. The Case-Child Labor Consortium, formed by an association of employers two years ago in Hyderabad, has started bridge schools and upgraded the skill and educational levels of child workers weaned away from work. In October 2003, Andhra Pradesh hoteliers decided to eliminate child labor at a state-level convention on the "Strategic Role of the Hoteliers Association in Elimination of Child Labor." They agreed to send former child laborers to schools and provide the necessary support for the proper functioning of schools in their areas.

- Provide funds. Companies can provide funding support to NGOs active in anti-trafficking efforts. This can be done in many ways. For example, the Tata Group has provided funds to a trust in support of Save the Children India. Prudential-ICICI and HDFC have regularly funded Save the Children India and Jet Airways passes around a donation box for the NGO on every flight. The Taj Mahal hotel and Citibank recently sponsored "Violence Against Women" day. The Mumbai-based software company Mastek encourages employees to help sponsor a night shelter for children of trafficked women and prostitutes. The shelter enables the children to escape the brothel environment at night.
- Provide employment. Several major Indian hotels have made a decision to train and hire rescued victims of trafficking. They support training in housekeeping and hospitality skills. The anti-trafficking NGO Sanlaap in Calcutta has tied up with a coffee company which employs and trains rescued trafficking victims. Sanlaap also supplies saris to the West Bengal Handloom Department that are designed, dyed and printed by former trafficking victims. A leather manufacturer in Calcutta is training and employing former trafficking victims. Amul Dairy conglomerate (Gujarat Milk Marketing Federation) has involved rescued trafficking victims in selling Amul products in urban settings, training them in sales and management techniques. Such Amul parlors are now operating in Hyderabad, New Delhi and Calcutta. In addition to providing jobs, companies can support training, internships and job placement programs to ensure the reintegration of rehabilitated trafficking victims or to support at-risk populations. Many low-skill jobs (janitors, clerks, etc.) could be done by such individuals.
- Help governments and NGOs develop anti-trafficking modules for use in schools.
- Volunteer professional services to help NGOs. NGOs lack management skills and often cannot afford to hire staff for accounting, legal services, marketing etc. For example, Ogilvy and Mather is providing Save the Children India with marketing assistance.
- Offer "in-kind" donations (could include phones,

computers, clothes, books, writing materials etc.)

- Help NGOs design public awareness efforts and deliver anti-trafficking messages (the hospitality and transportation industries might play a particularly important role.) For example, Air France shows in-flight videos against trafficking on all its transatlantic routes. The U.S. media company Leo Barnett is assisting the Mumbai-based NGO Prerena in designing and placing anti-trafficking messages on television.

- Help NGOs secure participation of prominent personalities in film, sports, business, etc. to be part of awareness campaign and to include anti-trafficking messages in TV and film programming.

- Support gender sensitization training and local awareness campaigns, including in their work force.

- Help fund an award program for officials who successfully identify and work to convict traffickers.

- Promote volunteerism within the company by encouraging employees to donate their time and business skills to a chosen NGO partner.

## Conclusion

Every day in Mumbai, Calcutta, Chennai, Delhi and elsewhere in India, tens of thousands of women and girls wake up to a reality of rape and modern day slavery. Like their sisters in the US, Europe, Africa and elsewhere, they have little hope of escaping. The US Government every year documents this global problem, country by country, in an annual Trafficking in Persons Report. This report and other information about trafficking can be located at [www.state.gov/g/tip/](http://www.state.gov/g/tip/). Preventing trafficking in persons is one of the US Government's top global priorities. Trafficking is a compelling problem crying out for more attention. It is not an easy issue for governments or NGOs to tackle. It is not an issue in which many businesses have actively engaged. Nonetheless, some companies and business chambers are already supporting anti-trafficking efforts in India, and others are exploring possible involvement. There are many ways, big and small, in which the corporate sector can play an important role in combating trafficking in persons. For companies interested in pursuing possible involvement in combating trafficking in India, one option is to contact Poonam Smith-Sreen, Senior Anti-Trafficking Advisor, South Asia Regional Initiative on Equity for Women and Children (SARI/Q), United States Agency for International Development (USAID), New Delhi, tel: 91-11-2419-8519, e-mail: [psmith-sreen@usaid.gov](mailto:psmith-sreen@usaid.gov). Poonam Smith-Sreen can assist in connecting interested companies with NGOs or providing them with advice about possible NGO or project partners dealing with trafficking in persons issues.

*Mr. Scott B. Ticknor is Consul, Political-Economic, affairs attached to the American Consulate General, in Mumbai.*

## INDIA AS WORLD'S IT LAB

**India has become the preferred destination for call centers and now she is becoming the IT lab of the world. With a number of MNCs opening their R&D centers here, time won't be far when we will see many big players converging on this one common playground. An analysis by Rojita Padhy.**

The first MNC to start operations in India was Texas Instruments (India) and it has the largest number of US patents (225) among all the companies operating in the country. And it was the first to deliver the world's first single-chip solution for high-speed modems. In many ways, the IT revolution that is happening today in India was started by TI India 17 years ago. And, after 17 years, there are companies like Google, IBM, Nokia and Intel who are looking for opening R&D centers in India.

What could be the reason for these favorable conditions in India? Why are the big players taking so much of interest in India? A few observations and reasons could be:

India is emerging as the most preferred destination driving the growth wave, and big players like China, Israel, Ireland, Singapore, Malaysia and Russia have become old stories now.

The main cause is the lower cost of a technical workforce in India. With one-fourth cost to company price, India offers ample supply of good, technical people. This is world-class technical manpower. As stated by a well-known person in this field, India's emergence as a global R&D hub has a social, economic, political and strategic significance. The world's largest search engine, Google, is about to open an R&D center in Bangalore following in the footsteps of the leading web portal Yahoo, who is also carrying out R&D work in Bangalore. Joining the bandwagon are companies like the US-based chipmaker **Intersil** setting up a design center in Bangalore. **IBM's** research lab in Delhi will tap the Indian scientific talent, one of the eight such labs in the world. It has 70 researchers in India. **Sun Microsystems** has an R&D center in Bangalore. **Intel** conducts 15-25 per cent of its R&D outside the US. Its worldwide R&D head count is more than 5,000, with about 900 in Bangalore, where it expects to add 1,100 employees by the end of next year. There are more to follow. **Hewlett-Packard, Oracle, Network Appliances, Advanced Micro Devices (AMD) and many more.** They are all coming to India for research and development work. Thus India is fast emerging as the world's IT lab.

However, India has to achieve skills in certain areas, which are still not up to the mark. These include the technological revolutions that will result in higher output -- like the Green Revolution in late sixties and early seventies and absence of proper institutional reforms in research laboratories. India also has to take care of restricting excessive brain drain. And the last one could be a revolution in connectivity to bridge the digital divide. All this will make India definitely an IT lab before 2025, experts predict.





## MULFORD: *I am for* 'COMPREHENSIVE RELATIONSHIP'

*The American Ambassador, Mr. David Mulford, says that Indo-US relations have entered a "new frontier of opportunity" and that "what has been declared to be a strategic partnership must now become a comprehensive relationship." He said this in a speech he delivered at a lunch hosted in his honor by the Federation of Indian Industries and the American Chamber of Commerce. Excerpts from the speech:*

I am deeply honored to be in India to talk about deepening the relationship between our countries and the importance of trade and investment to India's long-term prosperity and its position as an emerging world power.

First, the U.S.-India relationship. In the past two years we have witnessed the beginning of a transformation, which, if sustained, will open opportunities for the United States and India that would have been unimaginable a few years ago. We have taken important steps forward to bridge previous mistrust and lay the foundation for a crucial partnership for the 21st century. Today, many areas of bilateral cooperation are expanding very quickly.

Economics notwithstanding, our developing relationship has a multiplicity of themes whose roots lie in our common values and interests as democratic societies. As the strategic partnership - the so-called Next Steps initiative - matures into a comprehensive alliance, we will be open to significant new commercial opportunities for both India and the United States on the cutting edge of technologies for military use, civilian nuclear use, and space exploration. Add to this, the already rich tapestry of cooperative bilateral programs: Health care, fighting dread diseases, educational exchanges, agricultural programs and military training, exercises and exchanges.

The 21st century looks bright for India. Prospects for sustained growth are good, especially since India has advanced economic growth and development to the top of its list of priorities. India has the world's largest middle class, growing at an impressive rate, and showing all the signs of restless ambition and increasing confidence on many fronts. Your scientific and information technology resources are impressive.

### Moving Ahead

So the process of transformation between our two nations is well advanced. However, the unusual history of U.S.-India relations -- years of differences and mistrust - has left

us in this early phase with what I would call a **new frontier of opportunity**. There is an imbalance in our relations in that the government-to-government element currently outweighs that of our respective private sectors. This is about to change, hence the new frontier of opportunity. We now have a free-standing nation-to-nation relationship that is limited only by what we do not do together. What has been declared to be a strategic partnership must now become a comprehensive relationship.

Modern history tells us that great national partnerships and alliances thrive when all elements of government, corporate and civil society are engaged. And more often than not, dare I say it, the private sector runs well ahead of the public sector. This is where we are now and the race is just beginning.

### Strategic engagement for growth

I would like to suggest a few areas for special attention. We all know that in many ways governments set the broad framework for private action. What are the key strategic initiatives for the U.S. and India that will generate maximum benefits for our respective economies? My suggestions are aimed at both countries. Their objective is to help India achieve significant levels of sustained growth and the United States to build economic and financial relations that support U.S. growth, trade, investment, and employment.

India needs to make infrastructure development a top priority. Many people say it is, but in fact it isn't. Priority means just that - the way that fighting and winning a war is a priority for survival. Unless infrastructure development - power, roads, water management, telecommunications, harbors, airports, airlines - becomes a reality, India's objective of sustaining 8-10% growth will prove to be unrealistic.

Because India is a democracy, those that fail in this challenge will be held accountable and punished. All of

you know the opportunities that lie out in India's markets, but only additional investment in infrastructure will unlock many of them.

My other suggestions will all help to make this priority and all that would flow from it a reality:

India should remove equity limits on **foreign investment** -- not to please the U.S., though undoubtedly it would -- but to help itself to grow, to reduce poverty and to accelerate India's emergence as a world power. Indeed, without foreign capital investment -- both equity and debt -- India's growth will lag and its infrastructure priority will remain unfulfilled.

Further development of **financial markets** will be a critical part of expanding trade and investment between our countries. Recent institutional innovations in India's equity markets, such as nationwide trading, paperless settlement, and the elimination of counter-party risk are impressive. These positive steps have resulted in a reduction of costs and an increase in both volume and liquidity.

India's **stock exchanges** have modernized and can now serve to further expand competitive financial markets. Commodities markets are also undergoing reform; the state of the art NCDEX exchange -- fully equipped with American IT technology, I might add -- is a good beginning for this rapidly developing market. As a result, an important part of India's capital flows are already coming from U.S. investors. But are these short-term flows or long-term? It makes a big difference.

In the **banking sector**, while there has been some liberalization of interest rates, greater competition for capital and strengthened prudential guidelines are needed. Some private commercial banks are making inroads in India's new markets and we've seen modest improvement in the performance of Indian banks, but there continues to be the deadening influence of a large overhang of non-performing debts in publicly held banks and an inadequate legal framework for recovering bad debts. Dealing with these issues and implementing additional sound regulations could promote not only a stronger and more flexible banking sector, but can also help open the way for the development of India's long-term capital market.

India urgently needs **rapid expansion of its markets** for long-term debt, commodity futures, and derivatives. It also needs a project financing culture, which is encouraged to engineer complex, project-specific finance, which knows how to do it and is paid for its expertise. Large-scale and efficient capital markets, from the short-term out to 30 years, are an absolute necessity for India's economic development and sustained prosperity.

Another key area lies before you at this moment: the creation of a **national pension system** and streamlined regulation of the **insurance industry**. Certainly security must be provided to current players and future generations, but both these groups will be better served by market-based pension and insurance industries that also serve India's investment needs for long-term capital. If outdated "state planning" thinking dominates this creative process and these valuable resources are held captive for special groups or governments that want a private preserve for financing their own structural deficits, then India's economic development will be the victim. India has savings today. My advice is to let them be mobilized by markets to achieve India's three great objectives - growth, reduction of poverty, and emergence as a global power.

Item four is **trade**. While India is gradually opening up its markets, many tariff and non-tariff barriers remain. Again, India's prosperity lies in trading more with the world, not less. I applaud what India has done so far to lower tariffs and taxes. I hope the next generation of reforms will offer more progress, both on tariffs and on the non-tariff barriers that are so frustrating and time consuming for economic agents to navigate, negotiate and resolve.

Likewise, there has been improvement in the protection of intellectual property rights in India, but there is still much work to do to strengthen India's IPR laws and enforcement. Many economic agents in India today, who are becoming world-class players in their own right, would themselves benefit from implementing full product patent protection and a data protection regime. We have a common interest here that will grow with time. Let's cooperate to get a regime in place that helps both of us.

In the U.S. we want to work with Indian partners to help channel resources to medium-sized and micro enterprises -- and to infrastructure and agricultural projects that contribute to growth and development in years ahead. Small- and medium-sized enterprises (SMEs) in the U.S. and India are an important segment because they create the most new jobs and offer great potential for new trade and investment.

The U.S. Foreign Commercial Service in India is working hard to energize American firms, the vast majority of which are SMEs. We want them to be aware of increasing business opportunities in India. Our commercial service is located in seven cities throughout India and is well positioned to assist Indian firms in sourcing, not outsourcing, the highest quality products and services from the U.S. I am told there are some 3 million SMEs in India and that 95% of India's industrial units are small. These small manufacturers account for 49% of India's manufacturing output and 80% of manufacturing employment. There is real potential to build new partnerships in this area.

### Economic development

Despite growth in exports in 2003, India is losing ground in the global marketplace. India no longer figures in the top 30 exporting countries, having been replaced by the United Arab Emirates with \$58 billion in exports. As the 12th largest economy in the world, India accounts for less than 1 percent of global trade. Despite continuing tax and tariff reform, and an apparent willingness to open up in the long term, the Indian economy remains one of the most protected in the world, according to the World Bank. In 2003, the average duty rate in India was 29 percent. While reduced again in the mini-budget announcement, India's tariffs remain among the world's highest. This points to the need for stronger and more open global trade partnerships.

The progress made on SAFTA in Islamabad last January was encouraging and could lead to significant economic benefits for South Asia.

We believe that the Doha Development Agenda is an important vehicle to propel this process forward. It marks a turning point in our approach to global development by clearly stating that trade liberalization is the starting point for greater development, growth, and opportunity around the world. Eliminating all tariffs would add \$830 billion to world income, according to the World Bank, with \$500 billion of this benefit going to developing countries.

Separately, foreign direct investment has been a major catalyst of trade and a key determinant of trade patterns, not an alternative to trade. In the late 80's and throughout the 90's, global foreign direct investment grew at an average rate of 30 percent per year, four times the growth of world output and three times the growth rate of trade. FDI has become a major determinant of trade patterns, with a large portion of trade taking place among subsidiaries of the same firm. Prime examples are India's booming IT and pharmaceutical sectors, where Indian and American investment in both directions are now powerful catalysts of two-way trade.

In support of the evidence that trade and investment are closely linked, a recent World Bank study shows that globalizing developing countries that opened themselves to competition have enjoyed per capita income growth of more than 5 percent a year on average in recent years; while non-globalizing countries saw little or no growth. It is also clear that economic, social, and environmental development go hand in hand. Those countries investing in human capital such as education and health, modern infrastructure, efficient energy markets, and effective governance will attract the bulk of new investment.

### Adjusting to change

My comments today are based on the real world and what it offers to nations that embrace its dynamic. While the global economy continues to undergo significant change, we must recognize that change can create insecurity.

Governments must respond to this, and a key is supportive forward-looking policies to promote competition and innovation while also investing in programs to train and educate workers in new skills.

Harvard economist Joseph Schumpeter has called the process by which an economy grows and changes "creative destruction". Building a global corporate culture implies a willingness to take risks, break free of protectionist thinking, adopt new technologies, and move away from dynastic management of companies.

We believe the marketplace best guides this adjustment. Today's dynamic, global, highly competitive economy demands greater flexibility in the workplace and institutional adaptation.

### Global interdependence

We are living through a period of daunting challenges in the global economy. We should recognize that the growth of this economy has brought about an unprecedented degree of interdependence. This means all nations have a greater stake in each other's economic success. It means we all have a greater responsibility to pursue sound economic and corporate policies that promote sustainable growth and stability.

We also share a responsibility to lead the way in directing the forces of globalization. Those forces have enormous potential for good. They have increased efficiency, boosted productivity, created new employment opportunities, and kept inflation at record low levels.

We can and must direct globalization to our mutual advantage by encouraging governments and corporate boards to take responsibility for encouraging life-long learning and helping their citizens and employees adapt to and respond to change.

### A future of great potential

As we look to the future, I am an optimist. I believe that close and collaborative relations between America and India will flourish. But both of us must make continuous efforts to make this happen. We can do this by building on our government-to-government relations, but they will only be carried forward if we engage the full range of strength in our two nations. Democratic governments do not direct their people whom to interact with. Instead they create the conditions that empower business and individuals to seize the initiative.

What has been declared to be a strategic partnership must now become a comprehensive relationship. There is enormous potential for such a transformation. And this, ladies and gentlemen, is where you come in - first as private sector practitioners and second as a force for structural reform and open markets.

Thank you.



# IT & BPO WORK Can be Done More COST-EFFECTIVELY in This Country: *Warren McFarlan*



*Professor F. Warren McFarlan, Senior Associate Dean, Director of Asia Pacific, Albert H. Gordon Professor of Business Administration, was in Mumbai a few weeks ago in connection with a lecture sponsored by Nihilent Technologies. He took time off to speak to Satya Swaroop and G. Biju Krishnan about the mission of Harvard Business School, its activities, its criteria of selecting the students, and some other related issues. Excerpts:*

## **About Harvard Business School:**

In 1908, the mission of the Harvard Business School was defined by Dean Edwin Gay as being to train people to make **a decent profit decently**.

Management and leadership serve society in very important ways. The **"Fortune 500"** companies have not created as many new jobs as the new entrepreneurs have done in the last 30 years. Given the huge growth that comes from the entrepreneurs and innovations, we want to target the leaders and entrepreneurs to do what we can be proud of.

Harvard's curriculum focuses on the themes of technology, globalization, entrepreneurship and ethics. We live in a technology-driven world and what good management practices require is **change**. We live in a global world, where at every step you must think global. We live in a world where entrepreneurship is absolutely critical to job formation, and finally we accord the highest priority to ethics and values.

We have just put in place a required course on ethics and values that is as long as marketing. It has been well received. It starts with the legal framework, so that people can understand what the various laws are, and how organisations are operating to comply with this. It then covers a series of cases on management control, so that the student understands how incentive systems are architected and how they can put people under

"unbearable pressures". Finally, it focuses on a complex series of cases in which people's values are challenged.

**There has been a lot of hue and cry over outsourcing in the US, particularly on the government side. What is your opinion?**

This hue and cry you hear will be there only till November. Outsourcing has been going on for more than 50 years. Much of the textile industries, telecommunication, steel and other industries faced with high domestic internal costs have been outsourcing manufacturing to Asia for decades. For example, at Lucent Technology, the company has shifted their factories to China to take advantage of the low-cost structure which has allowed them to survive as a manufacturer. In short, blue-collar manufacturing outsourcing has been going on for a long time. But the current outsourcing trend is now hitting knowledge and white-collar work. Traditionally, people thought these jobs would be spared of international competition, so it has come as a huge shock to them to find they are vulnerable. Portions of IT and business processing can be done more cost effectively in India. We can do a lot in terms of training, education, in the USA to prepare displaced workers for new industries. John Kerry has some very interesting suggestions. Unfortunately, one of them is imposition of heavy tariffs. We tried that in 1933. The result was to slam the entire globe into depression that lasted until World War II.

## **China is very happy about what is happening on the manufacturing front...**

Yes. I gave a speech a year and a half ago before 1000 people in Cleveland. Afterwards, I spent 50 minutes with some high school students and it was clear that my speech had a profound impact on them. They had not focused that there was a whole group of people from Singapore and Shanghai working real hard to beat them. My point to them was life is competitive and they would have to work as hard and creatively as their fathers did, if they wanted to maintain their standard of living.

## **What are your views on outsourcing? What are the emerging sectors, keeping India in mind?**

It is a huge opportunity, but it has limitations. We have about 1200 people doing work in India (in a credit card company where I am a non-executive director). They follow up mass mailings very effectively. Additionally, when somebody's bill payment is overdue, the first phone call they get is from India. The second call, (once someone has not lived up to the promise of the first call), however, has to come from the United States because it is not in the Indian psyche to say the necessary hard tough things with the right linguistic cultural stress to get an American deadbeat to pay up. Secondly, in the long-term, India must develop high value-added services and learn to sell them because the low-cost advantage won't last forever.

## **When you say India and China, where do we have an edge and where do we need to improve?**

India has a couple of edges. The first one is the knowledge of English; and a very good technical education in English. You also work very hard. My daughter, who works for Gillette, is 30 and she has been rolling out a software product around the world. She was stunned when she spent four days in Delhi two months ago to find the office filled at 9:00pm on a Friday. Good English and really hard work.

## **How does Harvard stand out among the highly accredited universities?**

Harvard Business School is by far the closest to industry among all the business schools. A significant number of faculties come from business. You will also find a lot of faculty members sitting on boards of major companies. You do not find that in other business schools. We invented in the '30s, the case method of instruction that has turned out to be a very powerful teaching tool. It puts a lot of pressure on the faculty. Running a case discussion is far more difficult than giving a lecture, because the case study requires enormous adaptability to the classroom situation, as well as understanding of business. To develop the cases, the faculty must go to the field. In the field they are invariably exposed to new and interesting problems,

which they have not thought about. For example, the last case I wrote was Cathay Pacific. Cathay Pacific moved their IT activities from Hong Kong to Sydney in 1995. In 1997 they outsourced it to IBM. Where is IBM's fast growth area around the world today? China! The question I pose to the students is what are the implications of helping IBM to move the contract from Sydney to Shenzhen or to Shanghai? I had never thought of those issues.

## **Harvard has churned out some of the best students till date. Could you name some of them who have shone in their respective fields.**

Rajat Gupta, Chairman of McKenzie, Mahindra and Mahindra chairman Anand Mahindra of course. Ratan Tata was there as a student in our Advanced Management Program. We have large Advanced Management Programs (9 weeks) for executives. The Indian enrolment has been there in large numbers over the past decade and indeed, we have been averaging 12 Indian students per session in our Advanced Management Program. We now have 46 Indian students for the future. We now have 46 Indian students in our two-year MBA program. This has been accelerated when several years ago, we changed our financial aid policies. This change enabled the school to attract a much broader level of highly capable people. Most of them eventually return home to grow in their careers.

## **What is the quality of the Indian students and professionals as compared to those from other developing countries?**

Very good. We look for students who are going to be leaders. People who show the ability to make things happen. We have many good applications from India.

## **What is your opinion about the Indian business education system?**

It is quite remote from business life. Most of the management schools -- even the institute we started from Ahmedabad needs to be closer to practical business issues.

## **How do we improve it?**

The formula for HBS is quite simple. First, look for outstanding people who can teach well. You will not be promoted at Harvard if you are not a good teacher. Teaching, however, is a necessary but not a sufficient condition. We expect world-class research. In our promotion process, we look very hard for people who are creative researchers and great teachers. When we look at a faculty member for promotion to tenure after a decade, it is a very intensive and thoughtful process. For example, letters are solicited from over 20 people; a four-person committee prepares a report that is 40 pages long; this is read by the entire tenured faculty. Two hours are then spent by the tenured faculty discussing it, before a recommendation is made to promote the candidate.

## A TOP INDIAN IT CORPORATE CITIZEN TELLS HOUSE OF COMMONS ... **Don't say 'NO' to OUTSOURCING**



Prabhu Sinha

**F**or the first time, a top Indian IT corporate citizen has had the rare privilege of addressing the Parliamentary Information Technology Committee (PITCOM) of the House of Commons and receive accolades from that august body. The speech, delivered recently, was on "Business Offshore Policies", and the speaker was Prabhu Sinha, Sr. Vice President and Global Head (Quality Consulting), Satyam Computer Services.

Prabhu Sinha dispelled the fears of the MPs that outsourcing - the buzzword these days on both sides of the Atlantic and in South and South East Asia-- will take away jobs from the UK market, and thus fuel unemployment. He said, "Since the benefits of outsourcing are so powerful, it has probably been one of the few business strategies that have successfully stood the test of time. In a sense, outsourcing is as inevitable as water finding its own level."

He said a significant fact that highlights the economic benefits of offshoring, in addition to helping overcome the labour shortfall in the UK, is that for every GBP 100 of work offshored, up to GBP 141 is reinvested directly in the UK economy. "Therefore, this results in some very positive indicators," he added.

Prabhu Sinha shared with the British MPs an interesting piece of information that except the UK, the other European countries had not been as open to the concept of outsourcing - owing to varied reasons. Labour inflexibility, the lack of English as a common language, cultural barriers, and immigration laws and finally the fragmentation of economies have all built walls - literally - as well as in the mind. And he disclosed that "a comparative analysis shows that development in economies closed to outsourcing has obviously been slower."

He saw three distinct "waves" of outsourcing: (1) Outsourced manufacturing, (2) IT outsourcing and (3) Business Process Outsourcing. Outsourced manufacturing has been in existence for several centuries. The second wave was the invasion of IT that spawned the birth of the giants the IBMs, Intels, HPs and Microsofts.

He said, "Since IT called for specialized skills, and the business need to leverage IT was galloping, many organisations found it convenient to outsource to specialist software development organizations giving birth to the IT outsourcing industry."

The third wave of outsourcing, he said, is Business Process Outsourcing. This a direct result of rapid advances in the use of IT in businesses and the phenomenal increase in the global telecommunication bandwidth. While some BPO services are mature (payroll and call centres), most BPO services are still emerging and are estimated to have tremendous potential.

Prabhu Sinha's cogent argument in favour of outsourcing to the Indian subcontinent and his lucid elucidation of some of the naughty problems underlying it are reported to have impressed the British Parliamentarians, who evinced a keen interest in India's rapid transformation into a BPO hub.

Members of Parliament, Peers from the House of Lords, industry professionals and media attended the meeting. This opportunity was arranged by **Mrs Margaret Ross**, a senior official of British Computer Society, UK

PITCOM is an "Associate Parliamentary Group" of the British Parliament, formed in 1981. It exists to foster a clearer understanding by Parliamentarians of the significant public policy issues, which arise from continued advance in the development and application of computing and telecommunications technologies. Parliamentary membership currently is 140.

Corporate membership exceeds 120, including major suppliers and advanced users in the computing and telecommunications sectors. There are also over 100 Individual and Associate members by invitation of the Council.

**The following is the text of Prabhu Sinha's speech:**

Good evening, distinguished members of the parliament, ladies and gentlemen. It is indeed an honour to be here



amongst you today- and to have the opportunity to share my views on Business Outsourcing, a strategy, that is now having an increasing impact on the economies of developed as well as developing nations. At the outset, let me introduce myself. I am the Global head of the Quality Consulting Business unit of Satyam Computer Services, one of India's largest global IT Service providers. I have had the opportunities of having significant association with several top corporations of UK, US and other developed nations and therefore, have been exposed to varied scenarios and strategic implications of Outsourcing and its influence on the Business. The views expressed here do not necessarily reflect the views of Satyam Computer Services.

Let me begin with a little story from the prehistoric times. There lived two cavemen (Let's call them Alpha and Beta) - one by the river and one in the forest. Alpha - of the river - was an expert fisherman - seasoned by years of experience. He could tell what fish would bite by just looking at the river and how many he would catch by looking at the sky. On the other hand Beta - of the forest - was an expert hunter and fruit picker. He could distinguish between the poisonous fruits from the nutritious ones - and knew how to trap an animal with lightning speed. One day, Beta fell sick. The witch doctor remedied that he would need to eat fish in order to recover from his illness. Beta tried unsuccessfully for a while - but realized that he really could not catch as many fish as he needed to recover. Coincidentally - Alpha fell sick too as a result of too much mercury in his blood from eating too much fish. He tried hunting for animals - and plucking fruit - but he too was not very successful.

That's the abrupt ending of the anecdote. As citizens in today's Technology world - I am sure we could identify the ideal solution to Alpha and Beta's problem. In fact, it is from time immemorial that this concept has stemmed as a result of need. Outsourcing, in a nutshell, is not new. It is just another manifestation of trading, especially for an increasingly "Service" dominated economy. So what are these needs that are satisfied by Outsourcing? What is it that it really enables us to do? The primary advantage is obvious-- the ability to focus on what one does best i.e. one's competitive advantage. This would enable one to derive cost and quality advantages from the activities that are outsourced to those who do those activities best. After all, Beta couldn't fish like Alpha - and Alpha couldn't hunt like Beta. Since the benefits of outsourcing are so powerful, it has probably been one of the few business strategies that have successfully stood the test of time. In a sense, outsourcing is as inevitable as water finding its own level.

If outsourcing has this kind of fundamental value

proposition, then why it is being brought into focus recently in several forums, by lawmakers, industry associations and by citizens, particularly in developed economies? Let us analyse outsourcing from an historical perspective. We can see three distinct waves. These are outsourced manufacturing, IT outsourcing and Business Process Outsourcing. Outsourced manufacturing has been in existence for several centuries now - through times of colonization, the Industrial revolution followed by the IT boom.

The second wave needs no introduction. The invasion of IT, which, in a way, has actually taken complete control of our lives - marked the beginning of several new industries. Software development and hardware manufacturing saw the birth of the giants of today's market - thus were born the IBMs, Intels, HPs and Microsofts. Since IT called for specialized skills, and the business need to leverage IT was galloping, many organizations found it convenient to outsource to specialist software development organizations giving birth to the IT outsourcing industry. The third wave of outsourcing is Business Process Outsourcing. This is a direct result of rapid advances in the use of IT in businesses and the phenomenal increase in the global telecommunication bandwidth in the past decade or so. While some BPO services are mature, e.g. payroll and call centres, most BPO services are still emerging and are estimated to have tremendous potential.

The concerns being raised at different levels with respect to the concept of outsourcing; call for some study into the root causes of the concerns - and the realities of the global economy. Trends in several influencing factors need to be understood in order to develop a balanced perspective on this subject of immense importance to all economies.

A look at the geopolitical trends shows the emergence of free markets, democratic governance and global integration. Today we look at a situation where over three billion new consumers have entered the economy - where only the best organisations will survive. Following the trends set by the advanced countries of the world, the rest of the world is actively investing in their own innovation, infrastructure and people. This should be self-explanatory -- in 1970 the United States had a share of 70% of worldwide investment in R&D, but by 2000 the share had gone down to 44% . By the year 2000, the number of engineering graduates touched 250,000 as compared to 650,000 in Asia Pacific.

A look at the Technological trends shows that between 1990 and 2001 volumes in IT were up by 2022% and costs down by 83%!

The 2003 Gartner BPO Market Forecast estimates the global IT enabled markets to grow from the current US\$

250,000 million (approx) in 2003 to US\$350,000 million by 2007. In the US alone, more than 21 million new jobs would be created by 2012 - and an estimated 3.3 million service sector jobs would be outsourced by 2015. The reasons that cause the creation of these job opportunities in countries that are the "Outsourcers" include higher productivity, access to talent, customer proximity, market access, superior infrastructure, a trend towards innovation as well as high levels of entrepreneurship. At the same time, lower costs, financial incentives, 24 x 7 operations as well as commoditised products tempt these economies to offshore work to developing economies.

Let us examine outsourcing as a concept at two different levels - at the enterprise level as well as at the economy level.

At the enterprise level, the advantages of outsourcing are multifold. The organization is free to focus on its core business with lower overheads allowing redeployment of capital- The basic cost advantage

Excellent services received at prices that are much lower. Operations are available 24 x 7 - i.e., round the clock.

**The reach increases to new customers and forges new relationships and business opportunities.**

By leveraging global talent pool, organisations are stronger--and more competitive with reduced liabilities and increased support.

These advantages are exemplified by some of UK's best corporations:

British Airways, one of the leading airlines in Europe and one of the biggest in the world, was amongst the first companies to implement offshoring to enhance its competitiveness by cutting on operational costs. Standard Chartered saved 50% in salary costs by locating facilities to India.

HSBC's customer support services, bill processing, accounting, mortgage processing (over 20% of the processing work) are being channeled from operations in India. The total cost saving to HSBC by offshoring is estimated at around 75%.

However, there are several concerns voiced at the enterprise level, which have actually raised questions in developed countries that outsource their work.

Concern has been raised over the privacy and security of information that would flow between two geographical locations.

The perception of loss of control over one's own service has stemmed apprehensions regarding the ultimate quality of customer service rendered.

Managing people across shores and communicating requirements is a challenge.

Cultural difference between two geographies and its impact on customer service.

One major apprehension being the "safety" of one's job -- Could rapid outsourcing guarantee availability of employment to local people?

At the economic level again, there have been indicators -- some positive and some loaded with apprehension. A significant fact that highlights the economic benefits of offshoring, in addition to helping overcome the labour shortfall in the UK is that for every GBP 100 of work offshored, up to GBP 141 is reinvested directly in the UK economy. Therefore, this results in some very positive indicators, which include:

The buying power of the economy increases significantly as a result of outsourcing. The standard of living shows improvements as a result of more buying power.

The economy now gets access to the best talent across the globe. There is evidence of slower inflation as a result of outsourcing - and better growth in GDP.

Provides opportunities for development of new markets for UK firms. It is fascinating to note how the simple benefits related with lowering costs by offshoring can snowball into much significant benefits for the two nations involved in such transactions. It is a fact that the jobs created at the offshoring location leads to an increase in the disposable income of the workers there. Consequently, these locations are likely to become attractive markets for UK firms. India and the Philippines are living testimony of this macro-economic phenomenon. Marks and Spencer entered the Indian Market in December 2001, with the aim of targeting the burgeoning Indian middle class - and it has made a distinct mark in the Indian retail Industry.

Let me share with you an interesting observation, which shows that apart from the UK, the remaining Europe has not been as open to the concept of put sourcing - as a result of varied reasons. Labour inflexibility, the lack of English as a common language, cultural barriers, and immigration laws and finally the fragmentation of economies have all built walls - literally - as well as in the mind. A comparative analysis shows that development in economies closed to outsourcing has obviously been slower. A fact to ponder upon is the consequence of shortfall in supply of labour as a result of labour inflexibility. To put things in perspective, let us imagine a situation where the UK does not take steps to fulfil labour requirements during the period 2003 to 2010. A shortfall in domestic labour supply can lead to a decrease in the GDP rate from the projected 2.49% to 2.08% - in GBP terms, this

translates into a cumulative loss in output of GBP 113 billion during 2003-2010.

But the situation with Britain has been different from the outset. The relationship between Britain and countries such as India, dates back to times, when IT had not even taken birth. The cultural, economic as well as human influences of countries such as Britain and India exhibit huge impact on each other - and a continued relationship into this day and age is nothing surprising. A walk down Southhall would more than justify what I say - I really would not notice that I am actually not in New Delhi- save for the counterfoil of the ticket in my bag to prove that I have travelled this far. My personal involvement in projects outsourced across our nations stand to more than prove that outsourcing is the order of the day and the mandate of the future. The most successful economies in the world stand to prove it.

India has become synonymous with words such as offshoring and outsourcing. The vast pool of skilled manpower proficient in English, the superior levels of infrastructure combined with advanced technological set-ups, phenomenal progress in telephony and communication - have all added impetus to the outsourcing industry in India.

There have been questions raised with regard to the justification of India as a preferred market for outsourcing, questions raised on parameters that include disaster recovery, physical and cyber security, communication links, employee skill profiles topped with questions on loss of control on the actual quality of output.

Having come from India, a small set of facts that I would like to share with you could put the matter in right perspective on the "Quality" of India as a preferred country to outsource to.

Seventy-five per cent world's CMM Level-5 Software centers are in India. Out of 80 software centres on the planet that are certified at CMM Level 5, 60 are in India. Starting with the world's first People CMM Level-5 organization, and now graduating to all five of the world's PCMM Level 5 organizations, India has large IT corporations that have complete focus on the quality of their manpower. India has also achieved similar performance in the category of world's CMMI assessed organizations. India has the largest number of COPC - certified contact centres outside the US and Canada - in under three years of its launch. These are apart from the 200 plus software and BPO organizations that are ISO certified. The competence and qualification levels of the average senior management has given rise to more and more efforts towards quality consciousness - and now waves of six Sigma initiatives are sweeping across

the country.

We can safely conclude that apprehensions regarding quality of manpower and output may be set at rest with regard to India as a country to outsource to. The essence of a successful outsourcing strategy is RIGHT sourcing - an optimum mix of onsite, offsite as well as offshore sourcing. The ideal mix would take into consideration all risks, optimize profitability as well as ensure a comfortable level of control on one's business activities. This model has been tested and proved over a period of time and forms the foundation of many successful business today.

I am reminded of an excellent book titled "Seven Habits of Highly Successful People". The author, Stephen Covey, has anchored a very powerful concept of how a human being matures oneself from being dependent to becoming independent and finally drawing synergies from other independent persons by understanding the powerful value of being interdependent. In my mind this concept as much applies to organizations and economies. I should say that it is a sign of a matured organization (and matured economy) who decides in favour of outsourcing as one of its key business strategy.

Ladies and gentlemen - Honourable Members of Parliament, we stand on the threshold of a global economy - where success has been demonstrated in the largest corporations and the largest economies based on the concept of outsourcing. We would never come to know if Alpha the fisherman and Beta the Jungle boy did get better - but some others did trade and, therefore, survived and thrived. They have made the world, what it is today.

I would like to sincerely thank you for this excellent opportunity to share my thoughts with you - and for being such wonderful listeners. I wish you a very good evening and look forward to exchanging ideas during the Q & A session at the end. Thank you.

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**Prabhu Sinha**, Sr. Vice President, Global Head- Quality Solutions, Satyam Computer Services, 4th floor Lakeshore Tower, Rajbhavan Road, Hyderabad, 500 082 India.  
prabhuu\_sinha@satyam.com prabhuu\_s@yahoo.com  
+91 40 2330 3070 (Office)





# GOOS 2004

## Indian third party BPO vendors come of age

The Indo American Chamber of Commerce (IACC) hosted the Version 2.0 “Global Offshore Outsourcing Summit (GOOS) 2004” in Mumbai on April 21 and 22, following the highly successful “GOOS 2003 Summit” which it held last year. The summit saw prominent international and Indian speakers addressing several critical issues facing the global offshore outsourcing.

The highlight of the conference was also the unveiling of the IACC and Ernst & Young report on the Indian third-party BPO vendors. The survey on third party BPO vendors was conducted with varying size of operations and headquartered at Tier-1 locations across the country.

Commenting on the GOOS Summit, Mr. Farokh Balsara, Regional President, IACC-West India Council and partner, Ernst & Young, said, “Through this summit, we at the Indo-American Chamber of Commerce want to project India not just as a significantly low-cost outsourcing option for US companies, but also as a destination with reliable infrastructure and best-in-class quality of service.”

“We want to make US corporations feel more and more comfortable about outsourcing their operations to India and begin to outsource more complex processes to India,” he added.

Mr. Gopal Jain, Regional Vice President, IACC-WIC, Conference Chairman for GOOS and partner, View Group, said, “This year's conference will dig deeper to discuss the next generation of challenges and opportunities facing the outsourcing industry in India. Some of the frontline issues being discussed at the conference include globally distributed delivery models, managing backlash, emerging BOT options, managing cross cultural gaps, CXO level recruiting challenges, labor issues, prevention of recruiting frauds and current legal challenges. At the same time, the conference will discuss emerging areas and opportunities in healthcare, business analytics, content development, and F & A. We also have an exclusive session on outsourcing opportunities in manufacturing and engineering design. The session will end with a CEO roundtable meant to discuss and suggest strategies for strengthening brand India.”

### KEY FINDINGS OF THE REPORT

The IACC and Ernst & Young report says that the Indian third party vendors, especially the large ones, have developed significant capabilities in line with customer requirements. The large vendors are focusing on building their process expertise and graduating to more value-added services, such as multi-lingual voice support and higher-end transaction and knowledge services. The impressive “Fortune 500” clientele, given their few years of business experience, is testimony to their ability to service large global corporations. The large Indian third-party vendors have gained significant expertise, sophistication and experience in servicing large global corporations over the past few years.

To companies considering outsourcing to India, they present a viable option that merits serious consideration. Some of the key statistics from the report include:

- 85% of vendors have developed capabilities in high-end services.
- 13% of vendors are already supporting foreign languages.
- Over 30% of the vendors already service Fortune 500 customers.
- On an average vendors had employee strength of 1700 with the large vendors having an average size of 4200 employees.
- 90% of vendors have BCP in place.
- 78% of vendors have service facilities in more than one city.
- 35% operate from tier-II cities as well.
- 26% of vendors have facilities in overseas locations.
- 83% of the vendors invest in obtaining quality certifications.

The Summit had 35 international and Indian speakers participating from the outsourcing world. The tracks spread over two days were:

- The emerging global outsourcing landscape

- Making the match: The BPO decision
- The India BPO Roadmap
- Outsourcing works: Here's how it's done
- Weighing the rewards of offshoring
- Tapping high potential sectors
- The value chain upward journey
- The macro picture: Poised for exponential growth
- Building brand India: CEO Roundtable

#### EMINENT SPEAKERS AT THE SUMMIT INCLUDED:

DSK Legal - Mr. Anand Desai, Managing Partner, Flextronics, Singapore - Mr. Anurag Bhardwaj, VP - Business Development (South Asia), Hexaware Technologies - Mr. Atul Nishar, Founder & Chairman, neoIT - Mr. Avinash Vashistha, Chairman & MD (Asia Pacific) and Managing Partner Advisory Services, View Group - Mr. Gopal Jain, MD India, Mphasis - Mr. Jerry Rao, Chairman & CEO, Eaton Consulting Group - Mr. Jiri van den Kommer, Sr. Consultant - Cross Cultural Communications, Ziglar Training Worldwide - Mr. Krish Dhanam, VP Training, Datamatics Technologies - Dr. Lalit Kanodia, Chairman, B2K Corp - Ms. Latika Pai, COO, OfficeTiger - Mr. Lonnie Sapp, COO, WNS Global Services - Mr. Neeraj Bhargava, Group CEO, SP Jain Institute of Management Research - Prof. Oscar D'Souza, Percept Risk & Strategy - Mr. Paul Morrison, Director, netCustomer, Inc. - Ms. Punita Pandey, CEO, e-Serve International - Mr. Rahul Singh, MD & CEO, SITEL Corporation - Mr. Randy Harris, President Offshore Operations, RvaluE Consulting - Mr. Ravi S. Ramakrishnan, CEO and Consultant, Medusind Solutions - Mr. Sandeep Singhal, Co-Founder, Quest Research Group - Mr. Scott Graham, MD, Infotech Enterprises - Mr. Sudhir Sethi, President & Executive Director, Hunt Partners India - Mr. Sunit Mehra, Country Manager, CBay Systems - Mr. V. Raman Kumar.

#### ABOUT IACC:

The Indo-American Chamber of Commerce was established 35 years ago to promote trade and commerce between India and the United States of America. It has emerged as the leading Indo-US bilateral Chamber, with membership of over 2,800 members and 14 offices all over India. The Chamber's four-fold mission is to serve the business needs of its members, to act as catalyst in promoting economic growth between the two countries, to protect and promote the collective bilateral needs and interests of the Indo-US community, and to effectively lobby with the two governments on significant bi-lateral issues affecting Indo-US Commerce.

## TIFR acquires India's first new generation Cray supercomputer



Global supercomputer leader Cray Inc. installed its state-of-the-art CRAY X1™ supercomputer at Tata Institute of Fundamental Research (TIFR), Mumbai.

The CRAY X1, a new generation supercomputer, was inaugurated by the Atomic Energy Commission Chairman, Dr. Anil Kakodkar, and will be primarily used to study the properties of elementary particles by the Department of Theoretical Physics, along with other research in physics and other disciplines.

The CRAY X1 at TIFR has 16 vector processors and has a peak speed of 208 Giga Flops (Billions of Floating Point Operations per second).

This is the first CRAY X1 supercomputer in Asia.

In addition to its peak speed advantage, the CRAY X1 system demonstrates high efficiency (actual speed as a percentage of theoretical "peak" speed) averaging 60 to 90 per cent, substantially better than other systems.

The researchers at TIFR aimed to harness this immense computing power to predict the behavior and properties of elementary particles under extreme conditions of temperature and pressure, such as existed at the time of the birth of the universe.

The system was sold by Cray Inc., through its representative and strategic partner M/s. Hinditron InfoSystems Pvt. Ltd.,

## PHOTO FEATURE

The distinguished panel of speakers at the GOOS-2004 conference. L to R: Mr. Frank Wisner, former US Ambassador & Vice-Chairman, External Affairs, American International Group (AIG); Mr. Ashank Desai, Regional Vice President, WIC; Mr. V. Rangaraj, President, IACC; Mr. Gopal Jain, Regional President, WIC and the conference chairman; Mr. Niru Mehta, Vice Chairman, Tata Telecom Ltd. and MD & VP, Avaya India Ltd; Mr. Sunil Mehta, Country Head & CEO, American International Group Liaison Office.



Mr. Gopal Jain, Regional Vice President, WIC & conference chairman; lighting the lamp at the inaugural session of GOOS-2004 conference. Others in the picture are: Mr. Jerry Rao, Chairman & CEO, Mphasis; Mr. Farokh Balsara, Regional President, WIC & Partner, Ernst & Young; Mr. Niru Mehta, Vice Chairman, Tata Telecom; Mr. V. Rangaraj, President, IACC; Ms. Shabina Patel, Head, PR & Events.

Seen the picture is Mr. Gopal Jain lighting the lamp at the inaugural session held at Grand Hyatt, Mumbai

A Full House!  
Delegates at the GOOS 2004



Mr. Prabhu Sinha, Sr. Vice President & Global Head, Quality Consulting, Satyam Computer Services Ltd; and Mr. Rahul Singh, Managing Director & CEO, eServe International Ltd.





Mr. Jiri van den Kommer, Sr. Consultant, Cross Cultural Communications, Eaton Consulting Group; Ms. Punita Pandey, founder chairman and CEO, Net Customer Inc.; Mr. Gopal Jain, Regional Vice President, WIC & conference chairman.

Mr. Randy Harris, COO, Offshore Services, SITEL Corporation; Mr. Neeraj Bhargava, Group Chief Executive Officer, WNS; Mr. Gopal Jain, Regional Vice President, WIC & conference chairman; Mr. Atul Nishar, Founder & Chairman, Hexaware Technologies Limited; Mr. Paul Morrison, Director, Percept Risk and Strategy, UK.



Delegates sporting colorful shirts enhancing the mood for the Hawaiian theme evening with the performers.



Performers clad in Hawaiian costumes swaying to theme beats during a special networking cocktail.



# KERALA THE NEXT IT HUB

**Ms. Aruna Sundararajan**, Secretary (IT), Government of Kerala, foresees this progressive state as an emerging IT hub because of its certain inherent strengths in this sector, not the least its talented manpower. In an exclusive interview with **G. Biju Krishnan**, she discusses a unique IT project launched by the state government in one of the districts. She also details the various positive factors that Kerala has in the IT sector. An interesting point she made is that many IT professionals, who had left for the US, have returned to the state to start their own ventures, for which the Kerala government is offering a number of facilities.

## What is the present scenario in the IT field of Kerala?

I wish to address this question in three segments: One, I'll cover it in terms of what is happening in the IT industry; secondly, I'll talk in general about how IT is affecting the various sections of society in Kerala and how it can give the state a competitive edge. Thirdly, the use of IT in the government departments which, I think, is an issue of great interest to the citizens.

I think the coming year is going to be a period of rapid growth (for IT), because Infosys has come in and we are shortly expecting Wipro to make their announcement (of their entry into Kerala). Two very large BPO companies, with 500 staff each, are also coming in; they are expected to make their announcements immediately after the elections. Some big companies like McKenzie, Ernst & Young, have already started their software units in Kerala. A new park, called **INFOPARK**, is coming up in Kochi on a two-lakh sq. ft. facility. This is going to be a premium park like the Technopark in Thiruvananthapuram; already 60 per cent of space here has been booked. I think, overall, Kerala is just beginning to open up in terms of the software and ITES industry. During the last few years, we have had small companies coming to our shores, but Kerala has not been able to enter the rank of major destinations. I think, with this breakthrough, we should have many more big companies coming in over the next two to three years, because they are really testing the waters now, in terms of



*Aruna Sundararajan*

what is happening overall and how Kerala is placed as far as IT is concerned.

One good thing that has happened in Kerala is the recently launched total e-literacy project called "**AKSHAYA**". We have carried out this 100 per cent e-literacy project in the district of Malapuram, where every household now has at least one person trained in IT. This is a unique achievement; no State is attempting such a project; probably since no other State has the kind of base that we have. We are going to replicate this project in all the districts from May 2004. I think it will give Kerala a sharper edge as a society that is really ready to move into the knowledge era.

In terms of e-governance, there is a significant change in Kerala under the Modernising Government Programme, as well as some of the initiatives like "**FRIENDS**" -- a single-window centre. It is quite surprising that many people don't know about it; however, the London School of Economics has rated it as a model e-governance project in India; and we are now going to strengthen that by opening what a "Call Centre for citizens". Today no one actually gets information about the government from a single agency; in case one requires any piece of information about a particular service, one has to call up half a dozen agencies offer and find out. In order to do away with this, we are setting up an **INTEGRATED CALL CENTRE** for any citizen to call up from anywhere in Kerala. They just have to dial a number and access the required information. So far, the Call centre and other modern concepts have been associated with the industry, but now we are trying to actually bring in a customer-friendly orientation from the Government to its citizens.

We are now in the process of acquiring some land next to the Technopark to develop an IT corridor. Initially, there was resistance but now that has settled down and the idea has elicited positive response. The local residents have



come forward to offer support. So, these two big infrastructure facilities -- one at Technopark and one at Kochi -- are undoubtedly going to be amongst the best in the country. The facility in Kochi is going to be on a par with that in Thiruvananthapuram. With these two good infrastructure facilities and the AKSHAYA project, overall Kerala is making good progress.

**Do you think that the potential of the state is being utilised effectively; if not, what are your suggestions to make optimum use of the potential?**

Kerala is definitely a high potential state. In the same breath we also have to admit that it is also a State that has undoubtedly underutilised its potential. The reasons, I think, are: One, ever since the '70s Kerala had a setback in terms of investments and industrial growth; it is only now that the perception has begun changing -- with tourism doing very well and IT picking up. There are still certain residual perceptions. The second reason is that we have very good technically-talented manpower, particularly in IT, which today is actually leaving the state and is going out to other places. People who are left behind in Kerala are only the older people, who are working in the older industries. None of the new knowledge era industrial activities are seen. Young people are preferring to go out. Somehow we have to reverse this trend.

**Has that got to do with the salary aspect?**

It has nothing to do with that. I think the real reason is that it has something to do with the young Yuppie urban kind of lifestyle. Most of the Keralites prefer to migrate from smaller cities to larger cities, which will keep happening. Kochi and Thiruvananthapuram are in no way less, when compared with cities like Pune or Hyderabad or Chandigarh or with Coimbatore. Kochi and Thiruvananthapuram are superior in many respects. We need to have more and more young people coming back to Kerala. This is more a chicken and egg situation. Young educated talented Keralites prefer to go out, which has nothing much to do with the political situation in the state.

**Approximately how much is the investment in this sector in the state both in the government sector and the private sector?**

If you look at what is called hardware plus software plus IT enabled services, I would say that in terms of infrastructure it will be roughly around Rs.600 crore. In the case of companies, the investment made would be approximately similar.

**What are the facilities that the state offers for this sector?**

Since IT is such a global industry, for one, it requires global standards of infrastructure, which Kerala does offer. Secondly, it needs a very highly qualified pool of technical talent. We do have young people coming in, who are gradually taking up positions at the Technopark. On the other hand, if one looks at the upper levels of managerial personnel, we lack that; so we have to offer incentives in

the way of training programmes to train and attract people.

We have planned to train 3,000 people over the next six months in three cities, so that they will be ready to be employed by the BPO industry. The main thing is that Kerala is probably the best-connected state, in terms of telecom. Kochi is today the only city, apart from Mumbai, with two submarine cable landings right there. So the quality of bandwidth is very high. Our approach has been to provide good infrastructure, good bandwidth and also to create a highly qualified talent pool. Of course, you must have a friendly environment for industry. So, both the IT policies that we declared have brought in a lot of simplification for the industry. Industry today does not have to file any returns. It is a self-certification kind of regime. In terms of working hours, both men and women are allowed to work for 24/7. We have accorded the public utility status to the IT industry, so that it is protected from disruptions. A lot of simplification and facilitations have been put in place now.

**Do you think we are late in creating an awareness of IT among the people?**

In the first wave of IT we lost out especially in software. States like Karnataka and Tamil Nadu moved ahead very aggressively. In the second wave of IT, which is the ITES, Kerala is beginning to make its mark. There has been a gradual awareness that Kerala definitely has the potential. But everybody is waiting; once big companies come in and are able to show the rest of the country that they are performing well, then automatically the others will follow suit.

**Is there a master plan chalked out for the comprehensive development of the IT sector? If yes, what is the thrust area?**

Yes, we do have. The thrust area is mainly, I would say, in making sure that IT benefits not just a few, but all. In Bangalore two lakh people are employed in the industry. In Kerala we need a broadbased IT diffusion. People here are very talented and they can use IT in their own spheres. The focus is very much on preparing the manpower for the future requirements of IT. The second major thrust is to set up the triple ITMK project, which is working out of the Technopark. The third thrust area would be on hubs like the Technopark as regional IT hubs. Infopark is also positioned to be another major hub, where a wide range of IT and ITES activities can come in and contribute to the local economy.

**There are many MNCs, which have set up their software development or transcription centers in Kerala. How are they faring now? Has there been an outflow of these units to other states within India?**

No, practically none.

**Which MNCs are coming to Kerala to set up shop?**

Out of the top five IT companies -- Wipro, TCS, Infosys, HCL Technologies and Satyam -- Kerala has already got



three of them. We are expecting the others to come in within the next two months. The presence of the top five IT companies in Kerala has increased the value to the IT industry.

**You are the mastermind behind the AKSHAYA, the world famous project. Please elaborate.**

AKSHAYA in one word is an e-literacy project, but if you look at all the dimensions of the project it is actually a project to bridge the Digital Divide. It has four components. In the infrastructure component what we are trying to do is, what the UN has set as their millennium goal for 2015, where they have said that every rural village should be linked, by Internet and have what is called connectivity, which will be completed by end 2004. This is not just for every panchayat, but has trickled down to the sub-panchayat level as well. In the district of Malappuram we have 620 AKSHAYA projects. So first of all by the end of this project Kerala will have the most modern IT infrastructure. In Kerala, by the end of next year, every panchayat will have two or three AKSHAYA outlets where through wireless one can surf the broad bandwidth.

It is a futuristic kind of project whether the society is ready to use it remains to be seen. The second component is capacity building. Since we have achieved 100 per cent literacy, the aim now is to at least make one person per family to be IT literate. The main focus will be on the age group of 18-45, giving everybody the opportunity to learn what IT is all about and how it can be put to use within one's own life. We are trying to make a big difference for the common man to be able to actually go and learn these tools. It is important to give them access to those who do not have it. That is going to be something unique, because no society even in the US has tried out a 100 per cent e-literacy. **For the first time in the world, we are trying 100 per cent household e-literacy.**

The third component is content. The reason why IT has no relevance to the common man in the rural set-up is that he does not know what to do with the Internet and a computer. We are trying to reverse that by making it useful to a farmer, a taxi driver, fisherman, mother, and housewife. So we are actually building a large volume of content. At the end of this project, we would have pushed up what is popularly called PC penetration, which is one of the major indices of IT readiness. If you want to access how ready a state is, you go by PC or IT penetration. IT penetration in the rural sector in India is just 0.01 per cent! The access by the end of this project would have gone up to 20-25 per cent. This is the change we are attempting to bring about. Similarly, IT literacy is about 0.1 per cent, which would go up to 100 per cent household literacy.

**Are you planning any future project like AKSHAYA?**

AKSHAYA is interesting, because we have only covered the first phase. The second is going to be more radical, more transformational, because what we are trying to do is

to get jobs for the citizens, such as paying taxes, water bill, etc. which are now all possible through AKSHAYA. We are now setting up the last phase. Our aim is to put in place an **e-commerce gateway**. Earlier, this was more a theoretical possibility where you can go to any café and get all the information that you want. AKSHAYA provides the platform for all this. How intensely people are going to use all this is only a matter of time. New technology with convenience to use for the individual is what we are trying to achieve. Paying of bills can now all be done through AKSHAYA.

**Anything you would like to share with the INDO-US business community? Is somebody interested in investing in the IT sector in Kerala?**

I would like to particularly mention that many Keralites from the US have returned to Kerala. They have acquired good positions and have a lot of domain knowledge. We have tried to set up "plug and play" facilities. You can plug in to your computer and start your work. We have in the Techopark what is called an incubator. Right now, we have facilities for 10 companies and about 13 companies in Ernakulam. An investor in Kerala does not have to obtain clearances; he can walk in and occupy the place. As and when the company grows, you have to move from the incubation space to a normal space, which is also available. So I think there is probably no other government IT park in the country actually offering you the "walk in and manufacture IT facilities" within 24 hours clearance. We have really empowered the CEOs of the parks. As the Secretary, I do not get to know all of the day-to-day workings. The person himself is empowered to give himself the clearance. I hope you will carry out the message that Kerala is one of the best places to be in for Information Technology.

**Would you like to share some of your suggestions with our readers?**

We want to make a special appeal to NRIs to come back. Sixty per cent of the companies are funded by NRIs, but that is nowhere near enough. Like Bangalore, Hyderabad and Chennai, we need large number of NRIs to come back. They need not start big companies; they can start small. There is so much scope here that we would like them to find out for themselves. See, Kerala offers potential for hardware manufacturing; it also offers software and multimedia facilities. This is an industry where people look primarily at talent. Quality of talent and infrastructure is available everywhere. If only that talent, instead of going out, remains here, I think Kerala would be a booming place for IT.

Suppose you are a foreign registered company, then you have to get a clearance from the RBI. We are saying you start and then get registered within 30 days. People are not aware of all this. Normal industries take time, but for setting up an IT unit in Kerala the procedures have been simplified. It's literally a plug-n-play environment here.

**MOIZ LOKHANDWALA**

# **LOKHANDWALAS:** Building Quality Products

**ALI LOKHANDWALA**

*The Lokhandwalas are one of the leading builders of Mumbai. In an exclusive interview, Mr. Moiz Lokhandwala and Mr. Ali Lokhandwala told G. Biju Krishnan and Tripti Chakravorty of Indo-US Business that there are distinct signs of an upswing in the realty business with the availability of cheap housing loans. According to Mr. Moiz Lokhandwala, the products their company offer are of the best quality. "Quality is one thing on which we don't compromise," he added. 'Zahra' and 'Queen's Court' are some of the high premium products he is offering to NRIs and even foreigners. Mr. Ali Lokhandwala strongly felt that this is the time for the prospective buyers to choose apartments as a safe investment option. The following is the text of the interview:*

**As a premier construction company in the country, what is the scenario of the real estate industry? The industry has gone through some difficult times. Do you think that the 'feel good factor' has contributed to the turnaround of the industry?**

The real estate industry has gone through bad times from, say, around 1996 to almost up to 2000. But now there are a number of products available. Gone are the days when there were investors (in flats). Now, there are actual buyers, because the prices have become realistic mainly because of housing loans which have come up left, right and centre. That is one major boost.

Secondly, as far as investments in gold is concerned, I do not know how lucrative people feel about it compared to a real estate. Say, for example, if a person were to buy a Rs.4,000 per sq. ft. property, they know the price is not going to dip to Rs.2,000 now, because the construction cost itself has gone up very high. The Rs.1,500-1,800 per sq. ft. is the land component. Besides, there are so many other costs involved. After that, if you are getting a product at the rate Rs.4,000, people are quite sure that this will not go down to Rs.2,500 or Rs.2,000. It could only fall to as low as Rs.3,800, or else you are going to get appreciation. Properties are springing up all over the country now. You really feel that the right price to buy has come about. And in the appreciation aspect some areas of Mumbai are having appreciation also. At least in our belt of Worli-Parel there has been considerable appreciation. There has been a considerable appreciation of the price in flats that has happened recently.

When I started my career in the same area in 1996-97, we had sold some flats at the rate of Rs.3,000 and Rs.3,500 and today those very flats are selling between Rs.5,000 and Rs.6,500. Why? Because it is Central Mumbai. It has become like the heart of the city. You will see many malls coming up in this part of the city. A number of commercial establishments have already moved in from Nariman Point. Many from the suburbs also have also shifted their offices to central Mumbai.

Another very immediate boost that I am foreseeing is that commercial and residential properties now may have two things: One, the builder-developer holds a few premises in the freehold property to lease them out which, in turn, would become an incentive for the builder also for long-term income. An investor may buy a Rs.5,000-10,000 per sq. ft. commercial site and keep it and later lease it out. These are some of the major reasons why development is taking place so fast. This was not the case in the past.

The second aspect is the housing loan. Housing loan was there then and now. In the past, the mere talk of taking out a housing loan suggested that you did not have money. Now, even if a person has money, he is taking out a housing loan for tax benefits. Suppose a flat costs Rs.50 lakh. In case the entire amount was to be paid at a time, it would put the buyer of the flat in a tight position. He would prefer to borrow a bit for a year or two, for he might have a crunch in his business. In case he is availing of a loan, it would put him in an easy position to repay within two years.

**Yours is a premier company in quality constructions.**



## What are the projects you have for the NRIs, foreign investors, corporates and multinational companies? Have you planned for any international projects?

All my projects are of international standard and we have many NRIs buying mainly from the Gulf countries. We also have clients from the West, such as the US. The products are as per international standards. The projects that we are offering, such as Zahra, are really a high premium product. We have another building called Queen's Court is also a highly placed product. Since the majority form Gulf clients, an office has been opened to take care of the business coming from that area. We are going to do our surveys, and if things move in a positive direction, we might get into international projects.

## What about the past? Any international projects?

We have had foreign tie-ups with Swiss people. Canada is progressing very fast. We have still not decided to take funds from foreign banks and foreign institutions. We are planning to work out something on that. Slowly yet steadily we are taking some exposures with some financial institutions in our country. If we are doing some mega projects, we might approach some foreign banks too. Lending rate would make a lot of difference.

**Today construction companies promise dream houses, but when the actual purchase takes place, most of the times the customer is in for a big surprise. Why is this so**

## and what can be done to even out this problem?

We had always delivered 99 per cent of whatever we have showed in the model. In a building of 100 buyers it is virtually impossible to satisfy all of them. There will always be 10 per cent who will not be satisfied. Every person has a different vision altogether. When you see a realty building, you find it different from the brochures and pamphlets of the same building. Till date, we have tried our level best to satisfy all our customers. Once in a while there are one or two people who are never happy with whatever is offered to them. Whatever we have committed, we have fulfilled.

## What has been the major thrust of your projects?

Our unique selling proposition has been quality, excellent elevation, and maximum amenities. We feel we have been quoting a reasonable price. We have tried to be fair as far as the pricing is concerned. Anything that is committed from our side is committed. Timely delivery --- if we commit to a particular month, we see to it that we make it by that month.

## Are you bringing in new technology to the construction industry and how does India compete in the world of quality constructions?

Some of the technology that we use is imported. The contractors we hired use foreign technology, but not to a large extent -- mainly the equipment. We were planning to





use shuttering and mass housing from Malaysia. It is in the pipeline and we have not yet finalised it. Materials, such as sanitaryware, can be imported from Singapore. Our designs are unique. It is more cost effective to import these shuttering materials if they have standard designs. If it is a block, then it is easy and cost effective to import, but if the architect want a curve here and a curve there, then that is difficult. We do not have a standard form which we follow throughout. Our equipment are Indian. The government

reduce the limit from 100 acres to about two acres. Then this market will change drastically. It is not easy for a foreign company to come in and start off, since it takes a certain amount of tuning to work in the Indian system. It's almost like going ten steps backward. It is not just investment that is important, it's a lot of work with the concerned department.

We have foreigners buying our flats mainly NRIs. We have regular inquiries from people. Not so many in India but there have been foreigners who have moved into India. We even have foreign citizens who have chosen India as their permanent abode. They also come in to buy flats.

I do not know about India as a whole, but I do know about the quality practices some companies follow. It is our motto to deliver A-1 quality products. We have quality training programmes out here and we do not compromise on quality. We conduct regular quality control programmes and we also have ISO accreditation, which has helped strengthen our quality so we can deliver a good product. It also depends on what standards you set for yourself and make sure that everyone on the team complies with it. We follow all auditing procedures as best we can in this Indian scenario to be as quality conscious as we can.

**Would you like to add anything more?**

I feel India and especially Mumbai city is poised for a good position compared to what it was in the past. A lot of people ask this question. We have a good growth rate and the market is stable. So this is a good time to buy.

**Mr. Ali Lokhandwala** had this to add to what Mr. Moiz Lokhandwala said: "Real estate as an investment is, I would say, an excellent investment unlike the various options that are available for

investment. People who have bought from me have over a period of time (two to three years) definitely made a 20-25 per cent return. What was happening in the past was that in a short period between the boom and bust, many lost money in property. We start low and then we increase our rates by Rs.100 or Rs.200 per month. We are doing a lot in the surrounding areas, such as road beautification and removing the slums, which will continue to add value to the projects."

## VALUE FOR MONEY

Asked how their company is different from other premier construction companies, **Mr. Ali Lokhandwala** said one of their unique selling propositions (USP) is value for money. "Secondly, we are more of a proactive kind of company. We try to give things first. We try to be leaders of what we give. We gave a swimming pool on the 14<sup>th</sup> floor of Lokhandwala Residency. Nobody so far has constructed a swimming pool in the middle of the building. We decided to give a squash court to our customers as a further value-addition to its constructions. Many builders charge separately for club membership fees; we do not charge anything extra for this amenity. Everything is inclusive in the cost of the flat.

"We are very reasonable in the pricing of the flats and, therefore, give value for money. When a building is ready, you will rarely find a flat that is unsold. Most of the flats are sold even before we give possession of the flats. We are ourselves constantly innovating, thinking, looking for new ideas, new things to bring to our customers. That way I feel we are more proactive than reactive to just follow the market trend. We want to be trendsetters. With respect to our marketing and advertising campaigns, we do not advertise a lot because we do not need to. But whatever we do and give is copied a lot by other people. The way we present things is copied a lot. Our competitors are always trying to find out how and what we are doing, which we get to know from our customers. We are innovative in what we do. We have a very good rapport with the people and our customers."

"Construction companies are always sending their information. We are not using any technology but we are approached by a number of foreign consultants. India has some of the best minds and just for the sake of having an international name is not necessary, but what we are after is the fast implementation of the projects. A timely delivery period is a little difficult, because what we have known is that the Indian mindset has not changed. A number of hotels that are coming up with international architects are going very slow. Because, something or the other is not available, causing much delay. The project is only extended. Right now, we do not need international consultants; a little bit of technology from the point of construction is concerned is fine. But that has to be validated with its cost factors, which is an important aspect. Another important thing is that the products that you again intend to use are being internationally used. There are chances that the construction costs might really flare up. They are tried, tested and used continuously. Suppose a new product comes, it will always be priced high because of import duties and other factors."

policy at the moment is favourable and conducive to importing such items.

Foreign investment in real estate below 100 acres is not yet open. It is open for construction projects on 100 acres and above, which is not feasible in a city like Mumbai. I know the builders are lobbying for reform. Maybe at Dombivili and beyond you might get 100 acres at a stretch, but this will not be found within city limits. So they are lobbying to



Gaurav Mehra

# Renault, Nissan opt for SABA SOFTWARE SOLUTIONS

Renault and Nissan are to implement Saba's Enterprise Learning to standardize training and certification management processes for their entire worldwide network of automotive dealers. Saba is a leading provider of human capital development and management (HCDM) solutions. It is based in Redwood Shores, California, with offices worldwide.

Saba is known for its ability to implement a global, multi-lingual solution for thousands of users worldwide and simultaneously manage web-based business-to-employee and business-to-business learning initiatives. This comprehensive web-based solution will initially be deployed across five continents to the primary and secondary network of dealers for several Renault and Nissan brands.

"In the increasingly competitive global automotive market, it is critical for organizations to be able to develop and deliver effective training, development and certification programs throughout the extended enterprise. Saba provides large organizations with the richness of functionality, scalability

and depth of experience that is needed for this type of worldwide project," said Mr. Bobby Yazdani, Saba Chairman and CEO. "Saba has a proven track record of leadership in supporting the needs of the global automotive industry, with

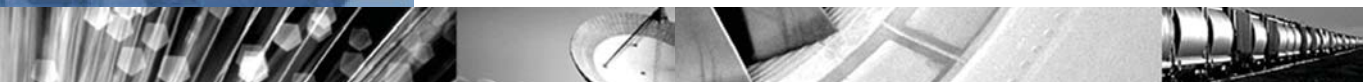
customers such as General Motors, Daimler Chrysler and Ford Motor Company. Renault and Nissan's selection of Saba further reinforces our leadership position in the industry."

Renault and Nissan's objective in choosing Saba's software solution was to select a single enterprise learning solution to help meet the challenges brought about by strong international competition in the automotive industry. Saba will support the manufacturer's change management efforts by enabling project collaboration and the sharing of best practices throughout Renault and Nissan's different business units.

The Saba solution will provide Renault and Nissan a unified view of the competency profiles, knowledge, behavior and skills of people throughout their extended enterprise, and will make all available content accessible through a single platform for the entire

distribution network.

Saba is the leading provider of human capital development and management (HCDM) solutions, which increase organizational performance through the implementation of a management system for aligning, developing, and managing people. Among the Global 2000, Saba customers include Alcatel, Cisco Systems, DaimlerChrysler, EMC Corp., Kaiser Permanente, Medtronic, Procter & Gamble, and VERITAS Software. Saba has received industry recognition for its solutions, and recently was named again to the leader quadrant position in the Gartner 2004 e-Learning Suite and LMS "Magic Quadrants."







## 'IJS 2004' India's best and Brightest SHOW

The Gem & Jewellery Export Promotion Council (GJEPC) will hold India's largest jewellery exhibition, 'IJS 2004', from July 15 to 19 in Mumbai. Billed as the gateway to global exports of diamonds, the show will be held at the Godrej Exhibition Complex, Vikroli. IJS is India's largest jewellery show and is emerging as one of

Asia's largest with over 500 stalls and nearly 10,000 visitors expected every day.

IJS 2004 offers exhibitors and visitors a wider and better exposure for products in national and international markets. It also offers an opportunity to do business with the widest clientele from India and abroad and get acquainted with the latest market trends and design requirements. One can also source the latest machinery and ancillary products for manufacture and source jewellery from Indian manufacturers. Besides, it will help forge long-term business relations. This year, IJS 2004 is offering an array of attractions like complementary stays at 5-Star Hotels, airport pick-ups and drops, shuttle service to exhibition venue from the hotel and free entry passes to scintillating fashion shows.

The show will offer a dazzling display of what India has to offer from exquisite craftsmanship and design to the best quality and price. IJS is the perfect opportunity to explore the potential of the growing Indian gem and jewellery industry.

The visitors are invited to explore India's full potential with the widest range of jewellery products, unlimited supply of all types of diamonds and coloured gemstones, modern factories and technology, world-class designers, pool of skilled artisans and technicians and liberalized government policies.

IJS 2004 will be a complete experience, providing trade opportunities, information and the best in hospitality and entertainment. Bigger halls and **better facilities** will ensure the ideal ambience to do business.

A number of **seminars** will be held on new technology and techniques, marketing know-how and design trends. All this and more will be covered by speakers from the world renowned Santa Fe Symposium, GIA, WGC, De Beers, Rio Tinto Diamonds and other industry experts.

The latest trends in Indian and international jewellery will be showcased at the **Trend Forecasting Pavilion** co-sponsored by GJEPC and National Institute of Fashion Technology, India.

Top models will flaunt some of India's most alluring jewellery in the spectacular **fashion shows**, to be held during IJS 2004.

### Facilities for overseas visitors:

Two nights / 3 days free stay at GJEPC's official hotel with complimentary breakfast.

### Entry to fashion show:

Airport pick-up and drop

Buyers / sellers meet

Free entry and shuttle service to the exhibition site

### Exports jump by 31%

The GJEPC recently has announced an increase of 31% at \$986.63 million in gem and jewellery exports during the financial year 2003-2004 against \$9138 million last year.

In recent years India has emerged as the first choice for jewellers the world over. Today, 11 out of 12 diamonds set in jewellery come from India. The industry is growing by leaps and bounds and that is why IJS will give the visitors the perfect opportunity to explore the full potential of the Indian gems and jewellery industry.

According to Mr. Navin Jashnani, convener of Exhibitions, "We have left no stone unturned to make **IJS 2004** a successful event this year. So far the response has been overwhelming. On the first day itself, more than 60% of the stalls have been sold out. **IJS 2004**, with a brand new look and promoted extensively by advertising and promotional campaigns, is expecting over 10,000 visitors everyday with over 500 exhibitors in over 1,200 stalls."

Commenting on the overwhelming response, Mr. Sanjay Kothari, the GJEPC chairman, says, "The year 2003 was a difficult year for all of us. The outlook for 2004 is much better and **IJS 2004** hopes to provide this sector with the necessary stimulus for economic growth... The number of bookings we received so far clearly reflects that all our efforts have borne fruit and we look forward to an overwhelming response in July this year."

**For further information on IJS 2004**, contact: Ms. Dolly Choudhary, Assistant Director (Promotion & Development), Gem & Jewellery Export Promotion Council on 022 23821801 / 1806 OR E-mail: [dolly@giepcindia.com](mailto:dolly@giepcindia.com)



## RBI's Annual Policy Statement 2004-05

## GDP GROWTH PROJECTED AT 6.5-7%

The RBI Governor, Dr. Y. Venugopal Reddy, presented the Annual Policy Statement for 2004-05 at a meeting with the chief executives of major commercial banks in Mumbai on May 18. The statement covered a review of macroeconomic and monetary developments with several analytical and structural issues concerning the financial sector and the monetary policy. Mr. Reddy announced a number of measures to strengthen the financial system and improve the credit delivery mechanism. He also indicated measures addressing institutional improvements to support growth consistent with stability in a medium-term perspective. Following are the highlights:

**Domestic developments:**

- GDP growth for 2004-05 projected at 6.5-7.0 per cent.
- Assuming no significant supply shocks and appropriate management of liquidity, the inflation rate is projected at around 5.0 per cent during 2004-05.
- Growth in reserve money and money supply ( $M_3$ ) was higher during 2003-04 reflecting capital inflows; the expansionary impact of foreign currency assets, however, was neutralized to a large extent by substantial open market operation (OMO), including sustained repo operations.
- Sustained pick-up in non-food credit since September; total flow of resources to the commercial sector was higher than last year.
- Government's market borrowing program in 2003-04 completed at a much lower cost; while noting reduction in fiscal deficit, need to step up capital expenditure stressed.
- RBI to continue with its policy of active liquidity management; Market Stabilization Scheme (MSS), is an additional tool.

**External developments:**

- Global economic recovery has broadened and strengthened faster than expected despite some uncertainties.
- The exchange rate of the rupee appreciated *vis-à-vis* the US dollar, but depreciated against the Euro, Pound sterling and Japanese yen in 2003-04.
- Foreign exchange reserves increased by \$37.6 billion during fiscal 2003-04 and are at \$118.6 billion by May 7, 2004.
- Exports in US dollar terms increased by 17.1 per cent and imports by 25.3 per cent; the current account is expected to register a surplus during 2003-04 for the third year in succession.
- The most distinguishing feature of the external sector during 2003-04 relates to the large capital flows with its

inevitable implications for the conduct of domestic monetary policy and exchange rate management.

**Overall assessment:**

- Despite uncertainties, India's position among the top performers globally in terms of GDP growth is expected to continue during 2004-05.
- As regards prices, despite overhang of problems on account of oil prices and large domestic liquidity, the price situation is unlikely to cause concern to macro stability during 2004-05.
- The RBI emphasized the need to overcome the bottlenecks in the flow of bank credit to agriculture and small and medium enterprises.
- Restructuring of rural banking sector stressed for enhancing the quality, purposiveness and reach of banking in India.
- The outlook for the external sector accords comfort to the conduct of public policies.

**Stance of monetary policy:**

- Monetary management during 2003-04 broadly in conformity with the stance of the policy set out for the year.
- Projected expansion of money supply ( $M_3$ ) at 14.0 per cent with credit growth by 16.0-16.5 per cent during 2004-05.
- Noticeable uncertainties, including geopolitical risks impacting on international oil economy reckoned, while designing the stance of monetary policy. As such, the inflationary situation needs to be watched closely and there could be no room for complacency on this count.

**Measures:**

- Bank Rate kept stable at 6.0 per cent.
- Repo Rate unchanged at 4.5 per cent.
- Revised LAF scheme operationalized.
- The entire export credit refinance was made available at reverse repo rate.
- Almost all banks have adopted the new system of BPLR and the rates are lower from their earlier PLRs.
- Banks are encouraged to align the pricing of credit to assessment of credit risk to improve credit delivery and credit culture.
- A Gold Card Scheme for creditworthy exporters drawn up.
- Limit on the lending of non-bank participants in the call/notice money market reduced to 45 percent effective June 26, 2004.

# PAHARPUR *spreads its wings to* US, MEXICO



Vikram Swarup

Apparently, not much seems to be happening in the field of cooling tower manufacture in India. As it does not have a large number of players, action here seems to be subdued. But the calm above is deceptive, for there is a whole array of activities going on underneath, especially at Paharpur Cooling Towers Ltd., the leader in the industry with a dominant share of the market. The Rs 300-crore company meets a big chunk of the domestic demand. Paharpur has also been exporting its products to various countries, especially to the American and Australian markets where the company is trying to consolidate its activities. In the US, a wholly-owned subsidiary, called Paharpur USA Inc., has been set up to tap the markets in the North and South America. Another subsidiary has been set up in Mexico. Managing Director Vikram Swarup spoke to Anurag Sinha of *Indo-US Business* at the corporate headquarters of the company in Kolkata recently about Paharpur's goals and how it plans to face competition in future. The following is the text of the interview:

**Paharpur Cooling Towers enjoys a virtual monopoly in the cooling tower market in India. How has it been able to maintain this position?**

I wish we were a monopoly. Paharpur is actually a dominant player in the industry. The reason that the company has been able to keep its lead in the market is that it has a presence in all the segments, which form the cooling tower industry. No other company can boast of this. The activities of the industry can be divided into four segments: Large industrial cooling towers used in industries like power plants and petrochemical units; medium cooling towers for medium-sized industries; smaller ones for small users, and the spare parts and

components. Our company stands apart, as it is the only one which has a presence in all these segments.

**How is Paharpur placed with respect to market share in the industry?**

Our company has a 50 to 60 per cent share of the total market. In the large segment, where Larsen and Toubro and Gammon India are our competitors, we occupy 70 to 75 per cent. It is again 50 to 60 per cent in the medium segment, while the small segment sees us taking a 30 per cent share.

**Are the small players able to dent your market because of the advantage of lower prices driven by smaller overheads?**

The small players operate at a scale much lower than that of ours, but cannot provide cheaper products, as it is not easy for them to reap the benefits of the economies of scale. In our case, the overheads are spread over a larger base, which offers us pricing benefits over the small players.

**What is your overseas market like; which countries buy your products?**

Paharpur is exporting cooling towers to the Gulf countries like the United Arab Emirates, Iran and Kuwait. In South East Asia, we have customers in Indonesia, Malaysia, Vietnam and the Philippines. The company also has its presence in the Australian market. Last year, we booked orders worth A\$8 million (about Rs. 25 crore) to a company called Burrup Fertiliser located near the Australian city of Perth.

**How does the overseas market scene differ from the Indian situation?**

Depending on the location, the market dynamics are different. In Australia, for instance, there are no major manufacturers of cooling towers. They, therefore, like to



buy from abroad. However, in selling to an international clientele, we have noticed that it is easier to get orders from developed countries of Europe and America than to sell to many Third World countries. This is because the developed nations have reliable infrastructure to judge the quality of our products, which they can trust. In the case of some third world countries, it becomes difficult for them to judge how competent we are. However, though the US is a developed country, it is still difficult to sell Indian products there as the US clients feel uncomfortable dealing with distant suppliers.

#### **Talking of the US, has Paharpur taken any initiative to get a foothold in the American market?**

We formed a wholly-owned subsidiary in the United States in April 2003. Set up in Denver in the state of Colorado, Paharpur USA Inc aims at tapping the markets of North and South America, which pack a huge demand. The United States has strong local players and we are trying to make inroads there in spite of many hurdles. We have decided to grab the orders there, but the manufacturing will be done only by Paharpur Cooling Towers Ltd in India. After some initial hiccups, our US subsidiary is getting product inquiries.

#### **Any other region in the Americas where Paharpur is trying to set up shop?**

Another subsidiary, called Paharpur Mexicana, has been set up in Mexico. The one-month-old company is reporting to Paharpur USA Inc.

#### **Is Paharpur trying to grab any other major offshore order?**

Some days back, a Japanese delegation from Fuji visited us at our corporate headquarters for talks on sourcing our products for a power project on geo-thermal energy to be set up in the Philippines. Paharpur always keeps looking forward to scooping out offshore orders to meet its export targets.

#### **Apart from cooling towers, what other products is Paharpur into?**

Other than cooling towers, the company manufactures heat exchangers. Moreover, flexible packaging is a different line of products from the company. This line that is about 15 years old has companies like Hindustan Lever Limited and Procter and Gamble sourcing their packaging requirements from us.

#### **Does the company have any foreign tie-ups?**

Paharpur Cooling Towers has a technology transfer agreement for Indian operations with Knight Piesold Energy of South Africa.



## **NEW CAPEXIL INITIATIVE TO BOOST EXPORTS**

Capexil, a Government of India organisation formed in 1958 to facilitate exports of chemical-based and allied products, has been helping exporters to tap markets around the world. It has also been devising strategies to expand trade with other countries. The 46-year-old organization has now come out with a **Market Access Initiative Scheme** aimed at lending a new dimension to India's external trade.

According to Mr S.K. Ray, Executive Director, Capexil, "The approach of this plan is completely different from the other schemes so far launched by the organisation. The government supports only market-oriented programmes in this case."

The scheme, said Mr. Ray, involves a thorough study of the market of the commodity to be exported, including the infrastructure required to make the product competitively placed in the international market. For instance, the study by a US agency found that rubber products from India need better infrastructure in terms of warehouses so that orders from clients there would not be lost due to the time lag in shipping them from India.

"The requirement of a Market Information Centre was also felt," Mr. Ray agreed. Another study commissioned by Ernst & Young for the export of granite from India has suggested 'Intelligent Warehousing' in the United States.

The export of iron ore has seen good times recently. "Though the quantity of iron ore to be exported is huge, exporters do not get sufficient number of vessels to carry the mineral. Even the port infrastructure is poor," Mr Ray said.

The autonomous organisation under the ministry of commerce, with 4,000 memberships under its belt, regularly holds events and fairs in India and abroad.

Under its Market Development Assistance Scheme, Capexil organised 'Focus LAC' (Latin American Countries), 'Focus Africa,' and 'Focus CIS' schemes to bring the respective regions under the spotlight. It is specially eyeing the South American countries, which have a huge market for Indian exports.

Capexil is also launching this year 'Asean+2', which will lay stress on the markets of the Association of South East Asian Nations and Australia and New Zealand.

The markets of Pakistan have untold potential for Indian goods. Though the bitter relationship with our western neighbour has taken its toll on all spheres, including bilateral trade, there is a consensus that trade across the Radcliffe line can break new grounds. There is hope on this front after the recent thaw in relations with Pakistan.. "We are planning to send a delegation to Pakistan," Mr Ray said.





# 'AmFest' IACC's Special TRADE SHOW

'AmFest Destination India' is a unique exposition being organised by the IACC in Mumbai from June 3 to 5. The highlight of the event will be the bringing together -- under one roof -- of the different American consumer products. It will also see an exposition of certain important facets of American culture. **Mr. Brian Brown**, Amfest Committee Chairman and Managing Director of Citigroup Global Markets India Pvt. Ltd., explains some of the salient features of the event to **Tripti Chakravorty** in an interview.

**Could you enlighten us on the initiatives for AmFest by the Indo-American Chamber of Commerce?**

In its attempt to spur US exports, the Indo American Chamber of Commerce, WIC, is hosting **AmFest**, an exposition-cum-socio-cultural festival of American consumer products and culture. The three-day trade fest will begin on June 3 at Taj Land's End, Mumbai, India. The focus of AmFest is to provide a platform for small and medium American enterprises to build long lasting, productive relationships with potential Indian traders for the stocking, retail and distribution of their products. This unique event will showcase various American consumer goods (foods, beverages, wines, cosmetics and beauty, and healthcare products, etc.) that will provide a window of opportunity to US exporters, manufacturers, etc., interested in tapping the Indian market which will also serve as an excellent venue for fruitful interaction between American companies and potential Indian importers, retailers, etc.

**What are the aims and objectives of this initiative?**

Through AmFest, the Chamber aims to facilitate a deeper understanding of the Indian market and its dynamics, presenting an opportunity for on-the-ground interaction between the Small and Medium Enterprises (SMEs) and possible Indian partners. The main objective would be to promote direct interaction between SMEs and Indian end-consumers and possibilities to open up collaboration opportunities and facilitate discussions on future franchising/distribution arrangements

**It is learnt that there have been diverse organizations coming forward to partner with AmFest. Could you tell us more on the partners and supporters?**

We have received overwhelming support for AmFest from various trade bodies and organizations. The trade fest has been supported by Southern United States Trade Association (SUSTA) and Alabama International Trade Centre from US and the Foreign Agriculture Service (USDA), India. Taj Hotels Resorts & Palaces is the hospitality partner, Star News the media partner, Rediff.com the online partner and Radio City FM the official radio station for AmFest.

**We understand that besides the three-day trade**

**exposition, there are some interesting activities and events lined up ...**

The three-day trade fest would be interspersed with a host of other events ranging from poster shows to delicacies whipped up by expert chefs from the US, exciting wine tasting sessions and a Hollywood film every evening to complete the experience. There is also a seminar that will be conducted on the first day of the event, i.e., on June 3, at Taj Lands End titled "*Trade Insights*", which would throw light on a host of trade-related matters. Their audience would consist of mainly American exporters and manufacturers of FMCG products, Indian importers, retailers and stockists, international banking institutions, travel institutions, corporates, representatives from the hospitality industry, US state regional trade groups, dignitaries and distinguished members of the Chamber.

**What are the issues that the seminar titled 'Trade Insights' intends to address?**

Some of the topics to be covered at the seminar are as follows:

- 1) An overview of the Indian consumer market
- 2) Tariffs and duties
- 3) Contribution of the trade linkage service
- 4) Perspectives from American companies in India
- 5) Changing face of retail in India

The speakers would be highly distinguished members of the trade industry representing the FMCG sector, the trade linkage services, hospitality services, the government, national and international trade bodies, the retail industry, etc.

**This is indeed an interesting concept and wish you and the Chamber all the very best.**

Thank you. We would like to invite everyone to come be part of AmFest.

*(Please note: The regular registration fee for seminar is Rs. 3,000/- per participant. You can avail a special discount if you are an IACC member, hence the registration fee applicable for members will be Rs. 2400/-. To register for the seminar, please log on to [www.amfest-india.com](http://www.amfest-india.com) or contact Ms. Rashmi Bapat on 022821413/22836340 or Email: [rashmi.bapat@indous.org](mailto:rashmi.bapat@indous.org))*

# TIE-UPS: Shashank Draws A Bigger Map

**Foreign Secretary Shashank sees strong opportunities for co-operation between Indian and US industries in sectors like biotechnology, pharmaceuticals, telemedicine and healthcare, environmental technology,**

**nanotechnology, defence technology and space applications. Speaking at a function organized by the Indo-American Chamber of Commerce in Delhi recently, he said that India is associated with skills, quality, creativity and efficiency in the United States. "This is increasingly enabling Indian businesses to move up the value chain, he said." The text of his speech given below lists some of the high points of Indo-US business relations. He also said that the phenomenon of business process outsourcing will continue and the trend cannot be curbed.**

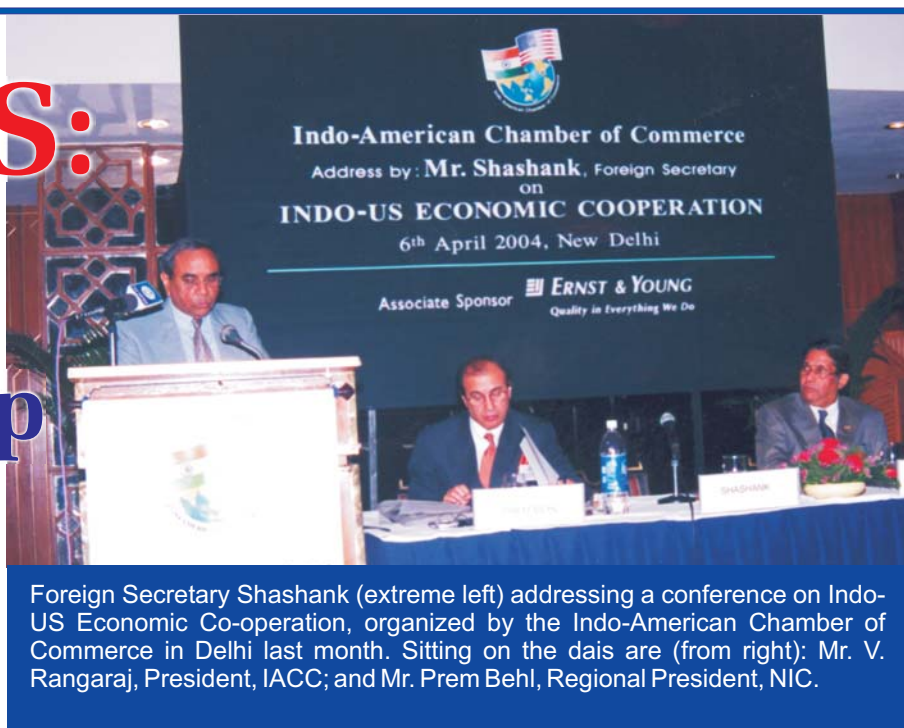
“It is a great pleasure to be here today. Yours is an association that focuses on deepening ties of trade and commerce with India's largest economic partner. The United States is the dominant economic partner, accounting for nearly one-fifth of our exports, 6% of our imports over three-fifths of our information technology exports, 16% of cumulative foreign direct investments since 1991 and about half of foreign portfolio investments in India. Therefore, your activities and endeavors have an important bearing on India's external economy.

The past three-four years have witnessed a qualitative transformation in India-US relations. However there is a widespread view that bilateral economic relations have not kept pace with the growth in our political, defence and strategic engagement, and, in any case, Indo-U.S economic ties are nowhere near their perceived potential. At the macro level, and especially in comparison with some other countries, this is indeed true. The view stems from the fact that the world's largest economy and the second most populous nation have bilateral trade in goods worth about US\$18 billion, trade in services worth about US \$8-10 billion and US direct and portfolio investments that generally do not exceed US \$ 1.0 to 1.5 billion annually.

There are, however, encouraging signs, One, India has generally maintained a double-digit growth in merchandise exports to the United States 12.5% per year over the last five years. In 2002, India's exports to the United States grew 21.4% and came close behind the 22.4% growth in China's exports. In 2003, however, the growth was a more modest 11%. Although the strengthening of the rupee against the dollar would naturally raise concerns among Indian exporters, I believe that they will overcome the challenge through innovation, quality, efficiency and appropriate marketing strategies.

After several years of sluggish growth, US exports to India grew 9.1% in 2002, against a decline of 4.9% in US exports worldwide, and saw a sharp increase of about 22% in 2003. A more competitive dollar and a strong investment climate in India have contributed to the recent surge in US exports to India. Since trade does depend on the state of the economy we expect that as the US economic recovery accelerates and as the Indian economy moves into a higher growth trajectory, we will see robust growth in Indo-US economic relations.

The second positive feature is that IndoUS economic



relations are being driven more and more by the wealth and value generating industries of the future - the services and knowledge intensive industries. High growth in software and services exports from India to the United States is also creating opportunities for US hardware and software companies in India besides a range of consumer goods and services. The success in the software sector is being replicated in business process outsourcing (BPO) and in research and development facilities with over a hundred major US corporations having set up R&D laboratories in India. Growth in our merchandise exports to the United States is increasingly on account of industries such as pharmaceuticals, chemicals and machinery.

Let me say a few words at this stage on business process outsourcing. Outsourcing has always been an integral part of business processes. Overseas outsourcing is an inescapable reality of globalization. As in the manufacturing sector, technology has made possible the development of a global supply chain in services. This phenomenon will continue to grow and cannot be curbed. Experts see a win-win situation in the cross border distribution of business processes for economies and businesses around the world.

The third aspect is that at the micro level there are many powerful examples of excellent and very successful American investments and IndoUS joint ventures in possibly every sector of business. These successful enterprises in India form a nucleus of excellence, which will expand into a broadbased relationship between the Indian and US firms.

Fourth, perceptions are important in the business world as elsewhere. Today, India is associated with skills, quality, creativity and efficiency in the United States. This is increasingly enabling Indian businesses to move up the value chain in their exports to the United States. Coupled with this is the welcome development of Indian firms beginning to invest in the United States as they seek greater presence and value addition in the US markets. In recent years, foreign investment outflows from India have been about US\$ 1.0 billion and the United States has been among the leading recipient of Indian investments.

Five, opportunities for growth in traditional and new sectors are constantly expanding. The end of the quota regime in textiles could potentially benefit the Indian industry immensely. We see strong opportunities in sectors such as biotechnology, pharmaceuticals, telemedicine and healthcare, environmental technology, nano- technology, defence technology, space applications, to name a few. From the perspective of US firms, new markets are constantly opening up in India. After the banking, insurance and securities markets, there would be new opportunities in the potentially large pensions market.

Although IndoUS economic relations are largely shaped by the industries in both countries, the two governments recognize that the strengthening of these ties is important for their shared objective of transforming bilateral relations and building a strategic partnership. During the recent visit of the Secretary of State, Mr. Colin Powell, economic relations constituted a major theme of discussions. In November, 2001, Prime Minister Vajpayee and President Bush agreed on a new Bilateral Economic Dialogue Architecture, comprising five components - dialogues on finance and investment trade policy, commerce, energy and environment. Within the framework of dialogue on commerce, the two governments have a special focus on infrastructure and knowledge-based industries. The two governments have also established a bilateral High Technology Cooperation Group (HTCG) to enhance high technology commerce, including trade in dual use goods and technologies, or what is referred to as strategic trade. The private sector is also an integral part of this Group as well.

Over the years, the direction of India's trade has diversified. Our economic initiatives and focus are becoming more pluralistic. However, traditional economic partners like the United States will always be very important in our external trade relations. We do believe that the moment has arrived for strong growth in our economic ties with the United States. And the growing ties of commerce and investments, the expanding web of cyber linkages against the backdrop of common commitment to democracy, will bind our two countries, to a close relationship of

**Foreign Secretary Shashank, Government of India, addressed members of Indo-American Chamber of Commerce on April 6, 2004 in New Delhi. Present at the meeting were, among others, Mr Robert Blake, Deputy Chief of Mission, US Embassy; Prof Jane Schukoske, Executive Director, USEFI; Mr Jayant Das Gupta, Joint Secretary, Ministry of Commerce; and other officials from the Ministries of Commerce & External Affairs.**



shared prosperity and political understanding.”

Mr Prem Behl, Regional President, NIC, thanked Mr Shashank for addressing IACC. He said that the process of “widening” and “deepening” of Indo-US economic relations is based on shared values, and hinges on sovereign equality. As a nation, we need to amplify to the global community that despite the process of economic liberalization and structural adjustment, the spirit of nationalism continues and occasionally questions “human face of globalization”, and the logic of “realpolitik”.

“It is the reality of a unipolar world that has led India to reassess its international economic relationships. The maturity with which India has acted on international fora has led to the acknowledgement of India as a major pan-Asian power politically and economically capable of assuming a pivotal role in international politics and economics. Therefore, what is needed is a realistic ordering and definition of future economic relationship between the US and India, the strongest and largest democracies respectively.”



## NO MORE THORNY ISSUES NOW

—V. Rangaraj

**W**elcoming Foreign Secretary Shashank on behalf of the Indo-American Chamber of Commerce, President V Rangaraj said that the US and India are now “actively and constructively” engaged in enhancing bilateral relations to a meaningful partnership.

Both the countries, he said, have made substantial progress in high-technology commerce and cooperation despite the ongoing US concerns over India's export controls and Indian complaints about restrictive access to advanced American technology. “We, therefore, remain upbeat on future progress in the so-called 'Trinity' issues,” he added.

Mr. Rangaraj noted that increased optimism over India's economy has even produced some consideration in US policy circles of a possible free trade agreement (FTA) with India. To begin with, he suggested the two countries should start discussing an FTA in the services sector. **Given below is Mr. Ranigaraj's speech:**

The Indo-US relations are improving, as the two nations continue their drive towards a critical partnership in the 21<sup>st</sup> century. After a somewhat turbulent year, which saw the United States and India differing on many issues, including Iraq and trade liberalization, the bilateral relationship is indeed moving forward. The last few months have witnessed a further deepening of military tie-ups, high-technology cooperation, and positive economic developments.

After having learnt from past problems in dealing with each other, the two countries have also learnt “to disagree without being disagreeable”. After four decades, Washington and New Delhi are now actively and constructively engaged in enhancing bilateral relations to a meaningful partnership for mutual economic benefits.

More recently, improving bilateral economic ties have been threatened by growing US disquiet over India's emergence as an outsourcing center. With the US Presidential elections due in November, politicians are starting to view offshore outsourcing as the root of the jobless recovery in the US technology and services.

Bilateral trade with the US has increased, with Indian exports to the US growing far more rapidly than those of US to India.

India and US have made substantial progress in high-technology commerce and cooperation despite the ongoing US concerns over India's export controls and Indian complaints about restrictive access to advanced American technology. We, therefore, remain upbeat on future progress in the so-called “Trinity” issues.

As India moves ahead with its economic development process, it sees good relations with the world's largest economy to spur foreign direct investment (FDI), to increased trade, and to easier access to advanced technology, in particular dual-use products, renewed cooperation in non-military space activities, and civilian nuclear technology. Closer relations will further increase American sensitivity to India's key security concerns, most of which relate to the subcontinent. In the broader Asian context, cooperative security ties would serve the interests of both US and India. However, we need to dispel this myth that India's economic progress is holding back the South Asian power from fulfilling its potential as a major player on the international stage.

In order to develop bilateral economic relations on an equal footing, fortunately there have been strategic concerns among US policy makers over larger US investment going to China than to India. To quote Senator Sam Brownback, a Kansas Republican and prominent

'Friend of India' on Capitol Hill: "It makes little sense for long-term US national security to see US foreign investment go so unevenly divided in the region."

Brownback stressed that US foreign policy goals would be much better served if more US trade and investment went to India instead of China.

Lately, there has been more optimism that Indian economy is on the growth trajectory, which will facilitate strengthening of economic relations with the US and further deepen bilateral relationship on other fronts, such as in the political and security fields. Low inflation, strong foreign exchange reserves and healthy agriculture and services sectors underlie the changes. The information technology sector continues to boom despite the global IT bust recently, now accounting for 4 per cent of GDP and 17 per cent of exports. There is no vast underclass of disaffected farmers and workers threatening to overturn the reforms, or even the political system, as there are in some other emerging markets. Therefore, concerns over India's economy are overblown, and recent positive economic developments have not been given enough credit that it rightly deserves.

Among South Asian states, only Indian economy could be labeled as advanced. Increased optimism over India's economy has even produced some consideration in US policy circles of a possible free trade agreement (FTA) with India. To begin with, the two countries should start discussing a FTA in the services sector, which could form the basis to jump start bilateral economic relationship. As it is, bilateral trade is growing substantially. Indian exports to the US rose by 21.4 per cent in 2002 to \$11.82 billion, the highest in past decade, while American exports to Indian grew by 9.1 per cent.

Mr Rangaraj said that there are large areas of "convergence and divergence" between India and the US. However, at the same time, both the countries have underlined that there is a vast potential for further cooperation in the fields of commerce, industry, investment and services. Both India and US can work together for better relations with one representing the world's largest economy and the other an economy of one-sixth of the world's population whose gross domestic product in purchasing power parity terms is the world's fourth largest.

There is need to increase the frequency of US-India economic and commercial dialogue, which would enable both the countries to understand each other's positions better. Both the countries can formulate strategies for understanding each other's positions both at the government and industry level and for establishing a better economic relationship.

## A WELL-STRUCTURED SEMINAR ON BPO

The Tamil Nadu branch of the Indo-American Chamber of Commerce and the Electronics and Computer Software Export Promotion Council organised a seminar titled **"Operating a BPO Outfit The Inside Story"** in Chennai on March 11.

The seminar, attended by more than 180 delegates from the industry, was well-conceptualised and structured to be different from and more effective than the usual seminars on BPO. Its objective was to analyze and highlight the systems, processes and the quality aspects in setting up and running a successful BPO firm.

Welcoming the gathering, Mr. G. Shanker, Chairman, IACC, Tamil Nadu Branch, said that BPO business is here to stay and introduced the profile of the speakers to the gathering.

Mr. Vivek Harinarain, IAS, Secretary, IT, Government of Tamil Nadu, and chief guest at the seminar, said BPO is a big opportunity for India and the State of Tamil Nadu has all the positive factors to capitalize on it.

Some of the key points made at the program by the speakers were:

- BPO is the biggest opportunity for India to move up in its employment opportunities and economic prosperity.
- Outsourcing is here to stay, as business sense will dictate production and processes to be done at a competitive centre
- BPO business involves people, technology and processes.
- Human resources are plenty in India, but trained and smart people are in short supply and the industry needs to do something about it.
- Employees in the BPO industry have to be treated well and they should be provided opportunities for growth.

Mr. P.V. Ravindran, Regional Officer, ESC, proposed a vote of thanks.

## IACC MEMBERS MEET EC CHIEF

The national president of the Indo-American Chamber of Commerce, Mr. V. Rangaraj, and a few senior members of the chamber called on Chief Election Commissioner Krishna Murthy on April 13 at Raj Bhavan in Mumbai. Mr. Murthy told them that Federal representatives from the USA would be in India to observe the election process. The election, he stressed, would create a tremendous positive impact on the rest of the world. He said that the electronic media cannot be treated on a par with the print media in the matter of advertisements by political parties, as the electronic media reaches every corner of the country and can easily have an undue influence on the illiterate class.

He added that there is a lot of indifference and ignorance amongst the voters. He urged IACC to spread the voters' awareness by including a message in their website and add a line to every communication asking the voters to verify their names on the list and exercise their voting right. He sought IACC's support in his endeavor to publish statistical information after the election. The Chamber readily agreed to his suggestion.

## TRADE OPPORTUNITIES

Here are some of the prospective trade opportunities available for joint collaboration:

### COMPANY INFORMATION

|                      |  |
|----------------------|--|
| <b>Business Name</b> | Futurenet Software   |
| <b>Address</b>       | Edison   |
| <b>Town/City</b>     | New Jersey   |
| <b>Country</b>       | USA  |
| <b>Telephone</b>     | 732 -572 -9334   |
| <b>Fax Number</b>    | 732 -572 -9336   |
| <b>Products</b>      | We buy powder or concentrate juices mylar balloons, party products, corn chips, frozen chicken, list items for export to India, branded razors and blades, toiletries. |

|                      |  |
|----------------------|--|
| <b>Business Name</b> | WJT Global Trade Consulting  |
| <b>Address</b>       | 1239 E. Ogden Ave., Suite 139  |
| <b>Town/City</b>     | Illinois   |
| <b>Country</b>       | USA  |
| <b>Telephone</b>     | 630-926-5545   |
| <b>Fax Number</b>    | 630-357-7190   |
| <b>Products</b>      | Are you interested in bringing your business/company to China, India, UK or the USA?<br>We function as a platform for establishing business relationships between potential suppliers and end-users<br>we cut through all the red tape in bringing success to your business. Our focus is in;<br>System Sales<br>Electronic Components<br>Manufacturing, Textiles and Auto Parts<br>Automated Welding Systems<br>Ethanol Plants (state of the art technology all over the world) |

|                        |  |
|------------------------|--|
| <b>Business Name</b>   | tritex textile machinery   |
| <b>Address</b>         | 1885 i 85 south  |
| <b>Town/City</b>       | charlotte north carolina   |
| <b>Country</b>         | USA  |
| <b>Telephone</b>       | 704 -392- 4798   |
| <b>Fax Number</b>      | 704 -394 -9967   |
| <b>Website Address</b> | www.tritexmachinery.com  |
| <b>Products</b>        | We supply cheap fabric, one yard and up, and in rolls, knit fabric, sinjersy, rib, interlock, double knit, assorted colors, contact for details, all fabric from USA mills |

|                      |   |
|----------------------|---|
| <b>Business Name</b> | International Exotic Wildlife.  |
| <b>Address</b>       | P.O.Box 707,, Spring Branch   |
| <b>Town/City</b>     | TX 78070-0707   |
| <b>Country</b>       | USA   |
| <b>Telephone</b>     | 830 -885 -5737  |
| <b>Products</b>      | We are an import company dealing with Live Reptiles, Aquarium Fish, Mammals and Birds. We import from all over the world and are always looking for new sources and contacts. |

|                      |   |
|----------------------|---|
| <b>Business Name</b> | Oh, Sew Good!   |
| <b>Address</b>       | 14 tyler ave  |
| <b>Town/City</b>     | staten island   |
| <b>Country</b>       | USA   |
| <b>Telephone</b>     | 718-815-8041  |
| <b>Fax Number</b>    | 718-981-4671  |
| <b>Products</b>      | I'm looking for Life Jacket/Preservers, Swim Vests, Neoprene specifically. Also, fishing reels & accessories. Basically boating supplies. |

|                      |   |
|----------------------|---|
| <b>Business Name</b> | Allied Healthcare Products Inc.,  |
| <b>Address</b>       | 1720 Sublette Avenue  |
| <b>Town/City</b>     | St.Louis, MO 63110  |
| <b>Country</b>       | USA   |
| <b>Telephone</b>     | 314-771-2400  |
| <b>Fax Number</b>    | 314-771-0650  |
| <b>Products</b>      | Mfrs. Of Air Compressors, Nebulizers, Calibration equipments, CO2 Absorbent, disposable suction and respiratory products, flowmeters, Oxygen regulators, suction units, oxygen therapy equipment and ventilation equipment is looking for a agent in India. |



## USIBC'S 29<sup>TH</sup> ANNUAL MEETING NEXT MONTH

The 29<sup>th</sup> annual meeting of the USINDIA Business Council will be held at the International Hall of Flags in Washington on June 8. The chief feature of the conference will be discussions on the US-India trade development partnership. While India's Congress-led government puts on the mantle of power, furthering the reforms process, everyone would be keeping a close watch on the new government's economic agenda highlighting opportunities mainly in expanding trade cooperation between India and the US. The focus of the meeting will be public-private partnership, highlighting the opportunities and participation in bilateral trade.

The meeting, beginning with the inaugural program, will see the welcome address by Dr. Michael T. Clark, executive director of USIBC, and a state of the Council address by Mr. Rajat Kumar Gupta, Chairman, US-India Business Council and senior Partner-Worldwide, McKinsey and Company. Mr. Donald Evans, secretary, US Department of Commerce, will deliver the keynote address.

This will be followed by the program on 'A NEW AGENDA IN U.S. INDIA RELATIONS?', chaired by Mr. Frank G. Wisner, Vice Chairman, AIG and Immediate Past Chairman, USIBC.

The post-luncheon program, 'Global Sourcing and America's Competitive Edge', will focus on the questions raised in the US on the high-technology cooperation growth. This will be followed by the program on 'What Next? Defense, Entertainment, Manufacturing & Trade' which will lay stress on the importance of the partnership emerging in several areas. In the analyst's corner, the theme 'Unlocking Productivity and Growth in India' will focus on achieving higher levels of economic growth, which is critical to any feasible set of economic priorities.

The policy update session will focus on 'Securing U.S.-India Services Trade', wherein business associations on both sides would strive to secure bilateral and global services trade. The conference will end on a pleasant note with the announcement of the Robert Dean Blackwill Prize followed by a cocktail reception.

## ACTIVITIES OF US-ERC

### Conference on energy efficiency in commercial establishments

The USERC and the Petroleum Conservation Research Association (PCRA) have announced "**Energium 2004**", a two-day conference on energy efficiency in commercial establishments on June 29-30 at J W Marriott, Juhu, Mumbai.

Energium 2004 will aim at disseminating information about "energy-best practices", besides helping to foster investment in energy efficiency and provide technical solutions for the commercial building sector. It will bring together all the key players from this sector, including policy makers, energy managers, energy efficiency experts, equipment manufacturers, and services providers.

Energium 2004 will provide a special forum to debate the latest developments in energy efficiency in commercial buildings. It will also discuss the policies and programs adopted and the strategies planned to develop energy efficiency. The technical and commercial advances in energy services and the facility management will also receive adequate attention.

The participants will include Central and state government officials, energy efficiency professionals, including energy managers, energy efficiency consultants, equipment manufacturers, policy makers, services providers, technical directors, property managers/owners, business development managers, chief engineers, architects and builders.

The conference will be divided into different sessions spread over two days covering the following areas:

- Regulation & policy
- Building materials, products and services
- Technology: heating, cooling, lighting, HVAC, motors & equipment, co-generation, etc.
- Control systems and Building Energy Management systems (BEMs)
- Non - conventional energy sources
- Financing of energy efficiency projects
- Performance contracting including performance monitoring and verification
- Clean development mechanism and energy efficiency

*For further information or participation details contact Veena Dharmaraj on 22821413/ 22836340 or email at [veena.dharmaraj@indous.org](mailto:veena.dharmaraj@indous.org)*

## KARNATAKA BRANCH

The Indo American Chamber of Commerce, Karnataka Branch, organised a speaker meet on 'IT Strategy and Competitiveness' on April 15, 2004. Professor D. Ashok, IIM-Bangalore, gave a very interesting and factual presentation. The program was well attended with about 33 participants and had very good interaction.



**Prof. D. Ashok making a presentation on 'IT Strategy and Competitiveness'.**

## HEALTH TOURISM: GLOBAL OPPORTUNITIES FOR KERALA

The Indo-American Chamber of Commerce, Kerala branch, organised a global seminar on 'Health Tourism: Global Opportunities' on March 16 at Cochin. Tourism in this southern state is expected to thrive, because it is considered to be a "must see destination" with its natural beauty, varied culture, etc. Besides, Kerala has undergone a marked improvement in its infrastructure. However, further promotional activities are required, to attract more tourists.



**Honorable Minister for Excise and Fisheries, Prof. K.V. Thomas inaugurating the seminar**

Kerala's Minister for Fisheries and Excise, Prof. K.V. Thomas, inaugurated the seminar. A series of papers were presented by the experts on Ayurveda, Yoga, Allopathy, dental care and other health specialties.

The seminar was aimed at projecting health among the prospective clientele in the US, and promoting the concept of Health Tourism among the tour operators through the counterparts of IACC in the US. This could be achieved through an effective media planning in the US and this, in turn, could create opportunities for investments by NRIs and the American business community in Kerala.

The program was well attended by members of IACC-Kerala and non-members of various health/tourism related centers from all over Kerala, resulting in excellent interaction.

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