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INDO-US BUSINESS

OPPORTUNITIES UNLIMITED

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*Indo-US Relations
A Bond Growing Strong*

NEW MEDIA



Dear Readers,

Greetings. The current issue coincides with the Indo-US Economic Summit, the first-ever such meet being held in Mumbai to further strengthen the existing trade bonds between India and the United States. The cover page write-up focuses on issues that have shaped Indo-US bilateral relations over the years - from the sulky Cold War era to the present sunny times when the two nations have redefined their policies to mutual advantage. While India's economic reforms, initiated in the early 1990s opened doors to the American companies and investors to flood this country with funds and goods, the 9/11 attack on the US brought the two countries together in their war against terrorism. We carry an Indo-US joint statement that calls for efforts to break the back of terrorism worldwide. The health of the US economy is crucial for global trade in general and for India in particular, since America being its largest trading partner. We feature two articles that highlight the economic policy thrust of President George Bush. One is about boosting US exports to generate employment at home and the other, on promoting Opportunity Zones across the country to help the American poor. We also feature India's Foreign Trade Policy, which aims to double India's share in global trade in the next five years. Talking about trade, we bring to your attention an article by Raghav Narsalay on Indo-US Free Trade Agreement (FTA). Then there is an interview with Angus Simon, US Consul General, who talks about the need for further reforms in India. It is said that what West Bengal does today, the rest of India does it tomorrow. But somehow, the state has missed out on opportunities offered by the IT boom in other parts of the country. It is now catching up with IT developments, desperate to make up for the lost time. We have interviews and profiles from that part of the country. The issue offers an article from Indiana about a non-profit organization carrying on a public health crusade on a giant scale. In this context, we take pride in featuring a breakthrough by Lupin, an Indian pharmaceutical company, which have developed a drug that cures Tuberculosis (TB) in just 60 days. The issue also offers a write-up on a maritime conference, which explores the possibilities of joint ventures, held recently. There is also an interview with Shashank Paranjape, a builder with a social conscience, whose concerns stretch beyond making mere profits from middle-class housing.

Wish you happy reading

Satya Swaroop

Managing Editor

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Dear Friends,

I am proud that this time the Indo-American Chamber of Commerce, the only bilateral Chamber in India representing the business interests of both countries, is celebrating 35 years of yeoman service to the promotion of Indo-American economic and business relations. It is organizing its first-ever “**INDO-US ECONOMIC SUMMIT**” on September 16-17 (Thursday-Friday), 2004 at The Taj Mahal Palace & Tower in Mumbai, India. The theme of the Summit is, “Raising the Bar: Indo-US Economic Relations”.

Economic relations between our two countries have always been closer, warmer and friendlier since India's independence. The time is ripe to seize the moment and raise the bar and explore the comparative advantages of each other's economies.

India's self-confidence and its desire to interact with the world have always been greater. India is accelerating on the road to economic progress by interacting even more with the global markets into which it ventured gingerly 13 years ago. Be it in telecommunications, foreign exchange reserves, pharmaceuticals, manufacturing or IT, India has been constantly 'raising the bar'. With favourable international prospects, rightly managed reforms and private sector investment, India could achieve rapid economic growth.

The Summit dates after a new government in Delhi is in place and is most important as it could be the first major opportunity for the new government to dialogue and interact with the Indo-US investment community and indicate its line of thinking.

The Economic Summit will enable U.S. businessmen to appreciate the significance of the changes in the investment climate in India and the marked improvement in infrastructure since the previous elections to Parliament. It will give them a chance to meet and interact with business and political leaders from India and gauge the prospects for faster reforms, which, we believe, are imminent with a new government. There will be opportunities to hear success stories from American companies well established in India.

Such Summits would definitely go a long way in enabling Indian businesses to explore possibilities for greater investment in India and for tie-ups with the American manufacturing and financial services sectors. It will give them an opportunity to understand and appreciate American concerns in today's world.

India is taking giant strides towards economic restructuring. The Summit will provide an ideal platform to highlight the investment climate in India. Besides discussions on reengineering the financial sector growth in India, the Summit will focus on India's competitiveness in manufacturing, pharmaceuticals and the services sector. India's infrastructure is far from world standards. The Summit will perhaps lead to American and Indian companies to bridge this gap.

It is important to explore new business opportunities between Indian and American companies against the backdrop of the changing global scenario.

V. Rangaraj

President, Indo-American Chamber of Commerce



Angus T. Simmons

'Let not reforms falter'

US Consul General in Mumbai Angus T. Simmons says that India must continue to open up its markets for greater access by world producers and at the same time remove unreasonable tariffs on US products and services. In an exclusive interview with Tripti Chakravorty, he also says that the opening up of the Indian economy would strengthen the Outsourcing industry's case in the US. The following is the text of the interview:

How do you rate the present Indo-US relations, especially at the political and trade levels? And what is the scope for development?

India and the US have witnessed the beginning of an important transformation in the past two years, which, if sustained, will provide important steps forward to building a bridge based on mutual trust and lay the foundation for a crucial partnership for the 21st century.

Political and trade levels are also appearing at never-before-seen levels. The "Next Steps in the Strategic Partnership" addresses high technology and trade; Secretary Powell's recent trip to New Delhi emphasized the US's push for increased economic trade and ties between our two great nations. Powell's trip re-energized the bilateral economic dialogue between our two nations. We should not, however, rest on our laurels. There is a great deal of work to continue opening up Indian markets to greater access by the world producers. Our mutual commitment to democratic principles, economic liberalization and social sector justice will only serve to strengthen further and increase our relations over the next few years.

India, as you know, is one of the largest overseas providers of information technology-related services to the US. There is some disgruntlement in the US over this issue, especially in the job market. Do you think this could be a problem in the long run? For example, there is a bar in countries like Saudi Arabia on engaging experts in certain job categories.

The outsourcing debate in the US does not appear to have had a discernable impact on the Business Process Outsourcing (BPO) business in India, although I understand that there is some lingering nervousness among Mumbai BPO businesses and some of their entry level employees, and outsourcing remains of high interest to the media. India's National Association of Software and Service Companies (NASSCOM) is working closely with US-based trade associations and think tanks in its efforts to highlight the benefits of outsourcing to the United States. IT company CEOs in India and experts recommend a low-key approach and engagement with US partners and customers. US experts advise India to open up its economy, which would strengthen the outsourcing industry's case in the US. US experts at NASSCOM's annual conference appeared more concerned about the intensity and duration of the anti-outsourcing backlash than many in the Indian IT industry, who expect the issue to die after the US presidential elections. One large Indian IT company reports a sharp uptick in outsourcing enquiries from the US firms, attracted to India by the outsourcing publicity.

How do you assess the potential for convergence between India and the US in non-IT areas like commerce, industry and investment?

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% 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 (including India's booming IT) are the pharmaceutical sector where Indian and American investment in both directions is now a powerful catalyst of two-way trade.

Although there is a comparative increase of US exports to India in recent times, even US authorities feel that it has not reached the desired level and that there is still scope for improvement. Same is the case with US direct investment in India. Are there any plans and programs in these areas?

The US government would like nothing better than to see a mutual increase in both exports and imports between our two nations. However, increases in both must be mutually beneficial and not benefit one side to the detriment to another. Currently, US products face unreasonable tariffs on their goods and services, which make their products prohibitively expensive to the common Indian. The Doha Round of the WTO is scheduled to conclude July 26, 2004. We are hopeful that full compliance with the lowering of tariffs in these matters will lead to future, more productive talks on finding equitable solutions to both of our nations' national security and economic needs.

You have been in Mumbai for nearly a year now. How do you find the city in particular and the country in general?

Actually, I am amazed to say that it is almost two years. Amazed because time passes so quickly in this incredibly vibrant city. The variety and richness of India's culture means that every day here is an opportunity to learn and explore.

What is different about Mumbai and India compared with your earlier assignments in Japan, China, Hong Kong and Taiwan?

Each of the countries I have served in has its own unique history and cultural traditions. However, I find more similarities than differences. This is because modernization, economic development and global communication is bringing the world closer together. Many of the things that I have seen happening in other countries as they have undergone economic development are also happening in India.

Any other information, which you would like to share with our readers?

I have really enjoyed discovering Indian culture. I could not have done this without the help of so many Indian friends, friends who entertain graciously and bring music and art into their lives. India's warm hospitality leaves a lasting impression on all of her visitors.



Safety, Main Plank of US Policy

The upswing in Indian emigration to the US has been viewed with satisfaction by **Joseph M. Pomper**, First Secretary and Consul, who has strongly denied any discrimination in issuing visas. He has also spelt out the broad principles governing the US immigration policy and clarified certain points in an exclusive interview with **Tripti Chakravorty**. The following is the text of the interview:

How far has the current immigration policy helped the US check the entry of the so-called dangerous immigrants?

The goals of US immigration policy are fourfold: 1) To enhance the security of US Citizens and visitors; 2) to facilitate legitimate travel and trade; 3) to ensure the integrity of the immigration system; and 4) to safeguard the privacy of visitors to the US.

The US has made fingerprinting compulsory. Don't you think this is an infringement of privacy?

Visa records are by law confidential. They are released only for legitimate law enforcement purposes that are subject to statutory, regulatory and other legal restrictions. The Department of State has made no agreement to provide fingerprints from visa applicants to any foreign governments.

What has been the trend of immigration from India during the last few years? And what is the percentage of rejection?

The trend of travel from India to the United States during the past year has been on the upswing, which is very encouraging. Most Indian clients who apply for non-immigrant visas get them.

What is the break-up of the total number of visas issued? For example, how many for IT professionals and how many for other categories?

We do not break down our visa statistics in that manner; however, in fiscal year 2003 (October 1, 2002 September 30, 2003), we adjudicated 22,230 employment visas out of 124,000 cases or 18% of our total volume.

Could you please tell us something about the work-permit system in the US?

We have a number of different types of petition-based employment visas, including temporary worker ("H"), intra-company transferees ("L"), aliens with extraordinary abilities ("O") and athletes, artistes and entertainers ("P"). In each of these categories, the petitioner in the United States submits a petition to the Department of Homeland Security, which must be approved before the beneficiary can apply for the visa at a US Embassy or Consulate abroad.

For additional information about these categories of non-immigrant visas, people may wish to refer to the Consulate's website: <http://mumbai.usconsulate.gov> or the State Department's website at: <http://travel.state.gov>.

What do you look for when issuing visa for a prospective student who wants to visit the US?

We are not guidance counselors. Basically, we want to make sure the student has been accepted by a college or university, has the requisite funds to pay for the schooling, can articulate how the proposed course of study fits into future career plans, and that the student has ties to India that will bring him/her back here after graduation.

There have been stray complaints of discrimination by the US authorities in issuing visas to some sections of Indians. Your comment...

This is an "urban myth" and I would like to state for the record that the US Consulate General does not issue or deny visas on the basis of race, religion, national origin, age, sex, ethnic group or caste.

In a recent article in a newspaper, it was mentioned that certain categories of visas would have to be renewed in the home country on expiry. Could you please elaborate?

Now that the biometrics program is in place, the State Department can no longer renew certain categories of employment visas as they had done in the past. Clients seeking permission to remain in the United States may do so by applying for an extension of stay at the nearest office of the Department of Homeland Security, as they do now. That has not changed. Those who are seeking permission to re-enter the US after a trip abroad will need to obtain new visas in their passports, which they can do at any US Embassy or Consulate. They do not have to apply for visas in their home countries unless they happen to be traveling there. They can apply at a US Mission anywhere. Clients planning to apply for visas abroad should contact the US Embassy or Consulate in that country in advance for information about the visa application process.

Any other information...

We encourage the Indian travelers going to the US to plan ahead and apply as early as possible for their visas to avoid last-minute delays.

To schedule an NIV appointment, please contact our off-site appointment scheduler, VFS. Their telephone number is 2494-4666; e-mail address is: info@visa-services.com, and website is: www.visa-services.com/usa.

For additional information about non-immigrant visas, we encourage people to refer to the Consulate's website: <http://mumbai.usconsulate.gov>.



Indo-US Relations

The Blockbuster of A Bond Growing Strong

U.S Secretary of State Colin Powel once aptly likened the relationship between India and America to a Bollywood script. He said: A thriving, peaceful, democratic India is taking its place on the world stage. And the United States looks forward to acting in close partnership with her. In the years ahead, I see the U.S-India relationship becoming as rich and vibrant as a Bollywood Blockbuster. To be sure, there will be twists and turns of plot and some challenges for the characters to overcome, but I have no doubt there will be a happily-ever-after result for India, for the US and the whole world community.

True to the script, Indo-US relations hit a rock bottom in 1998 when India exploded a nuclear weapon. The immediate fall-out was disastrous for India. First, its arch rival, Pakistan followed suit by exploding its own nuclear device. And then, the US, the world's biggest nuclear power, concerned about nuclear proliferation, quickly imposed economic sanctions on both India and Pakistan. The nuclear tests pushed US-India relations to a low point and strong political and economic imperatives were needed to pull out of the situation. These were provided in the nine rounds of talks between former Indian foreign

minister Jashwant Singh and former US Deputy Secretary of State Strobe Talbot. The strategic talks that started in 1998 continued into the following year. Not only did they make the Indian government more sensitive to the proliferation concerns of the US. Conversely, the talks gave India an opportunity to explain to the US several key aspects of its unwritten strategic doctrine and its own security concerns. The year-long rounds of talks were groundbreaking as they opened new vistas of understanding and cooperation between the US and India. Almost half a century of talking at each other as happened during the cold war era, India and the US now grew accustomed to talking to each other. The consequent understanding led to the first softening of the US sanctions that had tightened against India following the nuclear tests and pulled back from freeing up high technology exports to India.

Clinton's View of India

The visit of the then US President Bill Clinton to India in March 2000 was a watershed in US-India relations. Addressing a rare joint session of the Indian Parliament, Clinton talked about the lessons India teaches to the world: "The first is about democracy. There are still those who deny that democracy is a universal aspiration; who say it only works for people of certain culture or a certain degree of economic development. India has been proving them wrong for 52 years now. A second lesson India teaches is about diversity. Under trying circumstances you have shown the world how to live with differences... that tolerance and mutual respect are in many ways the keys to our mutual survival"

India Am'Bushed'

The process of transforming US-India relations was speeded up under the Bush administration. The new US President decided early on in his tenure to get the "Big Relationships Right" and counted India among them. The cold war was over. The growth of the Indian economy and its increasing importance in the new global knowledge-based economy also brought it closer to the US. Besides, India's strategic importance was clear to the Bush administration. The "Feel Good" factor built into Indo-US relations was further strengthened after the 9/11 terrorist attack against the world's sole superpower.





Growing Collaboration

By the turn of the century, the US and India were collaborating closely on a gamut of Issues, including global security, the Persian Gulf, International terrorism, HIV-AIDS, counter-terrorism, cyber security, environment and climate change, energy and WMD proliferation. As global war on terrorism got underway, it became even more important for an intensive military relationship to develop between the US and India, with the goal of maintaining stability in Asia as the driver. Since 2002, militaries of both countries have been in contact with exercises, exchanges with the US emerging as the major supplier of defence equipment to India.

The fact that America's war on terrorism was closely intertwined with India's became clear when the US banned terrorist groups like Lashkar-e-Toiba but also underworld Mafia leader Dawood Ibrahim. Just as 9/11 transformed US-India relations so, too did it bring into focus the need for a halt in the flow of cross-border terrorism emanating from Pakistan. In 2002, when India and Pakistan were spiraling towards conflict, the US was actively engaged in defusing the crisis. The US government subsequently welcomed the warming up of relations between India and Pakistan. Ultimately, the phrase natural allies refers squarely to the fundamental principles of the US and India- large and functioning democracies, committed to political and economic freedom.

Manmohanomics

The key factor, which has influenced Indo-US relations most, is the globalization of the Indian economy following far-reaching reforms by the then Finance Minister and present Prime Minister Manmohan Singh in the first of the 1990s. Under Singh's in-depth understanding of the dynamics of global economics, India opened its market doors to the world for the first time. They have remained so since then.

Today the US is India's most important trading partner. According to the Indo-American Chamber of Commerce and Industry, there are 1,000 companies doing business in India today a 14-fold increase over 1991. However, US officials have noted that the American market remains much more open to Indian firms and their products than the Indian market is to US trade and investment. "While we are India's largest trading partners, our bilateral trade remains far

below what it could be," said US Assistant Secretary of State Christina Rocca some time back.

As the country began moving away from a closed, socialist economy to an open, market-oriented one, US interest in India increased, particularly Information Technology (IT) and its allied service sectors, economic relations have emerged as the new and dynamic area of friendship and partnership. There is now a greater recognition of the large Indian, intellectual talent pool.

"I no longer have to sell India, says Scott Bayman, President and CEO, GE India."

Despite the fact that Indo-US bilateral trade has grown phenomenally, the balance of payments, however, remains in favour of India, with US investments and exports to India remaining relatively stagnant. Nevertheless, the U.S is now the largest cumulative investor in this country, both in foreign direct investment and portfolio investment.

Information Technology

Over the past five years, the average annual growth rate of India's total export in services has been a strong 21.5 per cent. Outsourcing paced by software and software-enabled services exports, which grew at an average rate of 40 percent. And the spread of new high-end U.S research facilities in India have only hastened the pace. In fact, India has become crucial for giving the U.S the competitive edge in the world market. With many Fortune 500 companies opting for a back-office centre in India, the service sector is the fastest growing component of India's GDP.

At the same time, an increasing number of U.S financial companies have started arriving in India in the form of portfolio investors, venture capital funds and banks. Today, Citibank is the largest clearing bank in India and the biggest issuer of credit cards. Similarly, American Express,





which started the trend of outsourcing back-office work from India, has posted robust growth and employs about 3,000 people in this country.

Economic reforms have also opened up the insurance sector, which was closed to foreign investment until recently. At present at least five large American insurance companies are operating in India through joint ventures. Principal Financial Group, the top pension provider in North America, has already signed at least 400,000 customers and has nearly \$700 million invested in India. The company has full-fledged mutual fund business, yet another area that was opened to the private sector. Now, the pension sector has also been opened and many American companies are expected to do business in India.

In keeping with the increasingly globalized economy, there has been a two-way exchange between India and the U.S. Indian companies are doing business and raising capital in the US markets. There are at least 10 Indian companies currently listed on the New York Stock Exchange (NYSE) and Nasdaq. The client list of Infosys Technologies, one of



India's top IT and software service providers, includes Boeing, Cisco and Dell. Satyam Computer Services has nearly 300 global clients, some more than 80 of them being Fortune 500 companies. From the American side, a large number of companies, especially food chains and consumer goods firms like McDonalds, Dominos, Pizza Hut, Pepsi, Coca-Cola, Reebok, Nike, Amway and Avon have established a major presence in India. The investment of Pepsi alone is estimated at Rs 4,500 crore (\$1 billion) in India.

The deepening of economic cooperation between the two countries is a result of the realization on both sides, of the true value of each other's market. Clearly more opportunities for American goods and services constitute the missing component. McDonald has come to alter the eating preferences of the Indian middle class, Nike and Reebok are working hard to change the way the Indians walk and work out. Hollywood, the ultimate US export, now includes India in the world premiers of its blockbuster movies.

With the Indian economy opening up, US companies have established profitable linkages with this country, the most beneficial spin-off being fast expanded bilateral trade. However, there remain issues of market access and tariff barriers in India, which are being addressed. Technology and services have clearly been the drivers of the economic relationship and many US companies have taken advantage of India's huge pool skilled brainpower.

Even as Silicon Valley start-ups and American IT companies are being powered by expatriate Indians, the offshore business model is giving rise to political debate over a complex multi-layered relationship spanning Business Process Outsourcing that includes call centres high-end software and product development for American companies. India has attracted probably the biggest share of the outsourcing pie because of its highly skilled labour available at almost half the cost. A number of foreign firms have opened centres in India to cash in on the cost advantage as India gives the same quality of work in lesser costs, despite the strong anti-outsourcing sentiment. But the trend seems to be going through a major change. Powell, who visited Delhi in March 2004, said: "Outsourcing is a fact of life in the 21st century global environment in which we live. We outsource to India which in turn outsources back to the US in some instances."

Profits for US firms

The companies now outsourcing to India include those who have already made money from the cost advantage and are reaping profits now. IBM is one the key examples, which is making huge money from its global services business. The hardware major fetched revenues of \$11 billion in the 2004 first quarter alone. According to estimates by Gartner Research, the IT development and integration business will generate \$60 billion of business globally compared with \$171 billion coming from total IT management. So, even the companies earning good revenues are outsourcing to further maximise the profits.

Another BPO firm, 24/7 Customer, is yet another example of a US-based company making profits and further hiring in India. The company will increase its employee strength to 6,500 in India by this fiscal-end from 3,500. 24/7 Customer expects its revenues almost double to about \$60 million by the end of the fiscal. The \$20 billion-Electronic Data Systems, one of the world's largest software services company has also announced the expansion of its India operations with the opening of a second solution centre facility in Pune. EDS, which entered India in 1996, has 2,000 employees in the country spread over Chennai, Gurgaon, Mumbai and Pune and is further ramping up its operations. Many surveys have pointed out to a further surge in the number of companies outsourcing work to India.

Deloitte Research found in a survey of 43 financial institutions in seven countries, institutions in North America and Europe increased jobs offshore to an average of 1,500 each from an average of 300. According to the survey, about 80 per cent of the work sent offshore went to India. Leading British bank, Lloyds TSB, which announced more job shifts to India this year is already facing opposition from unions for its outsourcing moves.

Indian IT major Wipro has taken a cue from IBM. The company has already started building on its services business. Bangalore-based Wipro, which reported revenues of Rs 5,816 crore (\$1.35 billion) in 2003-04 from its IT and consumer goods lines, sees a huge business opportunity in providing IT services and infrastructure via long-term agreements. Infosys also has plans to strengthen its consultancy business, to cash in on the new success mantra. Despite the anti-outsourcing sentiment, more and more foreign firms are switching to outsource even the strategic work. And these are not the firms which are making losses, they are well established companies already making profits

India's Iconic status

As the largest country in South Asia, India has a pivotal role to play in helping to secure a stable, peaceful and

prosperous Asia. US-India relations are better today than at any time in the past and both the governments are determined to keep it that way. Shift in cooperation, from promoting greater global stability and security to improving standards of living and quality of life. The number of Indian students in America has been going up steadily. It was 30,641 in 1996-97 and more than doubled to 74,603 in 2002-03.

More Reforms

Despite its slow pace, the second generation of economic reforms promises to further strengthen economic ties. The Consumer Protection Bill aims at protecting ethical businesses and the consumer as well. The success of the second generation reforms is of great interest to US businessmen. They view the removal of investment caps, lowering of tariffs, elimination of restrictions on retailing and over-regulation in many sectors of the economy as a prerequisite to sustained increase in trade, investment and the growth of US-India economic relations.

Another wave of reforms, including labour reforms, would help India become more competitive and encourage more US trade. This area of Indo-US economic interaction will be an essential element in the transforming relationship in the future.

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Opportunity Zones in Offing

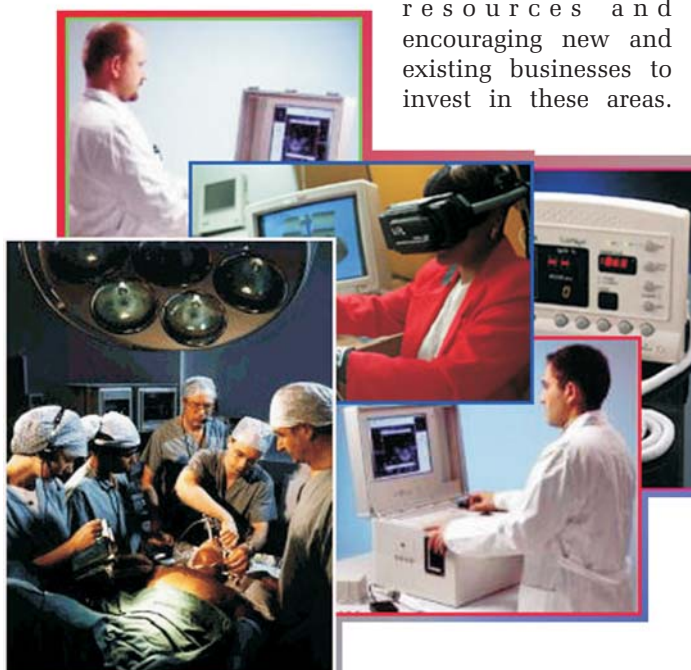
American Poor Must

Share Nation's Riches - Bush

US President Bush believes that America's economic prosperity should extend to every corner of the country. To help reach that goal, he has proposed a new "Opportunity Zone" initiative to assist America's transitioning neighborhoods - those areas that have lost a significant portion of their economic base as a result of the changing economy, for example, due to loss of manufacturing or textile employment, and are now in the process of transitioning to a more diverse, broad-based, 21st century economy.

No doubt, America's changing economy is strong and getting stronger. But during these times of change, America's economic growth is not felt equally throughout the Nation. In poor communities and in those where traditional industries do not employ as many workers as they did a generation ago, opportunity can seem more distant. President Bush believes that the government must be on the side of the people in these communities.

Opportunity Zones would ease that transition by targeting Federal resources and encouraging new and existing businesses to invest in these areas.



Opportunity Zones are different from existing Empowerment Zones (EZ), Enterprise Communities (EC), and Renewal Communities (RC). They provide a comprehensive, results-based approach, expanding the focus of assistance beyond economic activity to encompass education, job training, affordable housing, and other activities critical for a vibrant community. Communities already designated EZs, ECs, or RCs would be allowed to apply for Opportunity Zone designation.

In addition, Opportunity Zones recognize that overcoming barriers to growth requires local involvement. Designation as an Opportunity Zone requires a commitment from the community to partner with the Federal government and a demonstrated capacity to reduce local barriers to development and create jobs.

Benefits for Opportunity Zones

Areas qualifying for Opportunity Zone status would be moved to the front of the line for certain Federal assistance programs. Specifically, individuals, organizations, and governments within an Opportunity Zone could receive priority designation when applying for the following Federal programs:

- o 21st Century After-school, Early Reading First, and Striving Readers funding;
- o Community Based Job Training Grants;
- o Community Development Block Grants, Economic Development Administration grants, and HOME Funding;

- o USDA Telecommunications Loans, Distance Learning and Telemedicine grants, and Broadband loans; and
- o New Markets Tax Credits.

To stimulate growth, opportunity, and job creation, Opportunity Zones would encourage businesses to locate, invest, and hire in the community through:

- **Lower Marginal Rates.** Small businesses located within Opportunity Zones would see significantly lower effective tax rates on their business income.
- **Investment Incentives.** Small businesses located within Opportunity Zones would qualify for an extra \$100,000 in expensing for purchases of tools and other equipment used within the Zone. This \$100,000 is in addition to the \$100,000 that they can already expense under the President's tax policies. Moreover, firms of all sizes would receive accelerated depreciation for the construction or rehabilitation of commercial buildings located within the zone.
- **Incentives to Hire New Workers.** Businesses within an Opportunity Zone would be encouraged to hire Zone residents and welfare recipients through a unified wage tax credit combining the best elements of the Work Opportunity and the Welfare to Work tax credits. Workers eligible for the tax credit would include Opportunity Zone residents, welfare and food stamp recipients, and other targeted groups.
- **Regulatory Relief.** As part of the Federal commitment to Opportunity Zones, the Office of Management and Budget would review Federal regulatory and paperwork burdens imposed on these communities.

Communities In Transition

Opportunity Zones expand the concept of traditional enterprise zones to include communities in transition. A community can qualify to be an Opportunity Zones by fitting one of the following two categories:

• **Rural or Urban "Communities in Transition".** These areas have suffered from a significant decline in the economic base, including a decline in manufacturing and retail establishments, within their community over the past decade and would benefit from targeted assistance in transitioning to a more diverse, 21st century economy.

• **Existing**

Empowerment Zones, Enterprise Communities, or Renewal Communities. These communities received their designation due to high poverty rates, high unemployment, and low incomes. By receiving an Opportunity Zone designation in lieu of their current designation, however, these communities would be eligible for the expanded benefits available to Opportunity Zones.

There will be 40 new Opportunity Zones selected - 28 urban zones and 12 rural zones - through a competitive process. The competitive process will determine whether there is a commitment from the community to partner with the Federal government and a demonstrated capacity to reduce local barriers to development and create jobs. Examples of areas that might qualify to compete for an Opportunity Zone designation include Winnebago County, Illinois; Cuyahoga County, Ohio; and Erie County, Pennsylvania.

How To Be an Opportunity Zone?

In order to qualify to be an Opportunity Zone, a community that either (1) meets the "community in transition" eligibility requirements above, or (2) is an EZ, EC, or RC, would:

- **Develop a "Community Transition Plan."** To encourage increased business and residential activity within an Opportunity Zone, an applying community would develop and submit a "Community Transition Plan," which sets concrete, measurable goals for reducing local regulatory and tax barriers to construction, residential development and business creation. Communities that have already worked to address these issues would receive credit for recent improvements.
- **Submit an Application.** An interested community would need to submit an application, including the Community Transition Plan. Zone designation would be awarded through a competitive selection process.
- **Report Results.** Approved communities would report regularly on the concrete results they are achieving, including construction, residential development, and business job creation.



Higher Exports to Create More Jobs, Better Wages



President George Bush has made it clear that the top economic priority of his government is the creation of more jobs for American workers.

Addressing the Women's Entrepreneurship in the 21st Century Forum recently, President Bush said that free and fair trade will help create more higher-paying jobs for local workers by opening new markets for American products and services. It will also help in bringing lower prices and more choices to American consumers, and attracting foreign companies to invest and hire in the US, he added.

At the meeting of the Forum, President also discussed his policies to strengthen the economy and create jobs in America by:

- Opening foreign markets to U.S. products and services and providing a level playing field for American workers;
- Creating the conditions for American companies and workers to compete and outperform the world;
- Making sure that America's workers have the best skills and education in the world.

President Bush also pointed out that America is economically stronger when it participates fully in the worldwide economy. When 95 per cent of the potential customers for American products live outside the U.S., America must reject policies that would result in economic isolationism, he said.

During the discussions, It was mentioned that in Ohio, thousands of workers' jobs depended on trade agreements that enable Ohio-made products to compete in markets around the world. Since the enactment of NAFTA in 1994, Ohio's exports to Mexico have tripled, and last year exports totaled more than two billion dollars. Since the end of 2000, Ohio's exports increased more than any state in the country. Exports are vital to

our Nation's economic strength and in 2004, America is selling computer chips to Japan, producing BMWs for export to Germany, and exporting California wine to France, it was pointed out at the Forum.

Background - Job Creation for America's Workers

- Opening markets to U.S. products and services is an important part of the President's six-point plan for sustaining America's economic recovery and creating new jobs for American workers. According to government statistics:

- o U.S. exports accounted for about 25 percent of U.S. economic growth during the 1990s and supported an estimated 12 million jobs.
- o Jobs in exporting plants pay wages that average up to 18 percent more than jobs in non-exporting plants.
- o Approximately one out of every five factory jobs in the U.S. directly depends on trade.
- o American farmers export one in three acres of their crops, and exports generate nearly 25 percent of farmers' gross cash sales.
- o America's dynamic high-tech sector depends on exports. In 2003, exports of advanced technology products totaled \$180 billion.

- The President believes American workers are the best in the world, and when given a level playing field they can compete against workers anywhere. The President has acted aggressively to negotiate trade agreements that slash foreign tariffs and remove the barriers that disadvantage American workers and exporters.

- To help American businesses and workers continue to outperform the world, the President has acted to make American companies more competitive. Tax cuts were vital to creating an environment of growth and innovation, and they must be made permanent. The President has also

proposed reducing unnecessary regulations; making health care costs more affordable; reforming the legal system to cut down on frivolous lawsuits, and enacting a national energy policy that ensures an affordable supply of energy and reduces our dependence on foreign oil.

- Free and fair trade helps create jobs at home by opening foreign markets to American exports - as well as by encouraging foreign companies to set up operations in the United States. Foreign-owned firms directly employ more than 6.4 million workers in the U.S. - jobs that might otherwise go to foreign workers - and that does not include the millions of people who work at companies that supply parts and material to foreign-owned firms. Examples include:

- o Honda employs about 16,000 Ohioans and 24,000 American workers nationwide.
- o The BMW plant in Greer, South Carolina employs 4,700 American workers.
- o Toyota's new \$800 million plant in San Antonio, Texas will create approximately 2,000 new jobs, bringing its total number of employees in the U.S. to over 35,000.
- o Nestle employs 43,000 Americans nationwide.

- Free and fair trade also helps to lower prices and increase choices for American consumers. Over the past decade, NAFTA and the Uruguay Round agreements have raised the standards of living of the average American family of four by up to \$2,000 a year, according to the Office of the U.S. Trade Representative. A University of Michigan study shows lowering global

trade barriers on all products and services by even one-third could boost the U.S. economy by \$177 billion, thereby raising living standards for the average family by \$2,500 annually.

- As we recognize the benefits of free and fair trade, we also recognize that any job loss from economic change - whether arising from trade or technology or increased productivity - is painful for some workers and their families. Manufacturing output, for instance, increased six-fold between 1950 and 2000 - yet, because of high productivity and new technologies, about the same number of workers are employed in manufacturing. Many of the new jobs being created require new skills, and we must help these workers deal with dislocation and acquire the skills necessary to find good-paying jobs. The President's FY 2005 budget commits significant resources to help displaced workers find jobs.

- o **Job training and employment assistance:** The President's FY 2005 budget proposes \$23 billion for job training and employment assistance.

- o **Jobs for the 21st Century:** The President has proposed more than \$500 million for his Jobs for the 21st Century initiative to help prepare U.S. workers to take advantage of the better skilled, higher-paying jobs of the future. This includes \$250 million in proposed funding targeted to community colleges to train workers for industries that are creating the most new jobs, as well as funding for new secondary education programs to better prepare high school students for the jobs of the 21st Century.

- o **Trade Adjustment Assistance:** In 2002, President Bush signed a law expanding the Trade Adjustment Assistance program, which will provide \$1.1 billion in FY 2005 for training and cash benefits for workers dislocated by increased imports or a shift of production to certain foreign countries. Workers are also eligible to receive a Health Coverage Tax Credit covering 65% of the premium for qualified health insurance. Workers over 50 may be entitled to Alternative Trade Adjustment Assistance, which pays half the difference between their old wage and the wage they are receiving at new employment for up to two years and up to \$10,000.

- A pro-growth economic agenda, a strong education system, and help for American workers to gain the skills to secure good jobs are the right ways to respond to the challenges of our growing and changing economy. A retreat to economic isolationism is the wrong course to take. Isolationist policies would endanger our economic recovery, cost U.S. workers jobs, lead to higher prices for American consumers, and put U.S. workers and companies at a competitive disadvantage.





Devang Shah

Managing Personal Finances Across Borders

If you have wealth or are building personal wealth across two countries, there are opportunities and challenges that you are already aware of. You already know, for example, that taking personal finance decisions that have implications for your wealth in two countries, is not just a tax and law matter neither is it simply a clear cut investment decision that can be made by weighing the cost and benefits of a few alternatives.

As you can imagine, the area of knowledge that would encompass all the personal financial issues between the two countries is very large. More importantly, it isn't as if you could get an international investment manager and that would be the final answer. Likewise an international tax expert will answer questions only from the tax point of view.

So is there really a long-term solution? Can there be someone who will accept responsibility of advising you on your personal financial issues across taxation, law, investments and ofcourse across borders!

For many years people, who may not have had to deal with cross border finances in the personal wealth, have been increasingly seeking out advice of personal financial planners. Professional financial planning takes a systematic and holistic approach to an individual's financial life. A qualified financial planner will consider a client's goals, stage in life, personal circumstances and risk tolerance. They will make recommendations for growing and preserving wealth, minimizing tax, estate planning & wills, insurance and more, depending on the individual they are working with.

CFP™ or the Certified Financial Planner™ is a professional designation that emerged to set and maintain the highest standards in the personal financial planning industry in the US almost half a century back. Over the years the profession has grown to encompass about 18 countries across the world. The processes followed CFP™ certificants anywhere in the world which are similar and so are the practice standards and code of ethics.

The immediate fall out of this international evaluation of the CFP™ mark has been the foundation of cross border financial planning. Because of similar work ethics and practice standards, CFP™ certificants find it easy to interact, communicate and work with their peers in any part of the globe. This has led to establishment of cross-border practices which specialise in taking the sweat out of managing personal finances across borders for clients, who can now rely on a single professional.

Traditionally the financial planning professionals have been trained to approach the personal finance issues in a holistic manner. This is done by following a time tested (and soon to be ISO certified) six-step process incorporated in the CFP™ practice standards

- Establishing and Defining the Relationship with the client
- Gathering client data and determining goals and objectives
- Analyzing and evaluating the client's financial status
- Developing and presenting the financial planning recommendation(s)
- Implementing the financial planning recommendation(s) and monitoring

The CFP Board of Standards, Inc. (www.cfp-board.org) in the USA and the Association of Financial Planners (www.afpindia.org) in India are authorised to grant the CFP mark in these two countries. They have taken the responsibility to set and maintain the standards for the certification in their respective countries. Financial planning - a distinct element within the spectrum of financial services industry - is still relatively young. But it is an increasingly important part of the service mix that people world over seek to maximize the potential of their hard-earned money.

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India Aims To Double Share In Global Trade

India has drawn up an ambitious plan to double its share in the global trade in the next five years. Unveiling a comprehensive Five-Year National Foreign Trade Policy on August 31, 2004, Commerce Minister Kamal Nath said stepping up employment-generating agriculture and services exports constituted its focus.

The policy envisages doubling of merchandise exports to \$150 billion annually by 2009, and trebling of the services exports, which are growing rapidly, to \$150 billion by the end of this decade. At present merchandise exports account for nearly \$70 billion annually, while the services exports fetch \$50 billion.

Kamal Nath said the government will constitute a Board of Trade for achieving the objective of boosting India's share in the world trade to \$150 billion annually by 2009. The Board would be headed by an eminent person and not a minister, he added.

Under the Policy, a new scheme to establish free trade and warehousing zones has also been introduced to make India a global trading hub. Hundred per cent FDI would be permitted for developing the zones and their infrastructure facilities. Each zone would have a minimum outlay of Rs 100 crore (Rs 1 billion) and units there would qualify for all other benefits as applicable to special economic zones.

The Policy provides for duty-free imports of capital goods in agriculture and consumables for metals other than gold and platinum, for promoting gems and jewellery exports. The capital goods import under EPCG for agriculture would be duty-free.

Apart from setting up a new Handicraft Special Economic Zone, the policy provides for setting up bio-technology parks and an export promotion council for giving major thrust to service exports. Bio-technology parks will be established with facilities as provided to 100 per cent export-oriented units.

Apart from containing a new scheme 'Vishesh Krishi Upaj Yojana' to boost agriculture exports, the policy exempts all goods and services exported from service tax. It also exempts export-oriented units from service tax and all exporters with a minimum turnover of Rs 5 crore (Rs 50 million) from bank guarantee requirement. The Yojana would boost exports of flowers, fruits, vegetables, minor forest produce and value-added products. Such exports would qualify for duty-free credit entitlement equal to 5.0 per cent of FOB value of exports.

A new scheme 'Target Plus' has been introduced under which exporters who achieve quantum growth would be entitled to duty-free credit based on incremental exports substantially higher than the general annual export target.

For incremental growth of over 20, 25 and 100 per cent, the duty-free credit would be 5, 10 and 15 per cent respectively of FOB value.

Kamal Nath said the popular export incentive scheme Duty Entitlement Pass Book (DEPB) would be continued till it is replaced by a new scheme, which will be drawn up in consultation with the exporters.

Apart from setting up the export promotion council, Kamal Nath announced two other major initiatives to boost services exports. The government would promote establishment of common facility centres for home-based service providers.

Special focus initiatives have been prepared for sectors like handicrafts, handloom, gems and jewellery and leather and footwear.



For handicraft and handloom sector, Nath announced an increase in the duty-free import of trimmings and embellishments to 5.0 per cent of FOB value of exports which would also be exempt from countervailing duty.

The policy also authorised Handicraft Export Promotion Council to import trimmings and embellishment samples for small manufacturers who are unable to do so on their own. It also announced setting up of a handicraft special economic zone.

The threshold limit of designated towns of export excellence has been reduced to Rs 250 crore (Rs 2.50 billion) from Rs 1,000 crore (Rs 10 billion) in the special focus sectors.

Announcing a new scheme of categorisation of status holders as 'Star Export Houses', Kamal Nath said they would be designated as one- to five-star depending on their total exports during the current and the previous three years.

The entry level for qualifying for this is Rs 15 crore (Rs 150 million) in three years, he said, adding, "We are confident that this will bestow status on a large number of hitherto unrecognised small exporters."

In a bid to simplify procedures and reduce transaction costs, Nath announced several measures, including increasing the validity of all licences and entitlements issued under various schemes for uniform 24 months.

He said the number of returns and forms to be filled has been reduced besides allowing import of secondhand capital goods without any age restriction. He delegated powers to zonal and regional offices of DGFT to speed up the disposal and time-bound introduction of electronic data interchange with 75 per cent of export transactions on EDI within six months.

A new mechanism for speedy redressal of grievances of trade and industry has also been set up.

HIGHLIGHTS OF FOREIGN TRADE POLICY

1. Package for Agriculture:

The Special Focus Initiative for Agriculture includes:

(a) A new scheme called *Vishesh Krishi Upaj Yojana* has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value



added products.

(b) Duty free import of capital goods under EPCG scheme.

(c) Capital goods imported under EPCG for agriculture permitted to be installed anywhere in the Agri Export Zone.



(d) ASIDE funds to be utilized for development for Agri Export Zones also.

(e) Import of seeds, bulbs, tubers and planting material has been liberalized.

(f) Export of plant portions, derivatives and extracts has been liberalized with a view to promoting export of medicinal plants and herbal products.

2. Gems & Jewellery:

(a) Duty free import of consumables for metals other than gold and platinum allowed up to 2.0 per cent of FOB value of exports.

(b) Duty free re-import entitlement for rejected jewellery allowed up to 2.0 of FOB value of exports.

(c) Duty free import of commercial samples of jewellery increased to Rs.1 lakh.

(d) Import of gold of 18 carat and above shall be allowed under the replenishment scheme.

3. Handlooms & Handicrafts:

(a) Duty free import of trimmings and embellishments for Handlooms & Handicrafts sectors increased to 5% of FOB value of exports.

(b) Import of trimmings and embellishments and samples shall be exempt from CVD.

(c) Handicraft Export Promotion Council authorised to import trimmings, embellishments and samples for small manufacturers.

(d) A new Handicraft Special Economic Zone shall be established.

4. Leather & Footwear:

(a) Duty free entitlements of import trimmings, embellishments and footwear components for leather industry increased to 3% of FOB value of exports.

(b) Duty free import of specified items for leather sector increased to 5% of FOB

value of exports.

(c) Machinery and equipment for Effluent Treatment Plants for leather industry shall be exempt from Customs Duty.

5. Export Promotion Schemes:

(a) Vishesh Krishi Upaj Yojana:

Another new scheme called *Vishesh Krishi Upaj Yojana* (Special Agricultural Produce Scheme) has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products.

Export of these products shall qualify for duty free credit entitlement equivalent to 5.0 of FOB value of exports.

The entitlement is freely transferable and can be used for import of a

variety of inputs and goods.

(b) 'Served from India' Scheme:

To accelerate growth in export of services so as to create a powerful and unique '*Served from India*' brand instantly recognized and respected the world over, the earlier DFEC scheme for services has been revamped and re-cast into the '*Served from India*' scheme.

Individual service providers who earn foreign exchange of at least Rs.5 lakhs, and other service providers who earn foreign exchange of at least Rs.10 lakhs will be eligible for a duty credit entitlement of 10 per cent of total foreign exchange earned by them.

In the case of stand-alone restaurants, the entitlement shall be 20%, whereas in the case of hotels, it shall be 5.0 .

Hotels and Restaurants can use their duty credit entitlement for import of food items and alcoholic beverages.

(c) DFRC:

Import of fuel under DFRC entitlement shall be allowed to be transferred to marketing agencies authorized by the Ministry of Petroleum and Natural Gas.

6. New Status Holder Categorization:



(a) A new rationalized scheme of categorization of status holders as Star Export Houses has been introduced as under:

Category Total performance over three years

One Star Export House 15 crores

Two Star Export House 100 crores

Three Star Export House 500 crores

Four Star Export House 1500 crores

Five Star Export House 5000 crores

(b) Star Export Houses shall be eligible for a number of privileges including fast-track clearance procedures, exemption from furnishing of Bank Guarantee, eligibility for consideration under Target Plus Scheme etc.

7. EOUs:

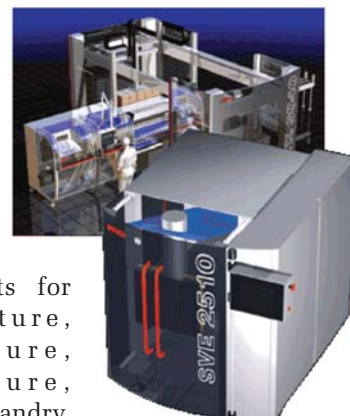
(a) EOUs shall be exempted from Service Tax in proportion to their exported goods and services.

(b) EOUs shall be permitted to retain 100% of export earnings in EEFC accounts.

(c) Income Tax benefits on plant and machinery shall be extended to DTA units which convert to EOUs.

(d) Import of capital goods shall be on self-certification basis for EOUs.

(e) For EOUs engaged in Textile & Garments manufacture leftover materials and fabrics up to 2.0 of CIF value or quantity of import shall be allowed to be disposed of on payment of duty on transaction value only.



(f) Minimum investment criteria shall not apply to Brass Hardware and Handmade Jewellery EOUs (this facility already exists for Handicrafts, Agriculture, Floriculture, Aquaculture, Animal Husbandry, IT and Services).

8. Free Trade and Warehousing Zone:

(i) A new scheme to establish Free Trade and Warehousing Zone has been introduced to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in

free currency. This is aimed at making India into a global trading-hub.

(ii) FDI would be permitted up to 100% in the development and establishment of the zones and their infrastructural facilities.

(iii) Each zone would have minimum outlay of Rs.100 crores and five lakh sq. mts. built up area.

(iv) Units in the FTWZs would qualify for all other benefits as applicable for SEZ units.

9. Import of Second hand Capital Goods

a. Import of second-hand capital goods shall be permitted without any age restrictions.

b. Minimum depreciated value for plant and machinery to be re-located into India has been reduced from Rs.50 crores to Rs.25 crores.

10. Services Export Promotion Council:

An exclusive Services Export Promotion Council shall be set up in order to map opportunities for key services in key markets, and develop strategic market access programmes, including brand building, in co-ordination with sectoral players and recognized nodal bodies of the services industry.

11. Common Facilities Centre:

Government shall promote the establishment of Common Facility Centres for use by home-based service providers, particularly in areas like Engineering & Architectural design, Multi-media operations, software developers etc., in State and District-level towns, to draw in a vast multitude of home-based professionals into the services export arena.

12.Procedural Simplification & Rationalisation Measures:

(a) All exporters with minimum turnover of Rs.5 crores and good track record shall be exempt from furnishing Bank Guarantee in any of the schemes, so as to reduce their transactional costs.

(b) All goods and services exported, including those from DTA units, shall be exempt from Service Tax.

(c) Validity of all licences/entitlements issued under various schemes has been increased to a uniform 24 months.

(d) Number of returns and forms to be filed have been reduced. This process shall be continued in consultation with Customs & Excise.

(e) Enhanced delegation of powers to Zonal and Regional offices of DGFT for speedy and less cumbersome disposal of matters.

(f) Time bound introduction of Electronic Data Interface (EDI) for export transactions. 75% of all export transactions to be on EDI within six months.

13. Pragati Maidan:

In order to showcase our industrial and trade prowess to its best advantage and leverage existing facilities, Pragati Maidan will be transformed into a world-class complex. There shall be state-of-the-art, environmentally controlled, visitor friendly exhibition areas and marts. A huge Convention Centre to accommodate 10,000 delegates with flexible hall spaces, auditoria and meeting rooms with high-tech equipment, as well as multi-level car parking for 9,000 vehicles will be developed within the envelope of Pragati Maidan.

14. Legal Aid:

Financial assistance would be provided to deserving exporters, on the recommendation of Export Promotion Councils, for meeting the costs of legal expenses connected with trade-related matters.

15. Grievance Redressal:

A new mechanism for grievance redressal has been formulated and put into place by a Government Resolution to facilitate speedy redressal of grievances of trade and industry.

16. Quality Policy:

(a) DGFT shall be a business-driven, transparent, corporate oriented organization.

(b) Exporters can file digitally signed applications and use Electronic Fund Transfer Mechanism for paying application fees.

(c) All DGFT offices shall be connected via a central server making application processing faster. DGFT HQ has obtained ISO 9000 certification by standardizing and automating procedures.

17. Bio Technology Parks

Biotechnology Parks to be set up which would be granted all facilities of 100 per EOUs.

18. Co-acceptance/ Avalisation introduced as equivalent to irrevocable letter of credit to provide wider flexibility in financial instrument for export transaction.

19. Board of Trade:

The Board of Trade shall be revamped and given a clear and dynamic role. An eminent person or expert on trade policy shall be nominated as President of the Board of Trade, which shall have a Secretariat and separate Budget Head, and will be serviced by the Department of Commerce.

TB Cure in Just 60 Days; India's Big Breakthrough



The dreaded disease of TB can be cured in just two months compared to the six to eight months time taken earlier.

Mumbai-based Lupin laboratories Ltd. has discovered a new anti-tubercular molecule for the treatment of tuberculosis, in partnership with four institutions, under the New Millennium Indian Technology Leadership Initiative (NMITLI) project launched by Council of Scientific and Industrial Research (CSIR).

Announcing the breakthrough at a Press Conference recently Minister for Science and Technology Kapil Sibal said: "this is the first success achieved in developing a new therapeutic molecule for tuberculosis since the last discovery of rifampicin in 1963.

All over the world, work has been going on to reduce the **TB** treatment time from the current level of 6 to 8 months. There has been no success. The Indian breakthrough makes it possible by clearing the total infection in two months!

The molecule works through combination therapy (compatible with the present drugs), is less toxic and further there is no recurrence of disease observed. It fits well into the present four-drug therapy by replacing one or two drugs from the (present) cocktail.

Regulatory studies on new pharmacophore have been completed and an Investigational New Drug (IND)

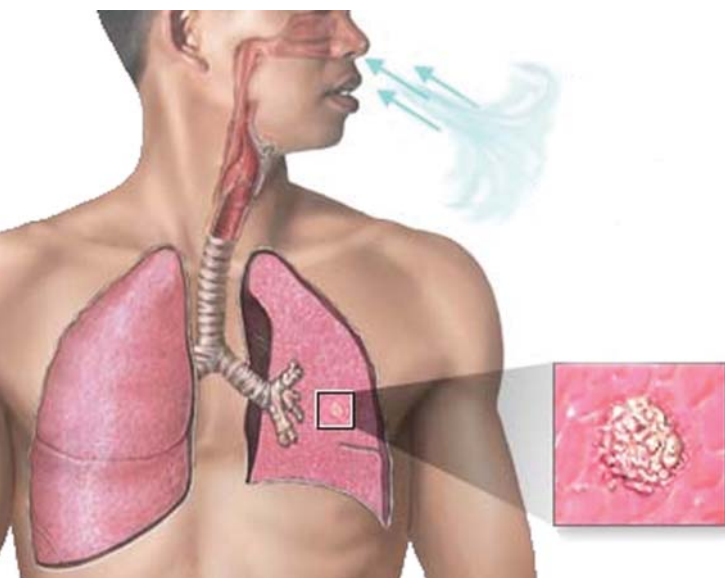
application has been filed. Once the IND is cleared by the Drugs Controller General of India (DCGI), the molecule will undergo phase I, II and III clinical trials in human subjects. These trials are expected to take about four to five years, and if they are successful, the new drug will be introduced into the market.

The significance of this Indian breakthrough is immense. As per the WHO (2000) report, two billion people are infected with tuberculosis worldwide. Nearly, eight million new cases are added annually and the biggest burden is in South East Asia. Around three million deaths due to tuberculosis are reported every year and India accounts for around 0.5 million deaths. With the rampant Human Immunodeficiency Virus (HIV), **TB** disease has acquired the severity of epidemic proportions.

TB is a major barrier to economic development, costing India over Rs. 12,000 crore a year. Data suggest that each year, more than 300,000 children are forced to leave school because their parents have TB, and more than 100,000 women with **TB** are rejected by their families.

Current market for anti **TB** drugs is estimated at \$ 600 million per year. Tuberculosis is a poor man's disease with low per capita income. Due to potentially low returns, multi national drug companies are less active in tuberculosis research.

CSIR through the New Millennium Indian Technology Leadership Initiative (NMITLI) scheme supported a project entitled "Latent M. tuberculosis: New targets, drug delivery systems and bio-enhancers and therapeutics" in the year 2001. The objectives of the project are to improve current treatment by shortening total duration of treatment and address the problems of Multi Drug Resistance (MDR) and latent tuberculosis infection. In order to achieve these objectives, a three-pronged strategy was employed viz. development of new drugs including identification of new targets, new drug delivery systems and application of bio-enhancers as an adjunct to chemotherapy. A network of 11 leading research institutions and Lupin as industrial partner* in 'Public-Private Partnership' mode was put in place to achieve the objectives of the project.



Life Science

Indiana Forum & The Health Crusade

It's no secret that the health and life sciences have taken center stage in Indiana's push to adopt a knowledge-based economy. Few organizations have taken as large a role in working to achieve that goal as the Indiana Health Industry Forum (IHIF).



Wade Lange

Since its inception in 1994, IHIF has worked both behind the scenes and in the spotlight to build a healthy, vibrant health and life sciences community throughout the state. IHIF is a no-profit, private sector organization, and its members represent a private/public alliance of manufacturers, suppliers, educational institutions, health care providers, service providers and the government.

IHIF has worked to define the factors that lead to economic development success in Indiana's already significant health industry, and then to build programs supporting future growth for the industry in the state.

The organization has acted as a catalyst, convener, innovator, coordinator and supporter of initiatives that advance the state's health-related enterprises. It has brought together diverse corporate, academic and public entities, and heightened the general public's awareness of the health industry's growth potential and economic benefits.

"Indiana's health and life science assets are stunning," said Wade Lange, IHIF president. "Between our cache of incredibly successful pharmaceutical, medical device and diagnostics companies, and our unsurpassed academic research institutions, Indiana is poised to take a leading role in health and life science on a global basis."

Lange has led the health industry's charge since he became IHIF president in 2000. With a diverse background in the pharmaceutical industry that spans more than 20 years, Lange has broad experience in the areas of clinical research, marketing, marketing research, business development and general management. Prior to his position with IHIF, Lange worked for West Pharmaceutical Services for 13 years where served as General Manager. Under Lange's leadership, West's Consumer Healthcare Research business unit was one of the nation's leading contract research organizations in its field. He has also worked for Eli Lilly and Company in sales, marketing research and new product marketing.

Centre of Innovation

Today, Lange is responsible for directing the Forum's efforts to solidify Indiana's position as a leading center of health industry innovation.

Accomplishing that task has been made easier with strong representation from the industry itself on IHIF's board of directors, lead by IHIF Board President, Dr. John R. Hayes. Hayes is executive director and Global Product Team Leader for the Zyprexa/Symbyax Product Team at Eli Lilly and Company. His previous experience in hospital administration at St. Vincent Hospital and Health Services CEO as well as his leadership at Lilly make Hayes an invaluable asset to IHIF's mission.

IHIF's Vice Chairman, Dr. Jörg Schreiber, is an equally valuable participant in the planning and strategy of IHIF's programs and tactics. Schreiber is vice president of special projects for Indianapolis-based Roche Diagnostics. At Roche, Schreiber's responsibilities include commercializing underutilized technology developed at Roche to create more value for the company and to create new life sciences businesses in Indiana.

Lange, and IHIF's capable Board of Directors, have focused the organization's goals in three main areas: Human Capital, Networking and Statewide Economic Development.



Dr. John R. Hayes



Dr. Jörg Schreiber

Skilled Work Force

An integral component of economic development and expansion is access to a qualified workforce. Without it, growing health and life science firms are hard-pressed to open new labs, conduct new research or build manufacturing facilities. IHIF understands the importance of ensuring Indiana's health and life science firms are well-supplied with capable employees.

In 2003, IHIF completed a gap analysis of human capital involved in Indiana's health and life science cluster. While the study confirmed an obvious shortfall of qualified workers in health care delivery, it also pointed to more subtle, but equally urgent needs in health and life science manufacturing such as pharmaceuticals or medical devices.

As the industry evolves, so must the skills of its employees. Part of IHIF's mission is to ensure that the voice of health and life science employers is heard.

IHIF has responded by beginning to construct regional learning networks that will identify key workplace skills and learning agendas specific to the type of industry in the area. IHIF will continue to work effectively as an agent for the industry to identify occupational and skills needs, aggregate those needs and translate them into educational or training programs delivered by universities or qualified, third-party companies.

Health Networking

IHIF is recognized as the leader in health and life science networking for broad-based audiences that include scientific, technical, educational, entrepreneurial and established business leaders. Every year, thousands of people attend IHIF's events.

The annual Innovention Conference is a huge draw, with thoughtful, creative programming that offers up the industry's leaders as keynote speakers, panelists and presenters. The 2004 conference held on June 16 and 17, featured John C. Lechleiter, Ph.D, executive vice president of Pharmaceutical Operations for Eli Lilly and Company. The conference panels included sessions on clinical trials, federal funding and intellectual property.

In addition, special attention was given to promote international business between Indiana companies and their counterparts overseas. The conference featured an International Trade Workshop that allowed registered foreign delegations to present information about business opportunities in their countries. Presentations included those from a British and Japanese delegation.

The International workshop is a product of IHIF's International Committee which works toward increasing International business in Indiana throughout the year. Funding for the "Innovention" workshop was provided by the Indiana University Center for International Business Education and Research, The Purdue Center for International Business and Research and Fifth Third Bank of Central Indiana.

In the past 12 months, the committee has put together several programs in the past twelve months that have arranged for Japanese and Israeli groups to network with Indiana entrepreneurs in the health and life sciences.

Promotional Events

IHIF offers a host of other events specifically designed for entrepreneurs in health and life science businesses, such as the Entrepreneurial Assistance Program (EAP). EAP allows up-and-coming entrepreneurs and businesses to present their company in front of expert panelists and industry leaders. The program creates an unparalleled networking opportunity for both entrepreneurs and investors. In 2003, IHIF personnel met with more than 40 entrepreneurs and their startup companies to help make valuable connections, gain a foothold in their industry and ensure they had the necessary tools to be successful.

"IHIF continues to provide and improve on its entrepreneurial support, development of business relationships and to education Indiana's scientific visionaries about how to bring innovative ideas to market," Lange said.

When IHIF isn't busy providing a platform for fruitful networking opportunities, the organization is heavily involved in economic development -- specifically building collaborations between various regions of the state and facilitating a higher level of communication.

To that end, IHIF has created the Indiana Life Sciences Growth Alliance, a new initiative designed to develop a clear understanding of Indiana's assets and growth opportunities in health and life sciences sector.

As part of that push, IHIF is examining Indiana's access to state, federal and philanthropic funding for the industry. Research will continue into 2004 and ultimately lead to a roadmap for improving funding flow to Indiana's emerging health and life science firms as well as to research initiatives.

"IHIF will continue to be a primary organization that policy makers turn to for advice, counsel and information regarding the health and life science industry," said Lange, who is often called to speak to legislative committees in the Indiana General Assembly.

The availability of funding and support for new ideas and emerging companies in the health and life science arena is an ongoing issue for the industry as a whole. IHIF recognized that and in 2003 played an integral role in helping to gain legislative support and ultimately re-funding Indiana's highly successful 21st Century Research and Technology Fund to the tune of \$75 million for the 2003-2004 biennium.

For more information about IHIF's programs, it's 2004 agenda or the organization itself, visit www.ihif.org.

For more information about sending an international delegation to Health Innovention 2005, visit www.ihif.org or contact Dr. Ramesh Shah at 317-278-9970 or e-mail: srs@midlink.com

India-US FTA on Services: Some Relevant Issues...

- Raghav Narsalay



The possibility of clinching an India-US free trade agreement (FTA) in the area of services is being actively discussed in the corridors of Washington D.C. and Delhi. Without getting into a discussion on interests/lobbies that are involved in pushing this FTA, it would be worthwhile discussing some of the relevant issues that need to be addressed if we are genuinely interested in mutually exhausting the benefits that might emanate from this FTA.

Relevant issues...

Analysis needs to be based on empirical evidence

We need to realize that the US negotiators would never come to the table before they have a 'well studied mandate' from relevant players in the services sector. What about us? We need to be clear as to whom are we representing, what is at stake and what is the analysis that we are carrying to the table during negotiations.

We cannot go to the table just because the value of services produced in this country constitute more than 50% of our gross domestic product and due to the fact that services sector is now usurping the space of agriculture and manufacturing in the area of employment generation.

We should now seize the opportunity to start putting data systems in place. Empirical analysis of various services sectors to understand their capacity to compete with US imports as well as with US service providers on domestic and US soil; their capacity to withstand sudden mergers and acquisitions or collapse; their capacity to absorb capital in a productive manner; the impact of imports on employment generation and accretion, are some of the issues that need to be studied seriously before we actually move forward.

A thorough study of US regulations governing market access, subsidies, grants *et al*, especially those operative at the sub-national level is very critical as it would throw light on the national treatment issues that would have to be tackled when our corporations access markets.

Drawing lessons from FTAs that US has already penned

This is the most crucial part of the homework. This study would help us understand the expectations that the United States Trade Representative (USTR) and US corporations generally have from the other party negotiating an FTA with it. A rigorous analysis of FTAs signed by the US in the services sector with other countries will throw up strategic issues on which consultations would have to be conducted within Indian stakeholders, before going to the negotiating table.

It would also help our corporations to broaden their scope of demands and moreover would help them match the aggressiveness that is generally exhibited during such negotiations.

Most importantly, Indian corporations need to make critical inputs to the text of the dispute resolution system so that it addresses their present and futuristic legal, economic and political concerns. Remember, a good text with an iniquitous dispute resolution system is like *malai barfi* with a steel coating, which only breaks your jaw and you can never eat the *barfi*.

Transparent and accountable frontline and fallback position

Building a transparent and accountable position is going to determine the political acceptability of this FTA. A

position that would be built up by seeking inputs from particular business lobbies would be dangerous as it would not only create problems in the later stages of negotiation but also lead to a political embarrassment.

Such internal transparent consultations would also help the negotiators to come out with frontline and fall back positions on a number of issues. Historically, Indian



negotiators have always come out with ambitious front line positions but have failed to even come out with a cogent fall back position that would not erode the level of ambition with which we go to the negotiating table. Internal consultations would provide useful inputs to negotiators to formulate such fall back positions and moreover these

fallback positions would be reflecting the aspirations and concerns of domestic industry.

Position should be compatible with our position at the WTO

Maintaining congruence between positions being expounded during negotiation of this FTA and during negotiations at the WTO is going to be challenging. While it would be wise to integrate lessons learnt from negotiating on both platforms we should not allow our interest to be compromised under pressure on either of the two.

Cross Ministry linkages need to be addressed

It would be unlikely if the US would not express its interest to initiate an FTA on goods once the discussions on services reach a certain stage of maturity. Keeping this in view it would be wise to actually start coordinating with Ministries concerning consumer welfare and labour so that we are ready with our positive agenda once such a demand comes up from the US.

Conjuncture...

There is no doubt that a 'transparent, inclusive, well researched and accountable' process building up to an FTA would take the political relationship between the US and India to a new level. Everybody knows that writing these adjectives is much easier than achieving them.

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Consulate General of the United States of America Biometrics in U.S. Visas

July 26 was witness to the introduction of the biometric visas at the Consulate General of the United States of America. The procedure involves collecting two electronic fingerprints from most visa applicants. Visas issued after fingerprinting are referred to as "Bio Visas". The fingerprints will be collected at the time of visa application through an inkless process that takes only about 30 seconds to complete. Consular sections in India will be among the last to introduce this new requirement, and by October 26, 2004 all US consular sections worldwide will be collecting fingerprints. Visas issued prior to the introduction of the fingerprint requirement will continue to be valid through their expiration date and do not need to be replaced with a "Bio Visa".

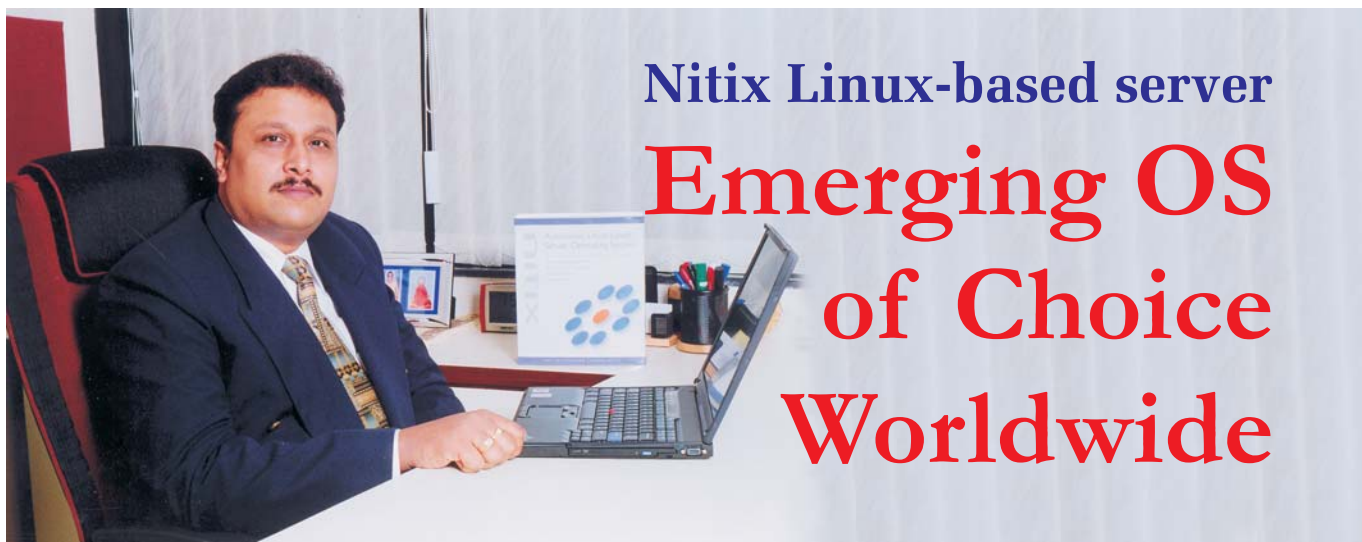
Since January 5, 2004 almost all visitors arriving at US sea- and airports have had their fingerprints taken in a procedure similar to the one being introduced in India in July. Fingerprint will continue to be collected at ports of entry from visitors, including those who do not require a visa and those that have been issued a new "BioVisa". This new procedure is designed to facilitate travel to the United States by international visitors while maintaining the security of our borders and our nation and the safety of the traveling public.

Diplomatic and official visas, and those for international organization employees (A-1, A-2, G-1, G-2, G-3, and G-4 visas), are exempt from this process. Also, children under age 14 and adults over age 79 are also exempt from this process. All other visa applicants, including government officials applying for tourist visas and domestic servants of diplomats and official travelers, must have biometric information collected at a visa interview.

On entry at the US Port of Entry, visitors will have a digital photo taken and an inkless fingerprint scan of both index fingers. On exit, there will be a departure confirmation system, where visitors will electronically scan their visas and repeat the digital fingerprint scanning process.

On the aspect of confidentiality of data, visa records are by law, confidential. They are released only for legitimate law enforcement purposes that are subject to statutory, regulatory and other legal restrictions. The Department of State has made no agreement to provide fingerprints from visa applicants to any other government.

Courtesy American Center



Nitix Linux-based server Emerging OS of Choice Worldwide

In a competitive world of Information Technology, autonomic Linux-based Nitix Operating System (OS), a product of Toronto-based Net Integration Technologies Inc. (NITI), has created a niche for itself. After its success in Canada and North America, Nitix is all set to conquer Asia Pacific, including India. Yatin Kantak, Country Manager, India, talks about the company operations in general. Here are some excerpts.



Could you tell us about Net Itech and its operations in India, Canada and Singapore?

Net Integration Technologies Inc. (NITI), based in Toronto, Canada, was established in 1997. NITI is a software developer that delivers autonomic, Linux-based server operating system (OS) solutions to the SMB market. The company's revolutionary Nitix server OS sets new standards in stability, security, affordability and ease-of-use for small to mid-sized businesses.

With more than 10,000 server installations in North America, Nitix has established itself as the OS of choice.

Net-itech Asia Pacific represents the NITI's business interests in the Asia Pacific and Middle East regions and is responsible for marketing, distribution and support of NITIX and other related NITI products and services.

India is one of the emerging markets, as Country Manager for India, what are your specific plans for the company? How do you intend achieving them?

Net -itech has started operations in India about a month back. We have already launched Nitix in India on the Sun X 86 platforms. We plan to penetrate the Indian market, by way of bundling the solution with Hardware Servers. Customers in the SMB segment today are looking for hassle free operating system for back office solutions. Customers would like to focus on their business rather than investing time on integrating their backend IT operation.

What are the products of the company that you wish to

introduce in India? How do you envisage the market potential for your products? Who could be your target audience?

We just have one product i.e. NITIX which is a Linux-based operating system. The product is the first Autonomic Server operating system in the world on Linux platform. Our target segment is SMB and the product is scalable from 5 to 500 users. The SMB market is huge in India and they would like to have an Enterprise IT feel in their organization. The cost of integrating various technologies is high and requires trained people to deploy & maintain. NITIX is the solution for SMB segment which would simplify their IT infrastructure and ease of maintenance.

How do you propose to distribute your products?

We would work with partners like Sun and other manufacturers along with their distribution network to launch Nitix in the market. We would also work with distribution partners & local server manufacturers to offer Nitix to the SMB segment.

Who are your competitors and what is the edge you have over them?

Our competition is mainly from various technologies which we have integrated tightly in our product. We do not have one single competitor in the market, as we have integrated NITIX to be a complete solution.

A Man for All Seasons



Daljit Singh

*President & CEO of Corporate Synergy
& Resources Pvt. Ltd*

Daljit Singh is a man of many parts. From a corporate honcho to a Cricketer and from manager of environment for companies to penetrating eye into the working of bureaucracy he has done it all. His piercing eyes look into you with a drilling effect. His passion for work has not receded with advancing age. Though 30 years of challenging work in multinationals as well as domestic companies has left tell-tale sign of stress on his face, his tall frame combined with an amiable persona makes him look more like an amiable retired military man, who still values his proud legacy. The man has fought many battles, which have steeled his resolve and added value to his repertoire. Singh achieved fame after he put in place Tata Metalliks, for which the Tata Group sought his expertise in 1989. "It was a phenomenal task," says Singh, reminiscing.

The absence of infrastructure, made the determined individual inside him stronger. He got around the problem by having the infrastructure - roads, power, telecom lines - readied. Being the President and CEO of Corporate Synergy and Resources Pvt. Ltd has given him the right platform to put his skills to appropriate use. In his capacity as the head of the consultancy company, he advises clients on international business development. He got the opportunity for business development of Unocal, the \$20 billion US gas major. The company also gave him an opportunity to "maintain visibility." The consultant rose in the corporate world by dint of his creative ideas. "Management education was not so much heard of in those days," Singh says. Being the representative of the state of Iowa for which he did business development has been one of his leading assignments.

The man who once headed Tata Metaliks as its Managing Director is proud of not only having met targets but also exceeding them. "I implemented a \$20 million greenfield project on schedule without overstepping the cost targets. It involved the production of 1,00,000 tons per annum of foundry-grade pig iron."

Not only is the corporate world his forte, the cricket pitch has also not been devoid of his adventures.

A graduate from Agra University, Singh has played cricket for the East Zone and President XI. He has also played for West Bengal, Uttar Pradesh, and Bihar in the Ranji Trophy. The former senior vice president of Philips Carbon Black Ltd, where he put on track a \$30 million polyester staple fibre project using DuPont technology also served as the deputy Managing Director of Coates of India Ltd., a subsidiary of Sun Chemicals, US. An avid golfer, Daljit Singh's life is peppered with many instances which have lent him an insight into life.

"Forging and maintaining relationships is of utmost importance," Singh says, looking at his watch, as he readies to leave for a business meeting of the West Bengal government where the chief minister will be present.

Daljit Singh gives proof of his value-based upbringing in Meerut by talking of his mother who, he says, asked him to do good without expecting returns. Being given to socialising, Singh spreads his relaxing time among Bengal Club, the Saturday Club, Calcutta Cricket and Football Club and Royal Calcutta Golf Club. Singh has served as the President of Calcutta Cricket and Football Club for two consecutive terms. Singh's wife Harinder is a Senior Economic Specialist with the US Consulate in Kolkata.



Bikram Dasgupta

Bengal's IT Pioneer Bets On Big BPO Growth In Kolkata

Bikram Dasgupta's association with the Information Technology (IT) goes right back to the days when computers were considered a novelty, even by high-profile companies dealing with knowledge-based services. A graduate from IIT, Kharagpur, Dasgupta created waves in 1992 when he struck a \$ 50-million deal with Dell Computers for supplying motherboards.

The Chairman and CEO of Globsyn Technologies is one of the busiest corporate honchos, but says he never tires of working long hours. Sitting under an inspiring portrait of Swami Vivekananda in his office at Salt Lake's Sector V, Dasgupta talks about his IT exploits. The die-hard IT fanatic is credited with introducing Blended Offshore Outsourcing Technology in India. He presides over the Globsyn empire, handling a range of activities from pure IT, Business Process Outsourcing solutions, Business education, entertainment and media management, software finishing school, among others.

Dasgupta started Globsyn in 1995 after spending some years at HCL and Pertech Computers Ltd. Globsyn has come a long way since then. One of the landmarks in Salt Lake's Sector V, which houses the Salt Lake Electronics Complex (Saltlec), ambitious young men keen on making a mark in the IT field look forward to join the courses it offers. Dasgupta is too keen to interact with his students. "I take a class for more than two hours," he says, making no secret of his affinity to his pupils.

Flipping through a dossier, which has a record of his days with Pertech Computers Ltd., Dasgupta cannot help turning nostalgic. It was to his credit, he says, that PCL in 1994 became the largest PC seller in India. It beat the then computer giant HCL at its own game. Pertech had already launched Dasgupta in the big league with the press going to town about his achievements, two years after he had become famous for grabbing the contract of Dell for supplying motherboards.

"Those were the days when liberalisation had not evolved fully and files still moved slowly across the desks of government babus. The then government under the stewardship of Narasimha Rao as Prime Minister even decided to loosen the rulebook strings here and there so



that the country gained with the deal," he said, adding that the file for the contract was signed by 11 ministries before it could be set into motion.

"We built the factory after the order was bagged," he said.

What of his stint with the IT giant HCL, which he joined in 1979? Well, Dasgupta spent time in the company till 1984, before returning to Pertech, which even today is considered a case study in entrepreneurial success.

Though there were a number of directors, it was Dasgupta who hogged media publicity, and did not go down well with his colleagues. Finally, he left Pertech, which had become a Rs 300 crore company by 1992. Dasgupta's exit from the company sometime in 1994-95 left it in a mess, before it closed down. His resignation made headlines and he was asked by the MD of Webel, Bengal's nodal IT agency, to "do something for Bengal," on a visit to Kolkata in 1995.

It was then that Infinity, the first 'Intelligent Building' of the city happened. The brainchild of Dasgupta again made headlines in the IT world. Sitting at his office in the electronics complex, he still counsels the needy. "The age of 21 to 29 years is a very vulnerable age in one's life," Dasgupta observes.

Globsyn is looking at BPO-related data management work as one of the areas in which it needs to focus. As for the BPO boom in the country, Dasgupta says, there is tremendous potential for it in the country. Before signing off, he does not forget to spell out his plan for Rs 18-crore Globsyn expansion.



Row over Outsourcing will die down soon

Tripat Oberoi, Electronics Engineer, has a long standing experience in Managing Large Engineering Projects on Turnkey basis. He has travelled extensively and has a vast knowledge of global market specifically in the field of BPO and telecom.

Even as the dust raised by the controversy over outsourcing is yet to settle down in the US, many experts have played down the controversy as a passing phenomenon, which is linked to the upcoming US presidential elections.

They believe that the whole issue will get thrown into the backburner once the elections are over. In a personal interaction, Associate Dean of Harvard Business School F. Warren McFarlan Sr, expresses the same view, while ITTA (Information Technology Association of America) President Harris Miller has depicted a positive picture in his research report on employment.

For the first time, a top Indian IT executive Prabhuu Sinha was invited to speak in the House of Commons recently on outsourcing. In an incisive analysis he explained "Why Outsourcing and Why India?"

The latest instances of some of the giant US companies preferring India leave room for much optimism. The Big Blue's (IBM) decision to acquire Daksh (a prominent Indian BPO player) for \$200 million is a case in point. "Mergers and acquisitions" is currently a very hot subject in the Indian corporate world.

Philip Cohen, a leading voice on outsourcing, has delved deep into the subject of "Attrition" also thinks that the controversy over outsourcing will die down soon.

Outsourcing has thrown up another intriguing issue: Are the foreign companies outsourcing their functions taxable in India? Outsourcing is not just confined to IT and IT enabled services For instance, India's glorious tradition of jewellery-making is one example. India is today the most sought-after source for cut and polished diamonds. Now, the country is also emerging as a major source for jewellery.

The recent annual India International Jewellery Show, IIJS 2004, was a glittering success, as a proven Global B2B Fair. There have been reports that global departmental retailers such as J. C. Pennys and the Wal-Mart are keen to source jewellery from India.

The World Jewellery Confederation President, Dr. Gaetano Cavaliere, a distinguished visitor to the IIJS 2004, hits the Bull's Eye, when he says that he would expect a boom in jewellery outsourcing, with India having a cutting edge. In a similar vein, King Li, Chairman, Hong Kong Jewellery and Jade Manufacturers Association, says India would be his country's first choice for outsourcing.

CeBIT Managing Director Jorg Schomburg sees light at the end of the ICT tunnel and argues eloquently about the future of BPO, which, according to him, will be dominated by India.

Erkki Liikanen, European Commissioner, believes that the opportunities that EU enlargement would provide to its member-countries in the ICT related services, including outsourcing. On the subject of outsourcing, the Boston Consulting Group has warned thus: Outsource or Perish. Business Intelligence Outsourcing is another aspect that is coming into the limelight as it helps corporate decision makers to meet future challenges.

A study conducted jointly by Forrester Research Inc and European Information Technology Observatory (EITO) on the emerging Digital World, says that the fast spreading broadbanding facilities across the globe is creating a global digital world.

Outsourcing is no longer incidental, but has become central in the present networked business environment. It implies leveraging competencies from outside while concentrating on ones own strength. This will lead to continuous consolidation in the competitive market. Therefore, it is of importance that the right partner from the right field be chosen. Outsourcing value chain spans two types- High End Level of consulting i.e. architectural, and the level of transaction engine. The Indian industry has already established itself at the call centre level, but what makes me really happy is to see the Indian industry beginning to establish itself as the most favoured partner at the High End Level. This is indeed a welcome step in the global environment.

Know All About Insurance from TGI-INDIA



Kranti Sinha

Life Insurance has been in existence in India for the last 125 years. It has evolved with time and the insurance sector has gained pace since Life Insurance Corporation came into operation. With training from TGI-INDIA, people would be better informed about the best practices available in insurance and financial education. With the increase in the foreign direct investment in the insurance sector to 49%, the scenario is going to be different very soon.

Explore this changing face of the Indian life insurance sector with *Kranti Sinha*, Managing Director of the Global Institute for Finance and Education Services (India) Limited (TGI), who, in an exclusive interview with *Rojita Padhy*, shares his experiences with LIC and evaluates the Indian Insurance sector and the role TGI-INDIA could play in all of this. Excerpts:

Could you give us a brief introduction of TGI and its operations in India?

The Global Institute for Financial & Education Services India Limited (TGI-India) was registered as an Indian company in September 2000 as a wholly-owned subsidiary of the Global Institute for Financial & Education Services, LLC, USA (TGIUSA). Its avowed aim is to bring the best of the insurance and financial education worldwide within the easy reach of the managers, insurance intermediaries, employees and the insurance services personnel. TGI also aims at making available the research and data on the best practices available worldwide in these fields to the trainees and other personnel on an ongoing basis as prescribed by the regulators like IRDA.

TGI (India) offers Indian industry professionals a single gateway to educational programme from many international organizations enabling to choose the one based on personal job responsibilities and interest. These are:

- i. LOMA (Life Office Management Association) founded in 1924 by US & Canadian insurance companies presently having over 1,250 institutional members in more than 60 countries.
- ii. MDRT as an international marketing partner for insurance intermediaries world-over.
- iii. Financial Services Online (U.S.A.) An Internet portal guiding the insurance professionals to timely information.
- iv. Kinder Brothers International an organization specializing in insurance management, consultancy and motivation

You have been in the insurance sector for more than two decades. How has this sector evolved in India and what improvements have been there in recent years?

I had the privilege of serving Life Insurance Corporation from March 1965 to December 2002. The history of life insurance in India falls distinctly into three phases: (1) Pre-nationalization operations, (2) post-nationalization operations and (3) post-liberalization (opening of the insurance sector) operations since 1998.

During the pre-nationalization days, when 253 companies operated at different levels, different approaches were needed towards customers' needs at different levels and different levels of security of customer's money and different levels of ethical practices were also needed.

The reason for nationalization, as stated by the then Finance Minister, became the business philosophy of Life Insurance Corporation, that is, spreading the benefits of life insurance to every level of the customer in India. So the major changes that took place after the nationalization were greater emphasis on social utilization of valuation surplus through investments in infrastructure like power, roads, water and sewage treatment plants, railways and other segments.

From a mere Rs.369.42 crore as on 31.08.1956, i.e., the date of nationalization, the Life Fund stood at Rs.2,73,004.96 crore as on 31.03.2003. In terms of providing independent jobs through a system of intermediaries, it ranks as the largest insurance organization in the world. If I am not mistaken, LIC

today has the largest connectivity of its different offices, next only to the Indian Railways.

With the opening of the Insurance sector in 1998 and operationalization of around 12 insurance companies during the course of the last three years as joint ventures with some of the leading insurance companies in the world, the life insurance market activity has expanded exponentially. Some of the new comers, with their foreign partners, have taken significant roots in metros and large cities. The new companies, with an urgent need to establish their presence, make their name known to customers and to distinguish their uniqueness through their products, advertised heavily thus raising the level of insurance awareness and knowledge amongst general people to a very high level and thus the customer, particularly urban customer has become more demanding and discerning. This, coupled with the fact that the Insurance Regulatory Development Authority (IRDA) has also set certain norms even on publicity and advertising, has made insurance selling a more demanding but exciting job. This has also resulted in an improvement in the knowledge level of insurance intermediaries, particularly because of IRDA's insistence on a minimum 100 hours of training for agents before agency licence can be granted for soliciting insurance business.

The development and improvement in a "Post Open" area has not necessarily been on account of any altruistic motive of the companies but mainly on account of rules/regulations and directives framed and issued by IRDA.

LIC is the oldest insurance company in India and you were associated with it for a long time. What basic difference do you see between LIC and the other insurance players in the market now?

The difference between the LIC's approach to Insurance market vis-a-vis private insurance companies has been well demonstrated. It is for this reason that operationally the thoughts of the two sectors remain very distinct. Notwithstanding the fact that LIC has been equally concerned about the returns to the policyholders, another area that distinguishes working of the two sectors is in their approach to rural market. Private insurance companies are mostly focused in metros and large urban centres and their compliance to rural business has been more a 'lip service' than actual foray into rural locations. However, where the private insurance company's score is by way of better visibility of the field personnel and a greater emphasis on their being techno savvy. The third area where innovation has been shown is in marketing of unique linked products. Though the product *per se* is not new in the Indian market, in as much as the UTI had entered into an arrangement with LIC to offer a product called 'U.L.I.P' (with severe restrictions from both the organizations), one has to give credit to private insurance companies to make this product attractive to suave customers by giving better returns.

Another area that is now being given importance is pension. With increased longevity, soft interest rates and practically no pension after superannuation, a very large section of the population is getting concerned about their financial security. Some of the private companies have seen this as their future market and are aggressively pursuing it.

On a more physical level, opening of the insurance sector has brought better offices, in physical layout, presentation, etc. conducive to good work and customer reception.

With the opening up of the insurance sector, and increase in FDI, how effective it would be for the foreign insurance players to enter into the Indian market?

All the 12 private insurance companies operating in the market at present, except SBI Life, are joint ventures with foreign insurance companies. The previous limit of 26% holdings by a foreign insurance company is proposed to be increased to 49% as per the current Budget, so that foreign capital could flow into this sector, which has a long gestation period and initially needs large investments to retain the internationally accepted solvency margins to keep expansion and growth level on a fast track. Once this is implemented, I do not see any reason why this sector should not develop. It is only 51% that will change the control of business. Some other foreign Insurance companies may also think of entering the Indian market. The regulatory mechanism that is in existence in India has been able to control investments and fund management activities, which otherwise might not have been there had it been left to self-regulation.

Which are the primary factors that help an insurance company grow in a competitive environment when the products are the same and packaging is different?

Largely, all life insurance products have the same basic feature, namely, covering the economic risk of death. The life insurance product was developed to take care of family needs in such a situation only. However, gradually it became a saving instrument also, where money was returned on survival of a person after a particular duration. All the other life insurance products (except pension) are variables of this. It, therefore, becomes important that when the basic features of the product and the target audience are by and large common, what would make the product of one insurance company a preferred choice compared to others depend on its packaging, presentation and the person presenting it. Thus, with the opening of the insurance sector, the role of intermediaries becomes very important as he/she becomes the face of the organization and the centre of influence. It, therefore, becomes important that the intermediaries are equipped with the knowledge of different financial products and has the ability to analyse the customers' needs and is able to empathise with them. This is best taken care of by appropriate training. It is for this very reason that apart from statutory requirements for training, all companies are laying emphasis on constant training of their sales/marketing personnel.

A second area that will be of importance is Customer Relationship Management (CRM) by the companies.

Needless to say, due to the large publicity campaign and education program launched by most of the companies, today's insurance prospect is much more knowledgeable and demanding. He has also the ability to compare products of different companies and, therefore, what will clinch the issue at ground level will be the features of the product, sales presentation and customer relationship management by remaining a step ahead of the customers' expectation in areas of service and returns.

What are the new products that these companies offer, and how far will they be successful in Indian environment?

As I have said above, the fundamental of an insurance product is coverage of economic loss, which has further developed into returns on the invested amount and, therefore, other than pension, life insurance products are a variation of this very theme packaged differentially. Nonetheless, one must give credit to the new insurance companies for making popular the product, **Unit Link Insurance Plans**, where part of the premium paid goes to meet the life insurance risk and the balance in investment to build the capital of the customer.

Another product, which has been made popular at least amongst the metro crowd, is the **Term Insurance Coverage** of life risk, which means that for a very small amount, a large risk is covered, though no returns are paid on the premiums.

Another product, which is being marketed by many of the private insurance companies, is about **multiple options** to the customers as '**Riders**'. This flexibility does help a customer to choose the best option for one and pay accordingly. In some cases, some of the options can be added later also.

However, the most important product emphasis that has come up with the opening of the sector is on **Pension Marketing** and making people aware about its need. With increasing longevity, unitary families, soft interest rates and non-availability of any social security to non-governmental/non-public sector employees, awareness to create a regular income during one's sunset years is becoming more and more predominant and it is to this need that some of the private insurance companies have addressed in great measures. No doubt, LIC had products in the form of immediate/deferred annuities, but no effort was made to market them and, therefore, it goes to the great credit of private insurance companies that they are responding to an emerging need and a vast market in a serious way.

Unfortunately, in our country, health insurance is still a matter of non-life business, though both LIC and private insurance companies have been able to overcome these limitations by offering some composite products or as 'riders' to an insurance product. I hope that this will change soon, for which there is already a move. Then a larger number of new products would be able to enter in the market.

Please tell us something about your association with LOMA, in the US.

The TGI(India) is a local partner of LOMA (Life Office Management Association) USA. LOMA is an Organization founded in 1924 by U.S. and Canadian insurers, LOMA is an international association through which more than 1,250 insurance and financial services companies from over 70 countries engage in research and educational activities to improve company operations. As LOMA's Indian partner TGI(India) is responsible for marketing and administering its various study courses. With the opening of Insurance sector on one hand & BPO's servicing international clients both as Back Office and Call Centres on the other hand, international insurance domain knowledge has become a much sought after study. The number of courses/ studies and certificates offered by LOMA cover a wide variety of insurance subjects from Underwriting to Claim Settlement, from Agency Administration to Marketing, from Insurance Company Administration to Managing Solvency and Profits. These examinations are administered through carefully selected Education Representative in each Member organization both in manual form which is held twice in a year i.e. May & November and Online which can be taken-up at any time. One of the most prestigious course of LOMA is FLMI (Fellow; Life Management Institute) which is well recognized internationally and has recently been made India specific by bifurcating it into 3 tier (without any dilution of subjects or their quality of examination) with a view to helping Indian students to pursue these studies according to their level of competence, ability to afford the cost as also the need of the organizations to encourage their staff members to a level of requirements for their own growth and better customer response.

Keeping in view the fact that financial management has become an integral part of today's business organization, the LOMA has launched another fellowship program FFSI (Fellow; Financial Services Institute). This program has a unique feature that while 7 of the subjects are common internationally, 3 papers called 'Professional Achievement Credits' (PACs) are given as recognition of some related country specific courses, which have been approved by LOMA. This customizes the FFSI program according to the student's need as well as the requirement of the location where the student is likely to be placed.

Apart from the above the TGI (India) also organises a number of short-term study courses particularly for Insurance Agents, Advisors, Agency Managers, etc. on behalf of insurance companies. These have been developed based on research materials obtained from various international sources including LOMA and tailored according to Indian market.



Think Tanks 'Ideas Factories' of the US

As the tragic events of September 11, 2001, began to unfold, network executives and journalists in the United States scrambled to find policy experts capable of answering two critical questions: Why were two of America's greatest symbols of economic and military prowess—the World Trade Center and the Pentagon—attacked? And who ultimately was responsible for orchestrating and coordinating these heinous acts?

To provide millions of viewers with answers to these and other questions, journalists quickly flipped through their rolodexes to locate policy experts at dozens of American think tanks. Their frantic search soon paid off. Indeed, even before the initial shock of what had transpired sunk in, policy experts from some of America's leading foreign and defense policy think tanks began to appear on the

maneuvering between political parties and the rivalry among branches of government. Despite this relatively low profile, think tanks affect American foreign policy-makers in five distinct ways: By generating original ideas and options for policy, by supplying a ready pool of experts for employment in government, by offering venues for high-level discussions, by educating US citizens about the world and by supplementing official efforts to mediate and resolve conflict.

Origin and Evolution

Think tanks are independent institutions organized to conduct research and produce independent, policy relevant knowledge. They fill a critical void between the academic world, on the one hand, and the realm of government, on the other. Within universities, research is frequently driven by arcane theoretical and methodological debates only distantly related to real policy dilemmas. Within government, meanwhile, officials immersed in the concrete demands of day-to-day policy-making are often too busy to take a step back and reconsider the broader trajectory of US policy. Think tanks' primary contribution, therefore, is to help bridge this gap between the worlds of ideas and action.

The rise of modern think tanks parallels the rise of the United States to global leadership.

They first emerged a century ago, during the progressive era, as part of a movement to professionalize government. For the most part, their mandate was avowedly apolitical: to advance the public interest by providing government officials with impartial, policy-relevant advice. Early examples included the Institute for Government Research (1916), the forerunner of the Brookings Institution (1927). The first think tank devoted solely to foreign affairs was the Carnegie Endowment for International Peace, founded in 1910 to investigate the causes of war and promote the pacific settlement of disputes. These tasks assumed urgency with the outbreak of World War I, which generated passionate debate over America's proper global role. During the winter of 1917-1918, Colonel Edward House, an adviser to President Woodrow Wilson, discretely assembled prominent scholars to explore options for the postwar peace. Known as "The Inquiry," this group advised the US delegation at the Paris Peace Conference and, in 1921, joined with prominent New York bankers, lawyers, and academics to form the Council on Foreign Relations. The first generation of think tanks helped build and maintain an informed domestic constituency for global

"Of the many influences on US foreign policy formulation, the role of think tanks is among the most important and least appreciated."

- Richard Haass, Former Director of Policy and Planning, US Department of State

"There are moments in the evolution of US foreign policy where think tanks have had a decisive impact in reshaping conventional wisdom and setting a new course on a key strategic issue."

- Ronald D. Asmus, Senior Transatlantic Fellow, German Marshall Fund of the United States and Adjunct Senior Fellow, Council on Foreign Relations.

major television networks to share their insights. Over the next several weeks and months, the visibility of think tank scholars in the media continued to increase.

The willingness of think tanks to participate in the media frenzy surrounding September 11 came as no surprise to scholars who have witnessed their increasingly active involvement in the policy-making process. Since think tanks are in the business of developing, repackaging, and marketing ideas to policy-makers and the public, they could hardly pass up an opportunity to comment on one of the most tragic days in contemporary American history. Gaining access to the media, however, is only one of the many strategic thinking tanks rely on to shape public opinion and public policy.

Think Tanks and US Foreign Policy

A distinctively American phenomenon, the independent policy research institution has shaped US global engagement for nearly 100 years. However, because think tanks conduct much of their work outside the media spotlight, they garner less attention than other sources of US policy -- like the jostling of interest groups, the



engagement, keeping the internationalist flame flickering during the years between the American repudiation of the League of Nations and the coming of the Second World War.

A second wave of think tanks arose after 1945, when the United States assumed the mantle of superpower and (with the outbreak of the Cold War) defender of the free world. Many such institutions received direct support from the US government, which devoted massive resources to defense scientists and researchers. The RAND Corporation, initially established as an independent nonprofit institution with Air Force funding in 1948, launched pioneering studies of systems analysis, game theory, and strategic bargaining that continue to shape the way we analyze defense policy and deterrence decades later.

Over the last three decades, a third, wave of think tanks has crested. These institutions focus as much on advocacy as research, aiming to generate timely advice that can compete in a crowded marketplace of ideas and influence policy decisions. The prototype advocacy think tank is the conservative Heritage Foundation, established in 1973. The liberal Institute for Policy Studies plays a similar role.

At the dawn of the 21st century, more than 1,200 think tanks dot the American political landscape. They are a heterogeneous lot, varying in scope, funding, mandate, and location. Some, like the Institute for International Economics (IIE), the Inter-American Dialogue, or the Washington Institute for Near East Policy, focus on particular functional areas or regions. Others like the Center for Strategic and International Studies (CSIS), cover the foreign policy waterfront. A few think tanks, like Brookings, have large endowments and accept little or no official funding; others, like RAND, receive most of their income from contract work, whether from the government or private sector clients; and a few, like the United States Institute of Peace (USIP), are maintained almost entirely by government funds. In some instances, think tanks double as activist nongovernmental organizations. The International Crisis Group, for example, deploys a network of analysts in hot spots around the world to monitor volatile political situations, formulating original, independent recommendations to build global pressure for their peaceful resolution.

The Idea Factory

From the perspective of US policy-makers, today's think tanks offer five principal benefits. Their greatest impact (as befits their name) is in generating "new thinking" that changes the way that US decision makers perceive and respond to the world. Original insights can alter conceptions of US national interests, influence the ranking of priorities, provide road maps for action, mobilize political and bureaucratic coalitions and shape the design of lasting institutions. It is not easy, however, to grab the attention of busy policy-makers already immersed in information. To do so, think tanks need to exploit multiple channels and marketing strategies -- publishing articles,

books, and occasional papers; appearing regularly on television, op-ed pages, and in newspaper interviews; and producing reader-friendly issue briefs, fact sheets, and web pages. Congressional hearings provide another opportunity to influence policy choices. Unencumbered by official positions, think tank scholars can afford to give candid assessments of pressing global challenges and the quality of government responses.

Certain historical junctures present exceptional opportunities to inject new thinking into the foreign policy arena. World War II offered one such instance. Following the war's outbreak, the Council on Foreign Relations launched a massive War and Peace Studies project to explore the desirable foundations of postwar peace. The participants in this effort ultimately produced 682 memoranda for the State Department on topics ranging from the occupation of Germany to the creation of the United Nations. Two years after the end of the war, the Council's marquee journal, *Foreign Affairs*, published an anonymous article on "The Sources of Soviet Conduct." The article, which was in fact authored by US diplomat George Kennan, helped establish the intellectual foundation for the containment policy the United States would pursue for the next four decades. Then in 1993 *Foreign Affairs* published Harvard political scientist Samuel P. Huntington's "The Clash of Civilizations," a seminal contribution to the debate surrounding American foreign policy in the post-Cold War era. Since September 11, 2001, studies by CSIS, Heritage and Brookings have all contributed to the discussions within the government over the proper strategies and organizations needed to confront the terrorist threat at home and abroad.

Presidential campaigns and transitions are ideal occasions to set the foreign policy agenda. As Martin Anderson of the Hoover Institution explains, "It is during these times that presidential candidates solicit the advice of a vast number of intellectuals in order to establish policy positions on a host of domestic and foreign policy issues. Presidential candidates exchange ideas with policy experts and test them out on the campaign trail. It's like a national test-marketing strategy." The most celebrated case occurred after the 1980 election, when the Reagan administration adopted the Heritage Foundation's publication, "Mandate for Change," as a blueprint for governing. A more recent instance was a 1992 report by IIE and the Carnegie Endowment proposing an "economic security council." The incoming Clinton administration implemented this proposal in creating a National Economic Council (a body that continues today).

Providing Talent

Besides generating new ideas for senior government officials, think tanks provide a steady stream of experts to serve in incoming administrations and on congressional staffs. This function is critical in the American political system. In other advanced democracies, like France or Japan, new governments can rely on the continuity provided by a large professional civil service. In the United States, each transition brings a turnover of hundreds of

mid-level and senior executives branch personnel. Think tanks help presidents and cabinet secretaries fill this void.

Following his election in 1976, Jimmy Carter staffed his administration with numerous individuals from the Brookings Institution and the Council on Foreign Relations. Four years later, Ronald Reagan turned to other think tanks to serve as his brain trust. During his two terms in office, he drew on 150 individuals from Heritage, the Hoover Institution, and the American Enterprise Institute (AEI).

The current Bush administration has followed a similar pattern in staffing the upper echelons of its foreign policy apparatus. Within the State Department, senior officials with think tank backgrounds include the Undersecretary for Global Affairs, Paula Dobriansky, previously senior vice-president and director of the Council on Foreign Relations' Washington office; the Undersecretary for Arms Control and International Security, John R. Bolton, formerly vice-president of AEI; the Assistant Secretary for East Asia and the Pacific, James Kelly, previously president of the Pacific Forum of CSIS (Honolulu); and the Assistant Secretary for International Organization Affairs, Kim Holmes, formerly vice-president at the Heritage Foundation. At the Pentagon, meanwhile, Peter W. Rodman assumed his position as Assistant Secretary of Defense for International Security Affairs after a stint as director of national security programs at the Nixon Center.

In addition to supplying experts for incoming administrations, think tanks provide departing officials with institutional settings in which they can share insights gleaned from government service, remain engaged in pressing foreign policy debates and constitute an informal shadow foreign affairs establishment. This "revolving door" is unique to the United States, and a source of its strength. In most other countries one finds a strict division between career government officials and outside analysts. Not so in America, Madeleine Albright, Colin Powell's predecessor as Secretary of State, once headed the Center for National Policy. Her former deputy, Strobe Talbott, is now president of the Brookings Institution.

Convening Professionals

In addition to bringing new ideas and experts into government, think tanks provide policy-makers with venues. Federation of American Scientists tanks provide policy-makers with venues in which to build shared understanding, if not consensus, on policy options among what has been labeled the "foreign policy public" opinion makers and shapers drawn from across the professions. As a rule, no major foreign policy initiative can be sustained unless it enjoys a critical base of support within the broad foreign policy community. Among think tanks, the nonpartisan Council on Foreign Relations has been most adept at this convening role, hosting hundreds of meetings annually in New York, Washington, and major cities around the country. For US officials, events at major think tanks offer nonpartisan settings to announce new initiatives, explain current policy, and launch trial balloons. For visiting foreign dignitaries, the opportunity to appear before prominent think tank audiences provides access to the most influential segments of the US foreign

policy establishment.

Engaging the Public

Even as they convene elites, think tanks enrich America's broader civic culture by educating US citizens about the nature of the world in which they live. The accelerating pace of globalization has made this outreach function more important than ever. As the world becomes more integrated, global events and forces are touching the lives of average Americans. Whether the issue is ensuring foreign markets for farm exports, tracking the spread of infectious diseases, protecting US software from piracy abroad, ensuring the safety of American tourists overseas, or safeguarding US ports against terrorist infiltration, the US public has a growing stake in foreign policy. Eighty World Affairs Councils, scattered around the United States, provide valuable forums in which millions of adults and high school students can discuss international events. But formal think tanks, too, are increasingly engaging US citizens. In 1999, the Aspen Institute launched a Global Interdependence Initiative, "a ten-year efforts to better inform, and more effectively motivate, public support for forms of US international engagements that are appropriate to an interdependent world."

Bridging Differences

Finally, think tanks can assume a more active foreign policy role by sponsoring sensitive dialogues and providing third-party mediation for parties in conflict. As part of its congressional mandate, the US Institute of Peace has long facilitated such informal, "Track II" negotiations, as well as training US officials to mediate long-running disputes. But other, more traditional, think tanks have also extended their mandates to participate actively in preventive diplomacy, conflict management, and conflict resolution. Beginning in the mid-1980s, the Carnegie Endowment hosted a series of meetings in Washington, bringing together leading South African politicians, clergy, businessmen, labor representatives, academics, and exiled liberation figures, as well as members of Congress and executive branch officials. These gatherings, occurring over eight years, helped establish the first dialogue and built understanding on South Africa's future during a delicate political transition. Likewise, CSIS has launched projects to improve ethnic relations in the former Yugoslavia, to bridge religious-secular divisions in Israel, and to facilitate Greek-Turkish dialogue.

Such unofficial initiatives are delicate undertakings. But they have great potential to build peace and reconciliation in conflict-prone regions and war-torn societies, either as a complement to US government efforts or as a substitute when an official American presence is impossible. In the darkest corners of the world, they can serve as the eyes, the ears, and even the conscience of the United States and the international community.

(Courtesy: American Center Bulletin)

'The Indian Culture stands for a Warm and Distinctive Hospitality'

- Peter J. Leitgeb, President, The Leela Palaces & Resorts.



One of the finest premium Hotel Chains of India that reflects the 'Essence of India', the Leela Palaces and Resorts, is indeed a name to reckon with in the hotel industry. The accolades and awards that have come its way are far too many to be put down. One of the most outstanding amongst the hoard of honors is the prestigious Imperial Mark received by The Leela, Goa. Peter J. Leitgeb, President, The Leela Palaces & Resorts, in an exclusive interview with Shruti Sinha, discusses the rarity and exclusivity that signify The Leela Group.

How did you get motivated to opt for the hospitality industry and how long have you been associated with it?

During my high school times, I was working as a summer student in the hotel industry (Page Boy and Bell). I have been in the hotel industry since 30 years, having worked in Berlin, Dallas, Hong Kong, Budapest, Frankfurt and now Mumbai.

With the Leela Group?

I commenced my assignment as President for The Leela Hotel Group, June 1st 2004.

Your appointment as President Operations is reflective of a new trend of expatriates being appointed to look after the operations. What is the orientation that you as an expatriate bring with yourself? Also, what have you observed in the Leela Group's performance so far?

Expatriates in our industry in general have a well-balanced education of academics and practical experience and gained

substantial experience in various areas of hotel management around the globe.

The performance for this fiscal year has been very commendable. With special reference to the Bangalore property, it has been doing an average of 85-88% occupancy with an average room rate (ARR) of over Rs. 10,000. Goa on the other hand has been enjoying a substantial occupancy of 65% and the ARR has been over Rs. 10,000 which is quite good. The Mumbai Hotel has finished the fiscal year with approximately somewhere between 73-77% occupancy. I would like to see all properties do equally well. One of the reasons for this inequality is that there are a number of hotels that have sprung up in the vicinity.

What are the parameters that you have set for yourself and where exactly do you feel lies the need to bring about the change? Would you try to bring in some sort of Austrian flavour into The Leela cuisine and also a whiff of Vienna's classical symphonies?

The parameters I have been setting for myself and The Leela Palaces and Resorts are reflected in our Vision: "To stimulate and reestablish The Leela Hotel Group as the most premium deluxe hotel company with the largest market share and profitability". Part of our food & beverage strategy will be inviting international Super Deluxe Hotels to Mumbai to jointly conduct Food and Culture Festivals. Certainly, Austria will be among these food promotions.

What will be your focus to make The Leela even more international than it is at present? What are your specific plans for the Mumbai property?

We will enhance our affiliation with Kempinski Hotels in Europe/ Middle East & Asia. In addition, we appointed our Communication Agency and GSA in the German speaking markets already striving to further their brand awareness and greater exposure in our core markets. Repositioning The Leela Palaces & Resorts in the Indian and international hospitality market besides increasing the group's portfolio by adopting the management approach are the two key areas of focus for The Leela Group.

There is going to be a lot of focus on the Mumbai property. The hotel operations, procedures, work environment and culture are the key areas which will be streamlined at the earliest to ensure enhanced service delivery to our guests. A lot of emphasis will also be laid on staff training, attentiveness and quality to exceed guests' demands.

Of the 423 rooms, we are looking at renovating 120-150 rooms

besides the poolside area in the first phase which would be achieved by September end. The renovation would cost around \$3-4 million. Renovation on another 120-150 rooms would begin sometime in April 2005 and the third and last phase will complete the entire renovation.

When you compare the hospitality sector in India with that abroad, more specifically Europe, what is the difference that you find and how do you feel the two can complement each other?

The hotel industry in India, compared to Europe is from the service, quality and hospitality point of view, much more superior. It relates to the Indian tradition and culture which stands for a warm, distinctive hospitality. However, another aspect of

in particular Mumbai, needs the international mumbai convention center (IMCC) to attract new business. This segment is a very important and lucrative business element, not only the airline and hotel industry will benefit, all sectors such as the municipality, shop owners, etc. will be rewarded immensely.

What role would you be playing in The Leela Group's proposed expansion plan?

In my capacity as President, I am responsible for the successful and smooth operation of the Group and exceeding our financial targets. A vital task will be the expansion of the Group into New Delhi, Chennai, Hyderabad and Udaipur by 2007. We need to be present in these key cities, which are core markets for our current



course is the employee ratio. Since our payroll expenditure in India is significantly lower than in Europe, we are able to provide a much more customer driven service and hospitality.

What role do you think the Government of India can play in boosting the hospitality industry?

The Government obviously acknowledged the importance of tourism over the last years. Hence, stepped up their marketing efforts to promote India in a very aggressive way. The campaign "Incredible India", which has been launched, has helped enormously. This needs to be ongoing. All private sectors such as hotels, tour operators, airlines etc. need to continuously promote the destinations in India, and the various wonderful historical and exciting sites with joint efforts, I am certain the number of tourists arrivals could be increased easily up to 5 million in a very foreseeable future. Provided however, that the international airlines flight capacities are increased significantly.

Tourism and hospitality go hand in hand. What are your comments upon the Indian tourism sector and how do you feel it can be given a boost to serve the purpose best? What do you feel has been the share of the hospitality industry in the Indian economy?

The tourism and hotel industry has been supporting the Indian economy very well. However, at this point our industry still plays a very insignificant role as of now. Therefore we need to promote and market India not only as a business, culture and leisure destination, we need to focus on new business segments, such as international conventions and international fairs. India, and here

hotel portfolio. We want to see The Leela Palaces and Resorts as a brand, synonymous with offering the best in Indian hospitality. Every property we own or manage will aim to reflect "The Essence of India" which is our marketing tagline statement.

A key area would be to step up our sales and marketing efforts in an aggressive way for all our properties. This will involve offering specially designed corporate packages and inviting weekend offers for the domestic market with special focus on edutainment of kids. These approaches would enable us to capture three percent of the business from our neighboring properties. Educating the market about the upgraded products would definitely enable us to solicit higher rates.

Any message you would like to give for the business community that comes so frequently to The Leela?

Please continue to come and enjoy The Leela Hotel Group's hospitality. Particularly, our Mumbai property. Would like to welcome you at our newly introduced Citrus and India Restaurant, Jamavar and the new Bar-Lounge will be introduced to the local market and hotel guests by mid-September 2004. This great new concept will find in no time its repeat customers. Currently we are completing 130 deluxe rooms. The wonderfully appointed state-of-the-art rooms have been designed by H. L. Lim, Singapore. In short, the \$ 5 million renovation will be completed by mid/end September 2004, and The Leela Kempinski, Mumbai, will be back, "Grandeur and more Luxuries" more than ever before.

The Leela Palaces and Resorts Epitome of Indian Hospitality



6 Degrees, the recently launched lounge bar at The Leela, Mumbai

Hospitality has always been the hallmark of Indian culture and nowhere is this legacy of ours better epitomized than at **The Leela Palaces** and Resorts, where one finds a striking combination of tradition with some of the most modern facilities, where every activity is laced with a touch of elegance and sophistication so rare.

Born out of the vision of Capt Nair in 1957, The Leela Group has gradually expanded the business from being a lace-making unit to a colossal entity in the hospitality sector. In the process it has established hotels and resorts of international repute -- in Mumbai, Goa and Bangalore.

These resorts and hotels are amongst the most happening places of the country and every season, every year there is a certain streak of uniqueness that is added to them. It would do us good to check out with the latest.

In **The Leela Palace Kempinski Bangalore**, situated majestically amidst the lush greenery of nature, you will find a new orientation being given to luxury. Designed by Wimberley Allison Tong and Goo, the California-based firm of architects of world fame, the masterpiece of the architecture is revealed in the regal and imposing portecochere at the entrance. The state-of-the-art facilities include the Royal Club, the Business Centre, Citrus-the Twenty Hour Brasserie, two signature restaurants, namely the Jamavar and Zen, the Library Bar, the Grand Ballroom

and the Royal Ballroom that offer conference and banquet facilities. And do we ignore the tradition of wellness? Certainly not. The Leela Health Spa and the Gymnasium stand tall testimony to this.

The rarity of The Leela, Goa, is that it captures the spirit of Goa, ensconced in the traditional legacy of Indian culture. While ultimate leisure can be indulged in at the spa and the fitness centre, other attractions feature the Jamavar, the Indian restaurant, the Café, the Riverside restaurant, Susegado, the beachside restaurant, the Pool Bar, the Yali Lounge, the Aqua that offers soul-stirring cocktails and the casino, Las Vegas. The Club at The Leela, Goa, offers an exclusive environment of Villa facilities with amenities.

The Leela Kempinski, Mumbai, is the perfect place a traveller is meant to be. Nestled amidst the hustle and bustle of the financial and commercial capital of India, it is the finest hotel of the city. Equipped with every comfort and elegance that one can think of, this hotel building boasts of graceful columns and a magnificent lobby set at three levels. All of its 423 rooms (deluxe and suites) have the plushiest furnishing. It would do justice to summarise the facilities available here as ones that are the most outstanding examples of state-of-the-art technology combining with a refined décor.

Be it the Grand Ballroom or the spa or the restaurants or lounge bar Zaha, each bears a spark of being different from its contemporaries elsewhere. It is set to acquire an even more dynamic look, as stated by company President Peter Leitgeb, by the US\$20 million investment in renovations over a two-year period.

Time and again, The Leela Kempinski, Mumbai, has been coming up with new features like offering some of the most alluring package and offers. The "The Great Weekend Escape" and the Monsoon offer fit best in this category. The latest of course is the "6 Degrees", aiming to infuse a fresh breath in the nightlife of the city. The name is derived from the ideal temperature of serving champagne and to celebrate the conviviality amongst the individuals of the society. Overlooking the swimming pool, a plethora of drinks like wines, spirits, anti oxidant fruit juices amongst a host of others. The drinks respect the preferences of those who do and those who don't partake of alcoholic drinks. They are matched with tapas-styled bar food, music that helps one unwind and a discreet yet attentive service.

Awards and accolades have followed The Leelas quite naturally. The Leela, Goa, was bestowed with the honour of the prestigious 'Imperial Mark' this June, while CNN has declared Bangalore's Leela Palace as 'Ultimate In Service' among all hotels in the Indian sub-continent for the year 2004.

Paranjape A Builder With A Social Conscience

There are builders and builders but a few with a concern for social issues such as education, ecology and conservation of environment. Standing in the forefront among the builders with a social conscience is Paranjape Schemes of Pune. Indo-US Business catches up with Shashank Paranjape, Director of the company to talk about construction activity in general and the firm's future projects.



The very name Paranjape Schemes indicates that you are a builder with a difference and that you have special schemes designed for different sections of society. For instance, the scheme specially designed for senior citizens in Pune comes to mind. Could you elaborate on your various schemes?

As you are aware we are in this housing construction business for last three generations. My grandfather, Shri. Tatya Saheb Paranjape began housing construction in Vile Parle, a suburb in Mumbai with a view to provide affordable dwellings to the middle class people. He was a pioneer in creating co-operative housing societies. With the same focus in mind, we too established a construction house in Pune in the year 1989. Since then there has been no looking back and today we are proud to state that we have built more than 20,000 homes for all classes of people. Our projects range from Rs. 3.0 - 40 lakhs. We not only construct exclusive flats but also build row-houses, bungalows, commercial projects, IT Parks & entertainment centers. We have our projects spread all over Pune and surrounding areas. Besides, we have construction activities in Mumbai, Kolhapur, Chiplun and Panchgani where we also have our local offices. You will be pleased to know that our wings have spread beyond the Indian waters. We are glad to mention here about our 40 bungalows project in Melbourne, Australia. Soon we would be reaching the western shores too.

Apart from the scheme for senior citizens, you have also

built Bhavan Paranjape Vidya Mandir for Bharatiya Vidya Bhavan at Pune. These two instances place the Paranjape Schemes on a different pedestal as a builder with a social conscience. So could you tell us what is your vision and mission as a builder and developer?

We have been very much inspired by our grandfather. He was not only instrumental in developing co-operative housing societies but also in constructing education institutions in Vile Parle, Mumbai. The renowned Parle Tilak Vidyalaya Association's schools and colleges were his brainchild. Today even we are involved with major institutions in Pune. We have donated to Symbiosis school for their Spa, to Maharashtra Vidya Mandal's pre-primary school also constructed the "Natu Sabhagriha" for Bharatiya Vidya Bhavan, Model Colony, as you've mentioned we have also constructed the Bhavan's school in Kothrud. Our support was also extended to construct a small shelter icon within the Ferguson College premises. We look forward to contribute to many such projects. But this is not all, being a socially conscious builder / developer, we are keenly involved in tree plantation programs, you will appreciate that 90 per cent of our projects are landscaped, with useful trees and shrubbery. We have installed sewage treatment plants in our various projects to avoid water wastage, provided Vermiculture bins for garbage disposal, put rainwater harvesting systems to conserve water and energy. We have also planned to set up Continuous Care Units, Day Care Centers and Respite homes and its expansion to other cities of India. The initial

legwork for the same has already begun.

The phenomenal growth of the IT industry, followed by a boom in the BPO sector has put Pune on the world map and turned the city into a paradise for real estate developers. What has been your contribution to it and how do you look at the future prospects for Pune?

We are not only instrumental in providing shelter to these IT professionals nearer their work places but are also involved in creating offices for some of the major IT players in the country. As mentioned earlier we have excellent housing projects being constructed in areas like Aundh, Baner and Pashan which are the in-vogue locales for the IT professional's dwellings as they are just a few kilometers away from the Hinjewadi Software Park.

It appears as if the growth of real estate between Mumbai and Pune has already given birth to the development of "Pumbai." Will it solve the problem of accommodation by offering cheaper office and residential areas?

I personally feel that the birth of "Pumbai" will only increase the number of migrants to the city. It also means more demand of housing and commercial space requirements. Though the construction industry is in a blooming stage the ratio of the migrants to the city and the availability of accommodation may not match. This will hike the prices of residential and commercial properties. I am sure all the builders / developers including us will look up for more business avenues.

You are also building eco-caring homes under the SciTech project of the Pune University, with a view to protecting and conserving environment. How different are your views from other builders as far as ecology is concerned?

We have from the onset been instrumental in building eco-caring homes, albeit a larger picture has been painted only recently with our tie-up with the SciTech project of Pune University. We have always been different from others builders as far as ecology is concerned. Right from the inception we have to our credit systems like "Vermiculture" for garbage disposal in all our projects. Rainwater Harvesting Systems, Sewage Treatment Plants, etc.

It is said that these eco-care buildings will go for accreditation of Leadership in Energy and Environment Design (LEED), a US-based organization that sets standards for "green" buildings. What does this accreditation mean and how will it help Paranjape in its future plans?

Customers nowadays are well educated and sensitive to pollution and environmental effects on development. They would certainly like the buildings to be green provided it does not impinge on their pockets. We have established a tie-up with the SciTech project of Pune University and Mr. Shashank Paranjape will be attending

the Conference on "Green Buildings" organized by the renowned "USAID" (United States Agency for International Development). We have also started taking steps in getting ISO Certificate 14001 in this regard. Our philosophy is that this is required not as a marketing gimmick but because we wish to support conservation of energy in the true sense.

You have branches in Singapore and other cities abroad, including the US. Have you been working on any collaboration arrangements for both funds and construction technology?

We have our branch office and construction activity only in Melbourne, Australia at the moment & not in Singapore or US or any other cities. But by 2005 December we would be looking up for some activity in the US too.

What kind of government policies are necessary to attract big-time direct foreign investment into this country, which is on the a fast track in economic development? One is compelled to cite the example of Shanghai here. How did that Chinese city get the kind of investments required for its mind-blowing growth?

Government is taking the right steps to attract foreign investment for projects which are over 100 acres or more. Government has also well thought policies of waiving the ULC (Urban Land Ceiling Act) & other acts which restrict larger hold on properties.

The Maharashtra government believes that Mumbai could transform itself into a Shanghai in the next decade or so. What kind of infrastructure and governmental policies are required to materialize such a dream into reality?

When we talk of infrastructure naturally road, water and sewage are of paramount importance. Also development in new areas in Khaghar and Panvel are right steps being taken by the Government of Maharashtra.

What are your future plans for Pune as well as other Indian cities where you have construction interests? Could you also tell what these plans mean in terms of investment?

We feel that Pune is poised for construction and now is a sought out city for IT etc. With reasonable water and electricity supply and one of the best talent and educational institutes are attracting many to this cultural city. Pune lacks in proper roads and commuting aspects. Government has taken up these issues and have also taken steps in getting sanctions for concession in taxes and octroi and in electric tariffs. This is most welcoming step. Every 1000 sq.ft. of office space sold attracts investment in 5000 sq.ft. of residential areas and hence both will see tremendous growth. We are going in for large investments not only in Pune but also in major Metropolis of the country.

Maritime Sector Promises for the *Future*

The month of August was witness to the first of its kind Maritime Conference, which set the pace for greater cooperation in the field of shipping. A report has been put together by *Tripti Charavorty*.

Indo-American Chamber of Commerce organized a first of its kind two-day conference on 'Resurgent India: Maritime Horizon' at Mumbai, on August 19 & 20. Ministry of Shipping, Government of India, was the co-host. The US Commercial Service in Mumbai supported this Conference. The knowledge partner was Deloitte. It was a platform to promote interaction and greater partnership between the two nations in the maritime sector. The Chief Guest was Vice Admiral Madanjit Singh, PVSM, AVSM, Flag Officer Commanding-in-Chief, Western Naval Command. The Guest of Honor was Mr. M.P. Pinto, Ex-Secretary, MoS, currently Chairman, Maharashtra State Enterprises Restructuring Board. Others present on the occasion were Mr. Angus Simmons, US Consul General, Mr. G.S. Sahni, Director General and Additional Secretary-Shipping, Hon. Hal Creel, Commissioner, Federal Maritime Commission (FMC) and Hon. Ed Emmett, President, TranSystem Advisors. Lighting of the lamp marked the inauguration of the conference.

Some of the luminaries in the maritime sector who lent insight to the conference by presenting papers on various issue of concern for India in the shipping sector were Mr. P. K. Srivastava, President INSA & Chairman & Managing Director, SCI, Mr. Ravi Budhiraja, Chairman, Indian Ports Association & JNPT, Mr. R.K. Jain, Jt. Secretary (Ports), Ministry of Shipping, GoI, Mr. K. Shankar Narayan, Chairman, IWAI. Representing three important US Government Departments were: Hon. Hal Creel, Commissioner, Federal Maritime Commission (FMC), Mr. M. Nuns Jain, Regional Director, US Maritime Administration (MARAD) and Mr. James Dozier of Dept. Of homeland Security. Hon. Edward Edmett, formerly

Director of the National Industrial Transportation League, an organisation that represented the interests of shippers in the United States co-ordinated the US end for IACC for this Conference.

The topics that were discussed were port development, multimodal transportation, NVOCC & Warehousing, investment opportunities, regulatory framework & security, shipping in offshore & inland waterways. The thrust of the conference was on ports, security, shipping and related logistics/infrastructure development. The focus was to foster public-private partnership. The other issues that were addressed pertained to ISPS code implementation related to both the maritime administrators. The main objectives of the conference were to provide an overview of water transportation and logistics scenario in India and for US businesses to showcase their capabilities in various areas.

The general findings of all the participants were that business potential in the 'Maritime Sector' have not yet been fully explored and the US participation has not found a major proportion in the said sector. There is scope for greater collaboration between both countries. The water drafting and channeling techniques in most of the Indian rivers could meet with the standards set in the Mississippi River of the US and a joint venture collaboration in this area would be welcome.

The first day of the conference concluded in a networking reception and dinner. The Valedictory session on second day was presided by the Guest of Honor for the session Mr. Arun Bongirwar, Chairman, Tariff Authority for Major Ports (TAMP).



Mr. M.P. Pinto, former Secretary, ministry of Shipping lighting the lamp for the inauguration of the Indo-US Maritime Conference. Also seen in the picture (LtoR) Mr. P.K. Srivastava President, INSA and CMD, SCI, Mr. S. S. Rangnekar, Director, SCI and Convenor for the Conference, Dr. V. Rangaraj, Vice Admiral Madanjit Singh, PVSM, AVSM, Flag Officer Commanding-in-Chief, Western Naval Command, Hon. Harold Creel, Commissioner, Federal Maritime Commission, Mr. Angus Simmons, US Consul General

Indo-US Conference on Maritime Sector - Theme-setting Speech

With a multitude of opportunities emerging on the Maritime horizon in India, the deliberations and interactions that that would follow from the Indo-US Maritime Conference will be of tremendous benefit to the shipping world opines Mr. S.S. Rangnekar of Shipping Corporation of India

As the economies of nations the world over get increasingly integrated, earlier paradigms, policies and strategies for growth and excellence are put to test and, if necessary, modified and adapted to the changing scenarios. In the globalized scenario, "Exports" is recognized as a vital driver of growth. With nearly 95% of EXIM trade by volume and 68% by value moving by sea, Maritime Transport is a significant link in the Supply & Logistics chain in the EXIM trade. While Sea Ports & international Shipping are in greater focus, Coastal Shipping, Inland Water Transport and, of course, Rail and Road transport need due attention as important links in this chain. This integrated Transport System must, therefore, be developed and nurtured so that it can efficiently and effectively contribute to national economic growth. In the context of containerised trade, this would be the Multimodal or Intermodal Transport System. In addition to these areas, oil & gas exploration & production is another emerging sector, and consequently, a host of offshore supply & logistics services have emerged as thrust areas with immense growth potential.

Successive governments in India have taken initiatives to create a facilitative policy environment for the Maritime sector. Infusion of modern technology and investments are thus accorded very high priority. A facilitative regulatory administration and management systems in ports, shipping, multimodal transport, etc., which are as important, should be in tune with international best practices in a competitive world. The achievements of countries like China for example, attracting over \$ 500 billion in foreign direct investment so far, with \$53 billion during last year alone, indeed serves as a source of inspiration. A truly facilitative, customer-oriented regulatory policy and business environment without red tape and minimal transaction costs are thus an absolute necessity.

In this scenario, co-operation & collaboration initiatives between India and USA hold great promise for the Maritime Sector in India, while consequently benefiting the investors and enterprises in the US through the emerging opportunities. With its pool of economical, qualified and competent manpower, in areas like seafaring, information technology & software solutions etc., India is also well poised to contribute significantly.



India has over 7500 Km long coastline studded with 12 Major Ports and about 185 Non-Major Ports. Major Ports, under Central Government jurisdiction are well distributed among the various maritime states. Non-Major Ports are under the respective state governments, of which, around 50% are located in Gujarat and Maharashtra alone and another 30% in Andaman and Nicobar Islands, Tamil Nadu, Kerala, Andhra Pradesh and Lakshadweep Islands. In 2003-04, ports handled nearly 458 million tones of cargo; major ports' share being 345 mt and Non-

major ports 113 mt. Some of the Non-major (minor) ports have emerged as more modern and efficient ports in the Indian environment.

Indian Shipping industry saw a significant 12% increase in acquisition of vessels during 2003-2004, and Gross Tonnage (GT) by end-March 2004 was 6.9 million GT. The age of Indian Fleet is around 16.5 years, compared to 19 years of World Fleet, and comprises of around 35% Bulk Carriers, 33% Crude Carriers with the balance being other types of ships. The largest Indian shipping company is the public sector enterprise, Shipping Corporation of India (SCI), presently having a share of around 34% of the Indian fleet followed by private sector players namely, Great Eastern Shipping (23% share), Essar Shipping (13 %), Mercator Lines (6%) and others. The share of Indian shipping lines in carriage of India's EXIM trade is, however, quite low, less than 20% as per earlier estimates. There is

thus a huge potential for expansion and modernization of Indian Shipping.

The Government has taken several policy initiatives to boost the Shipping industry such as simplification of ship acquisition procedures and regulatory procedures for raising commercial / forex loans, permitting FDI up to 100%, release of foreign exchange without any value limits for import of capital goods and spares for ship repair / dry docking. Similarly, investment incentives have been extended to Shipbuilding and Ship repair, Inland Water Transport and Ports sector. Policy guidelines for encouraging private sector participation have been formulated. Apart from these areas in Maritime sector, Ship breaking could also provide considerable opportunities for investment and technology upgradation: India has the world's largest Ship breaking yard at Alang, on the west coast of Gujarat where approximately 35,000 workers dismantle nearly 300 ships every year.

In the Union Budget for 2004-2005, a Tonnage-based tax for shipping companies has been introduced, which would bring the effective taxation rate to much lower levels. In the infrastructure sector, Airports, Sea ports and Tourism will continue to be a focus area in the present government, and an Inter-Institutional Group (IIG) has been set up to ensure expeditious disbursement of loans and implementation of infrastructure projects. Setting up an International Container Transshipment Terminal (ICTT) at Vallarpadam, in Kochi Port on BOT basis is another initiative announced in the Budget.

The Government of India has announced an ambitious "National Maritime Development Project" (NMDP). Development of a series of new ports along the entire Indian coastline, strengthening port related infrastructure, improvement in port connectivity, development of inland waterways, boost to multi-modal traffic, improvement in quality and quantum of Indian tonnage, promoting and integrating coastal shipping and inland waterways and modernisation of Navigational Aids are some of the highlights of this NMDP. An investment of around Rs. 1000 billion (over \$ 21 billion), is envisaged, comprising Rs.600 bill in Ports, Rs.250 bill in Shipping and Rs.150 bill for inland water transport entailing private funding to the tune of 85% and Public funding of 15%. A special focus on privatization would be provided, with some of the major areas being (i) Leasing out of existing assets, (ii) creation / operation of additional assets (iii) warehousing, CFS, Tank Farms, (iv) leasing cargo handling equipment and floating crafts from private sector, etc.

US Allows Foreign Students to Stay Longer

Foreign students concerned about losing authorisation to stay in the United States have received an extension from US citizenship and immigration services that may allow them to remain in the country after October 1.

The extension applies to foreign students and recent graduates interested in working professionally in the United States who are applying for H1B work visas. It will enable these students to remain in the



country until their applications for work visas have been processed, according to a statement issued by the department.

The ruling affects students seeking to trade F and J visas for H1B professional visas, the statement from US citizenship and immigration services said.

Normally, these foreign students receive a 60-day or a 30-day grace period to close out affairs and return home at the end of their educational programmes. This year, Congress has limited the number of H1-B visas for the fiscal year 2004.

"The extension of the grace period allows affected foreign students to remain in the country and avoid the inconvenience of returning home only to travel back to the United States in the near future," said Eduardo Aguirre, director US citizenship and immigration services.

A visiting student has the option of working professionally for one year for "optional practical training," but must apply for the H1B visa after the year is up. Once the practical training period ends, a student has between 30 and 60 days to close out affairs and apply for a H1B visa that would allow him to continue working in the US.

If the visa is not granted before the end of the grace period, the student must return to his home country to apply again. The visa allows international students to work in the United States for up to six years, as long as they are working in a specialised industry and hold a job that requires a degree.

Foreign students qualify for the extended grace period only if their prospective employer has filed an H1B petition on the student's behalf before July 30, 2004.



FMC to foster closer ties with India

The Honourable Harold J. Creel, Jr., Commissioner of the Federal Maritime Commission (FMC) addressed the attendees on the importance and timeliness of the Indo-US Maritime Conference on India's resurgent role in the maritime sector. His remarks pertained to the recent developments in the United States which have affected the way in which the United States regulate their international liner shipping. The Commission has been an independent agency since 1961 that oversees international liner commerce. However they do work closely with the Maritime Administration, and the Departments of Transportation and State. Excerpts:

He began by sharing a few facts and figures of India's trade with US before he went on to discuss what the FMC stood for and what were the functions it performed.

Last year, trade between India and the United States totaled \$18 billion, with India, the 19th largest trading partner of the US, having trade surplus of \$8 billion. A large proportion of this trade is carried by liner operators who are subject to the FMC's oversight. The volume of this trade that is being carried by liner operators increased from 304,000 TEUs in 2001 to 338,000 TEUs in 2002, and 398,470 for 2003. Total liner cargo is projected to grow by 12% in 2004 and 4.2% in 2005. For the past two years, India has ranked 14th as a U.S. liner cargo trading partner.

By Washington standards, the FMC is a small agency, with only 130 employees. Nonetheless, our statutory mandates are huge. The principal statute that guides our activities is the Shipping Act of 1984, which was recently amended by the Ocean Shipping Reform Act of 1998 ("OSRA"). These statutes are designed to achieve fair and non-discriminatory ocean transportation environment, in which the commercial marketplaces play an increasingly prominent role. Pursuant to these statutes, the Commission oversees the activities of ocean carriers, non-vessel-operating common carriers ("NVOCCs"), conferences, intermediaries, shippers, shippers' associations, marine terminal operators, ports and others. In addition, the Commission ensures that these entities do not violate various activities proscribed by section 10 of the Act. In all such matters the Commission operates in a flag-blind manner. That means, for example, that Indian-flag carriers receive the same treatment as U.S.-flag carriers.

The Commission certainly also receives certain agreements among ocean common carriers and reviews them to ensure that they are not substantially anticompetitive. Once these agreements become effective, they are exempt from US antitrust laws. The Commission also receives all service contracts entered into by carriers and shippers and maintains them in an electronic database that is accessible only by the Commission. The Commission further ensures that the electronic tariffs published by common carriers are accessible to the shipping public. The Commission also licenses ocean transportation intermediaries (that is, ocean freight forwarders and NVOCCs) and ensures that they maintain adequate

financial responsibility to protect the shipping public. The Commission also requires passenger vessel operators to demonstrate their financial responsibility in the event of non-performance of a voyage, or for personal injury to passengers during a voyage. The Commission also regulates the rates of government-owned or controlled carriers, including, of course, the Shipping Corporation of India. Back in 1978, the U. S Congress concluded that state controlled carriers were not operating pursuant to normal market forces and thus subjected their rates to greater scrutiny. Lastly, the Commission has the ability to address unfair foreign maritime practices through section 19 of the Merchant Marine Act, 1920 and the Foreign Shipping Practices Act of 1988. In other words, to ensure that all carriers operating in U.S. trades have the same access to foreign ports as vessels of that country have to US ports. The Commission has used this authority most recently to address adverse maritime conditions in the Peoples' Republic of China. I am pleased to report that these efforts, together with those of the Maritime Administration, have recently resulted in a much more open maritime transportation sector in China.

I would like to bring you up to date on the approach that the United States has taken to regulate its maritime transportation industry. As I indicated earlier, the United States recently amended its maritime statutes pursuant to the Ocean Shipping Reform Act of 1998. I will discuss briefly the process that led to that law and then address its major changes and effects.

It took 68 years for the U.S. to make its first major overhaul in the way it regulates ocean transportation. The Shipping Act of 1984 replaced the Shipping Act of 1916, an archaic, anachronistic statute whose utility had clearly waned. Under this new regime, the Commission no longer approved carrier agreements pursuant to a public interest standard. Instead, carrier agreements generally become effective within 45 days of their filing. However, these arrangements, which receive immunity from the U.S. antitrust laws, are subject to constant Commission monitoring and review. For the first time, carriers, conferences, and shippers and shippers' associations could enter into service contracts to meet their transportation needs. - However, several essential terms of those contracts had to be published and the same terms had to be offered to similarly situated shippers. In addition, non vessel-operating common carriers were given statutory recognition.

It didn't take another 68 years for some to decide that further change was necessary to counter the continued influence of conferences. The initial efforts at change were led by a group of large shippers and a couple of large carriers. Their draft bill eventually failed.

In the subsequent Congressional session, an effort was made to involve all the various affected entities in the process. There were numerous meetings with representatives of these parties, hearings were held, and several changes were made to the original approach. This bill ultimately passed both Houses of Congress and was enacted into law as OSRA. It represents a true compromise by all involved in the process.

One of the cornerstones of OSRA is its treatment of service contracts between ocean common carriers and their shipper customers. The rates agreed to by the contract parties are no longer public knowledge and carriers do not have to offer the same deals to other shippers. Moreover, the parties can agree to keep all or a portion of the contract terms confidential. Even more importantly, carrier conferences can no longer prohibit or restrict their members from offering service contracts. As a result, contracts now can be negotiated individually between a single carrier and a single shipper.

On the carrier side, OSRA continues to provide immunity from the U.S. antitrust laws for certain concerted activities among carriers. However, the extent of permissible activities has been circumscribed somewhat. In particular, agreements cannot require their member to disclose service contract negotiations or the details of any service contracts entered into. However, agreements may adopt voluntary guidelines concerning service contracting. The guidelines must be filed confidentially with the Commission and must be truly voluntary and nonenforceable. Lastly, and not only common carriers, ocean NVOCCs, can offer service contracts to shippers.

The most obvious result of OSRA has been the influx of service contracts between shippers and individual ocean carriers. In fiscal year 2003, the Commission received over 240,000 service contracts and amendments. In fact, the vast majority of liner cargo now moves under service contracts, 70-80% in some trades. This has led to improved relationships between carriers and their shipper customers. Although shippers don't always end up with the lowest possible price, they can receive the mix of services they desire for their particular needs. In a tight market, when space is at a premium, this can be particularly important. OSRA has also resulted in a decrease in the importance of ratemaking agreements. The traditional conference has virtually disappeared. In its place has been a shift in the importance of voluntary discussion agreements. In addition, carriers are becoming much more effective and innovative in their use of operational agreements such as vessel sharing agreements to the benefit of themselves and their shipper customer.

Has OSRA worked as intended? I believe the answer is an unqualified "yes." I know from my discussions with carrier executives that many were initially skeptical that those changes would benefit their industry. In the six years since OSRA was enacted, most of the industry players appear to have embraced its changes and many especially carriers have been pleasantly

surprised at the benefits the Act has brought to their business. The compromise adopted by Congress has achieved a good balance between shipper and carrier interests.

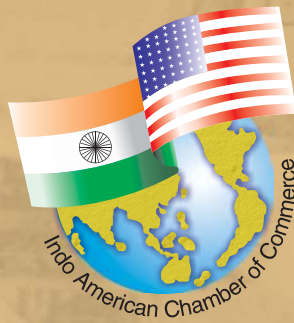
There is one industry sector that is less than thrilled with the OSRA compromise. NVOCCs are treated differently depending on whom they are dealing with. They operate as shippers in their dealings with ocean carriers, but they're considered common carriers in their dealings with their shipper customers. Under OSRA, NVOCCs were not granted the ability to offer service contracts to their customers, although they could enter into them with ocean carriers. NVOCCs have periodically complained to Congress about this state of affairs.

In an attempt to address this dilemma, the Commission has recently received eight petitions seeking an exemption from the Shipping Act to permit NVOCCs to offer service contracts or be relieved from tariff publication requirements. These petitions were noticed for public comment and the Commission received numerous comments on them. We are now in the process of digesting these comments and deciding on an appropriate course of action.

I would like to now discuss Commission activities that have had a specific impact on the Indian U.S. trade. U.S. law requires that the Commission review agreements among ocean common carriers to ensure that they do not result in unreasonable reductions in service or increases in costs. One agreement that recently became subject to Commission scrutiny was the TransPacific Stabilization Agreement ("TSA"), the largest pricing agreement in the eastbound bilateral trade, which included the Indian subcontinent in its scope.

In 2002, two associations of NVOCCs filed a petition with the Commission alleging that TSA members had discriminated against NVOCCs in connection with the negotiation of service contracts for the 2002-2003 season. The Commission subsequently conducted a fact-finding investigation that further broadened the issues to be investigated. Ultimately, the Commission was able to reach a settlement with TSA that addressed the concerns raised in the initial petition and that addressed concerns identified by the Commission during the course of its investigations. This settlement was entered into on September 11, 2003, and made a number of structural changes in TSA designed to enhance competition. One of the most significant changes for this audience was the elimination of India from the geographic scope of TSA and the cancellation of the Indamex Bridging Agreement. The Commission required this change because it felt that TSA, combined with the bridging agreement, was too dominant in that market was resulting in reduced competition.

On February 27, 2004, five of the carriers who are members of TSA filed with the Commission the Indian Subcontinent Discussion Agreement. This agreement is intended to provide the parties a vehicle to discuss, exchange information, and reach voluntary agreement on matters of interest in the India/U.S. trade. The Commission permitted this agreement to become effective on April 12, 2004, because of the relatively small market shares of the parties. Nonetheless, we will continue to monitor how closely the parties follow, the service contract guidelines adopted by their fellow TSA members.



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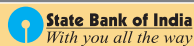


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