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Dear Reader

India and China, the two Asian giants have increasingly become important engines of world economic development in recent years and a topic of conversation, deliberation and conjecture among business people, entrepreneurs and investors. Whilst the performance on the stock market may naturally be the determining factor for the indirect investor, the entrepreneur will weigh pros against cons of the two countries such as high growth rates, buoyant markets, low wages and possibly inexhaustible resources in available, often well trained personnel against hampering effects such as shortfalls in infrastructure, language and means of communication.

Whilst India's strength in the services sectors, particularly the IT enabled ones, has universally been recognised, its ability in the manufacturing field has so far been little appreciated and the dominance of China over India emphasized. Given India's technological prowess and its ability in the knowledge industries, the country has undoubtedly also enormous potential to become a manufacturing base.

Discussing India's prospects and challenges, Dr. Manmohan Singh, the Indian Prime Minister mentioned that the ultimate goal is to wipe out poverty, ignorance and disease in the country. He underlined the importance of foreign direct investment, particularly in infrastructure, adding that India may not be able to reach where the Chinese are today, as coalition politics may make the pace of economic reform slower than some would wish, but the direction in which the country is moving is unmistakable, the Prime Minister said, as ultimately India must accept the logic of globalisation.

Relying on the forecast of an 8 per cent annual economic growth in 2006, the Finance Minister, Mr Chidambaram, end February presented a Union Budget which, it is said, left everyone pleased, especially as it provided for no increase in either income or corporate tax.

In this issue we have included an article by Mr. Yogi Aggarwal, published in the recent number of "India Now" (Vol.2 issue 6) on the subject.

An interview with the chairman of the Tata Group, published in the McKinsey Quarterly, reveals how the country's second largest conglomerate expands abroad while cultivating an emerging mass market at home.

Mr. Bernhard Imhasly's India Diary, a regular and highly appreciated contribution to our Bulletin, sends its message a second time from Matheran, where the author is working on a publication for the Frankfurt Buchmesse in autumn. Apart from a vivid and gripping description of life in the forest tribal area it contains an appeal for help to which we would like to draw attention.

On the home front we had the pleasure to listen to Ambassador Tripathi, expounding India's buoyant economy, present and future at two Chamber Luncheons, one in Zurich in February and one in Lausanne early in March, reviewed in an article by Dr. Doritt Probst Sallis.

What is further on schedule ?

On 8th May **Mr. Azim Premji**, Chairman of Wipro Technologies, Bangalore, will speak to members and guests at a Luncheon Meeting of the Chamber in Zurich at the Zunfthaus zur Saffran.

9th to 11th May will see **India Days** in **Basle, Berne and St. Gallen** with participation by the Chamber together with Swiss Hub India and osec business network switzerland in a one day seminar, organised by the Chambers of Commerce of St. Gallen and Appenzell.

8th June, will be the date of the **Annual General Meeting of the Chamber in Zurich**, combined with a luncheon with **Federal Councillor Joseph Deiss** who will participate in a **panel discussion**, led by the President Franz Probst, at the Zunfthaus zur Saffran.

Once again we have the pleasure to welcome the following new members :

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April 2006

INDIA DIARY

By Bernard Imhasly, Delhi

January 20 Chinchwadi

We went down to Chinchwadi to make an assessment of the losses which the village has suffered from the last monsoon. In about 30% of the fields the terrace walls have come down, and stones litter the fields below each terrace level. The harvest loss has been total. But what is even more glaring is the sheer lack of even the basic infrastructure. Chinchwadi is a village which lies in the Forest area. Thus these people are technically encroachers (even though they have lived here for generations), and they have no right to the services of the State. There is no road, there is no electricity, and the school is one small room in the hut of a villager, and the teacher for the thirty children (a local boy) gets paid by the villagers. And there is the constant threat of eviction and resettlement – technically on government land, but going by previous practice these people would end up in the slums of Bombay.

What is most distressing is the lack of drinking water. The women have to walk about twenty minutes down into a valley and from there clamber over boulders into a ravine, where they have a spring which is alive for nine months of the year. For about four months they have a well near the village, but that dries up around October and from then to April they have to trudge to the ravine. Then in April/May even that source goes dead, and they are left with stagnant pools. Even the bathing and laundry needs to be done down there.

We decided then and there to provide Chinchwadi with drinking water. Experts tell us that it will cost around 3 to 4 lakh Rupees – a staggering amount for them, impossible to meet. But translated into Swiss currency it is just above 10'000 Francs, a sum which we are determined to contribute and collect from friends.

January 25 Look down in anger

The look from Porcupine Point to the valley has lost some of its innocence. I am looking down to the villages along the flanks, and below them the large dammed lake, which after last year's downpours, is still pretty full. But the villages around have no right to draw water from it, even if their fields touch the waterline. Why is that? The forests and watersheds belong to the State Government, and it can do what it pleases with them. In this case the water from the lake goes to the inhabitants of Panvel city, 16 kilometers away. That's fine, they need water too. But why at the cost of the people from whose lands

the waters run down to fill the lake and then their buckets? As a Swiss (and a Valaisan!) I fail to see the logic that a democratic Government can arrogate to itself the right to sell the water (and the forest produce) of poor villages, without giving them back at least part of the money. In the Valais poor communities grew rich because they could sell their water rights to municipalities like Lausanne and Neuchâtel, or companies like Alusuisse/Alcoa, Lonza and Ciba. Here, as I have seen, not only do the villages get nothing in return – they are even punished for staying in the forests!

February 3 Wedding Drums

We have been invited to attend the marriage of Bau's son in Dodanwadi to a girl from the next village. Bau is a mason whom we have occasionally employed at the house. We arrive late in the morning in Dodanwadi, which is the biggest among the twelve hamlets of which the Maldunga Panchayat is made up. There is drumming going on outside Bau's house, and bride and groom stand outside, their bodies and clothes drenched in yellow turmeric water. While we bow before them and give them some simple gifts, we are shocked to see the bride – she looks much older than the boy, with a haggard face. Only later do we learn that this is not the bride, but the groom's mother, who stands in for the real thing.

This part of the ceremony is only for the boys' side, and only in the late afternoon the 'baraat', a long procession with all the villagers, will form behind the musicians and wind their way to Maldunga 'wadi', to greet the bride's family and bring her back to Dodanwadi. Then the revelries will start and last throughout the night. A propos gifts: Positioned next to the entrance to the house, a man sits behind a table and is busy writing down names and figures. It's the book-keeping for wedding gifts. Every gift is meticulously recorded with name and amount. We are the only ones who have brought gifts in kind – all the villagers give cash. This is sound economics, because it allows the families to recoup some of their expenditure. Bau not only spends for the music, the meals and the decorations, he also gives each of us a return present – a hand towel.

The same reasonableness among the so-called uncivilised tribals exists regarding choice of partners and 'dowry'. It is the responsibility of the young man and woman to choose. The family and village does not interfere – unless certain boundaries are crossed. If for instance one marries a divorcee, the couple will not be allowed to stay in the village anymore. But there is no 'dowry': neither the bride's nor the bridegroom's family

have to pay money. This is one attribute which puts the Adivasis way above Hindu society, where this practice has caused countless deaths, murders and bankruptcies.

February 10 No Saints

Getting to know the tribals also helps to stop idealising them. We asked the Dodanwadi village whether they would allow us to use some of their surplus water to plug and pump to their Chinchwadi neighbours, about 1.5 kilometers away. They flatly refused. When we told them that they had got their water thanks to an NGO (The Sai Baba Trust). They could surely show a little generosity for their worse-off neighbours. Nothing doing. With the usual frankness of a villager the brother of the Sarpanch told us: "We never asked them to give us water. They came and offered". The trust was not even allowed to use one of the existing wells to install a pump – they had to bore a new one!

Talking of the 'Sarpanch', the elected head of the Panchayat. In Maldunga Panchayat she is a woman. Lest you think that women's empowerment has reached down to the last Adivasi villages, think again. The law says that a woman has to be elected in rotation. And the woman which is elected is not always the most outspoken or proactive woman of the village. More often than not a woman candidate is being pushed by a powerful group or family. When elected, the men of that clan rule by proxy. Therefore the words 'Sarpanch ki pati' (The husband of the Sarpanch) or 'Sarpanch ki bhai' (her brother) have become almost like honorary titles in village India, expressing power and prestige. In our case too, we are told by Manjula, our 'Maalishwali' and a pretty and outspoken woman from Dodanwadi, that the present Village headwoman is a 'rubber-stamp Sarpanch'

February 18 Colours of Spring

We are in Bombay this weekend for family matters, and to see the movie which everyone is talking about – 'Rang dé Basanti', 'Colours of Spring'. It's the story of an English girl who comes out to India to make a movie on some independence revolutionaries like Bhagat Singh. She has difficulty finding the right persons among the urban young, who prefer fast cars and drunken daredevilries to playing dusty heroes. But they slowly grow into their roles. Then suddenly tragedy strikes. One of their friends, an IAF pilot, is killed in a MiG-21 crash – a common occurrence in India, where this Russian jet is called 'the flying coffin', having killed more of its own pilots than Pakistani enemies.

The friends suddenly notice the murky side of the country in which they live – the father of one of them,

an arms dealer, is responsible for the substandard spare parts which are used for the aircraft (another true story), and he is linked to the Defence Minister. When they organise a protest rally at India Gate, the peaceful meeting is brutally broken up by anti-riot police. The friends decide to live up to the roles they play in the history movie. They kill the Defence Minister, then they storm All India Radio and broadcast their message to the citizens of India, especially the young: If the politicians violate the rights of citizens and use the machinery of the State to fill their own pockets, then the citizen has the right to protest – indeed to rebel, if necessary with arms.

The film has struck a powerful chord among the movie-goers, especially the young. Not only because it depicts their lifestyle with great accuracy, also because it mirrors exactly the conviction among the urban middle classes across India, that their politicians are corrupt, brutal and insensitive. While corruption and State violence has been a standard item in Bollywood movies, this one goes further: it says that the modern Indian State is as illegitimate as the colonial State. And it doesn't propagate the path of non-violence. Gandhi's name is not mentioned even once in the film. Instead, the history of the independence struggle is made to look as if it consisted of heroic revolutionaries.

What made this message even more dangerous is the technical mastery of the film. Bollywood has now not only all the technology of Hollywood moviemakers at its fingertips, they also use it to great effect. Never mind some of the usual over-the-top extravaganzas – in 'Rang Dé Basanti' they are couched in a credible script and used to advance it. This is a gripping movie, and we loved it – though with a tinge of unease: what if Bollywood – which has its ears very close to the public mood – has picked up a trend which could spiral out of control? Even if that is unlikely to happen, the movie does show the frustration: the people are fed up with being held hostage to the politicians, who betray their trust, use their money to build their own careers and fortunes, and don't care a bit about the public good.

March 3 The Killing Cotton Fields

I have gone to Wardha in Eastern Maharashtra, because I need to tie up some loose ends for my book. I have revisited the Gandhi Ashram in Sevagram, impressed by its quiet peace, but also unsettled by the seeming disconnect with the outside world. This time I was disturbed even more because there is a storm raging outside its gates. Its most visible symptom is the unending stream of farmers' suicides. They started in 2001, and have crossed the casualty number of 1200. Most disturbing is the fact that promises and visits by

commissions from Delhi and Bombay have not had any effect. In fact the suicides have grown in number – 367 in the last eight months, and are continuing.

I visited a widow in Bharumdi, a small Gond tribal village in Yavatmal district. Her husband, Dyaneshwar Bhedare, had killed himself on January 21, 2006. His profile was that of hundreds of others: a young farmer, possessing some land (9 acres), all under cotton cultivation. And his story too resembled that of the men that preceded him or would follow him in his death. Two years of drought, with very meagre harvests, were followed last year by an unending monsoon which prevented the flowering from taking place (the farmers call it the 'red-leave disease', because the leaves don't get enough sun for their photosynthesis and turn ominously red). The result was a third crop failure in a row. But these adverse weather conditions can't be the reason, because droughts and floods are a regular feature on India's benighted landscape, and the suicides have been going on for more years than that (in fact the first suicide wave in Central India dates back to the late eighties). So what made all these 1200 farmers kill themselves? The reason given in 'last letters' left behind, is, again and again, the same: the burden of debt grew and grew until the victim did not see a way out anymore, except to take a handful of Endosulfan powder, and instead of spraying it as a pesticide, they swallowed it.

What were the reasons for these burdens of debt? Several, but two stand out, and both are man-made: The slow depletion of the soils, thanks to over-cultivation, lack of water, and monoculture. Cotton fields in India swallow 50% of all agricultural chemicals in the form of pesticides and fertilizers. Their consumption has been growing, as the yields have gone down and pests have developed resistances at a faster and faster pace. Thus, firstly, the costs of inputs have gone up.

Secondly, and more severely, the input costs, especially of seeds and chemicals, have gone up more rapidly ever since the government has liberalised its price regime. This would still be bearable if the same liberalisation, this time in imports, would not have led to a marked decrease of cotton prices. Previously, the Maharashtra government bought all the cotton at a remunerative price. But this has landed the government in such high debts that it has been lowering its off-take price. Prices in the open market have crashed even more, because low-price cotton from the US and China, Pakistan and Vietnam has flooded the market.

The result of this widening gap between costs and prices, expenditure and income, was a growing dependence on farm credit, either from the banks or from the moneylenders. Bank credit costs 14%, and it is an unending hassle to get it. Moneylenders are quick to

give money – but at a price. It is poisoned money, because many moneylenders are dealers of chemicals and seeds. Their credit comes not in the form of cash, but of higher prices for the goods they sell to the farmers. And since these are given often on credit, the farmers don't feel the pinch immediately – until payday comes and the farmer doesn't have the cash. Then the second 'interest' comes along: the dealer accepts the cotton crop, at a highly discounted rate, which in effect means a rise of the cost of total credit, which by then has gone up to an interest of 100% and more.

This debt does have a social dimension too, it is not just a private agreement between farmer and creditor. The creditor, mostly the banks, hire 'enforcement agents', in practice not much else but strongmen or gundas, who come to the village, take possession of the land, or the cycle, TV set, the wife's jewellery, beds, saris, everything that is movable. This is a demeaning act, by which the farmer loses face with his neighbours. He will do anything to avoid it – get credit at even higher rates in order to pay back cheaper credit, thus accelerating the downward spiral, accept labour contracts that are akin to bonded labour (which is illegal). Or he will, if all else fails, commit suicide.

And the buck ends with the widow. Nanda Bhedare looked like a very lonely person, as we visited her hut in Bharumdi, with villagers crowding around her. She could hardly speak, the picture of her dead husband in her lap, and her two young children holding on to her sari. It was only when my wife Rashna took her inside the hut that she broke down and cried. She did not know how she would ever pay back the 20'000 Rupees debt. It amounted to a daily repayment rate of 16 Rupees, and her income as a farm labourer was just twenty. Out of that she would have to pay her children's school (8 Rs.), her food (15 Rs.), kerosene to cook and light her lamp (13 Rs.), just to mention the main essentials. God forbid she or a child fell ill – she would have to start the same cycle of debt in which her husband ended.

March 12 Dowry Death?

We come back to our 'paradise' (I have begun to put it into inverted commas, for paradise should be for everyone), and what do we hear? Another death, right in front of our home. 'Woodlands' is the last bungalow on this side of the Matheran hill, and below it there is the sheer rockface of 'Porcupine Point'. Many people who come to watch the sunset don't dare to go down to the point, because it is only about six feet wide. Between the rock and the recreation area with the 'Vada Pav' stand there is a thin stretch of grass on a steep decline, which then falls away into the void – to a ledge 150 feet below, then another fall of 300 feet.

Usually the Point has no visitors during the day, but last week for three consecutive afternoons (so tells us the sandwichwallah who prepared his offerings for the evening visitors) a young couple came, at around three-thirty, and sat on that steep grassy patch, three feet from the edge. Suddenly on the last day, the man came up and told him that an accident had taken place – his wife had slipped down and fallen over the cliff. The sandwich man sent him to Woodlands, and in our absence the caretaker, Ashok, insisted on calling the police. He did not allow the young man to leave. When the police came, five of our workers went down below the cliff. They had taken a sheet along and had the unenviable task of carrying up the poor woman's dead body.

By then the man had told the police that his wife had not been attentive, and suddenly slipped and fell. The police and our people were septical of this version, especially since no sane person would go and sit at such an exposed part of the Point. And why did they go there when nobody else was present? They took him into custody. The parents of the girl were alerted and came up. They had an other interpretation: The couple, both Gujeratis, had been married for just a month. But even after the wedding was over, the boy's family kept pestering them about more dowry. For the girl's parents, it was a clear case of dowry murder: The boy had pushed his wife into her death. At worst, the wife could have committed suicide, 'edged on' and dishonoured by her greedy husband.

Another case where the only way out is the final roadblock?

March 20 Bombay View

'Bombay View' is the name of an old bungalow on the Hill, but I wonder if anybody would call it that if they were to build it today. It is rare these days to get an idea where Bombay lies, despite the fact that it lies mostly just below the point where the sun sets into the sea. Usually the haze is so intense that it makes for beautiful sunsets but very poor visibility. But yesterday the wind and air and temperature must have been just right to give us a magnificent view. Down there dusk had fallen and so we could see the lights of Colaba, the Gateway of India, the Lighthouse. Closer up the harbour lights became visible, then the dark mass of Elephanta Island, the oil tanks at Trombay, the Thana creek, Navi Mumbai (the twin city with two million inhabitants), then the occasional headlight from cars on the Pune-Expressway, the sprawling city of Panvel, and below us the adivasi villages in total clarity – and darkness.

What would Bhagi think when she sees those lights? Bhagi is an elderly Adivasi woman from Chinchwadi

who comes up to seek work as a load carrier. A few days ago Rashna asked her where all she had been in her life. The furthest is Panvel, sixteen kilometers from her village. So she had never seen the sea? No. Rashna then told her that her parents stayed right in front of the sea, whereupon she became very concerned, saying how terrible that must be – so much water which could rush against you at any moment. She would be a person, I thought to myself, who would have understood the Tsunami, because she would have expected it.

March 25 End of story

The first draft of my book is finished, and I am able to fulfil the deadline. The book is called „ABSCHIED VON GANDHI? Reisen im neuen Indien“ and should be out by September, in time for the Frankfurt Book Fair (which, as I may have mentioned, has India as its Guest Country). It is a political travelogue through India, with Gandhi as my guide. This may surprise some people, since Gandhi is hardly the flavour of the season. But for me Gandhi represents something essentially Indian, in the way he thought and spoke and behaved. I went out to see whether that India still existed, or whether it had given up these characteristics which made it a distinct (and great) civilisation.

I end this on a quirky note. Today we had a meeting with the villagers of Chinchwadi and Vagachiwadi for bringing drinking water to these two villages. We discussed the details of the site of the borewell, we discussed the length of the pipeline, the management by them through a committee. And between the playing of the flute by a villager we also told them what a 'corpus fund' was, into which they would have to pay small amounts for settling electricity bills (for the pump) and contingencies like repairs. It all went, well, 'swimmingly'. Why do I use the inverted commas? Because the villagers had trekked up to Matheran in the blazing heat, and we wanted to give them (apart from snacks) some water to drink. But we have not had any drinking water in our bungalow for the last three days. So our people had to trek some way down to 'Malet spring' and bring up pots of water on their head. Instead of us bringing them drinking water, they brought it to us.

If you feel like contributing to development activities for the tribal villages (after drinking water it will be solar lanterns, a school and a primary health centre), you can send your contribution to the following

Bank account in Switzerland:

Credit Suisse, Account No. 0094-804377-50-2, remark : 'for Chinchwadi'.

Ambassador Tripathi on India's Buoyant Economy — Present and Future

Dorit Probst-Sallis,

Swiss Organisation for Facilitating Investments (SOFI)



On February 8, 2006 the Swiss Indian Chamber of Commerce (SICC) hosted H.E. Ambassador Amitavi Tripathi as its guest speaker at a lunchtime presentation held in Zurich. Ambassador Tripathi, a graduate of Cambridge University, has a long and rich career in the diplomatic service with postings at the Embassy of India in Washington and Brasilia, respectively. He also served as Joint Secretary (Latin America and the Caribbean) at the Ministry of External Affairs in New Delhi. Last December Amitavi Tripathi presented his credentials in Bern as the newly appointed Indian Ambassador to Switzerland.

A Diversified Economy

In a characteristically colorful and vigorous fashion, Ambassador Tripathi examined Swiss-Indian partnership in the 21st century, noting at the outset that there has been an “all round intensification of bilateral relations between India and Switzerland,” against a backdrop of India’s economic expansion. He pointed to an ongoing growth trend in GDP from 3.9% in the 1950s to 6.3% in 2004-05. Inflation rates have fallen and there has been a steady rise in foreign exchange reserves and portfolio investments. Today, India has a well-diversified industrial base, robust capital markets and an acknowledged strength in knowledge-driven industries such as information technology, biotechnology, pharmaceuticals, entertainment software etc.

An Outsourcing Destination

The country’s service sector in particular has experienced significant growth. Whereas in the early nineties it was 40.6% of GDP, it increased to 52.4% of the latter in 2004-05. Now GDP reflects a healthy composition with agriculture contributing 22%, industry 22% and service accounting for 56% of the total. Over 100 global companies outsource their R&D facilities and industrial products to India. In fact, according to a study by A.T. Kearney, India scores highest among global leaders in location advantages (cost of labor, management, infrastructure and taxes) for business process outsourcing.

Advantages and Challenges

The government has made efforts to facilitate conditions for trade and investment. It has reduced peak custom duties on manufactured items and removed quantitative restrictions on imports. From a social perspective literacy rates are also improving with 65.3% of the total population literate in 2001 compared to 18.3% in 1951. This is particularly important as India’s human capital edge is one of its strongest selling points as a global competitor. The size of the domestic market, which has a purchasing power parity of USD 1.5 trillion, is another distinct advantage. There is a growing middle class of 27.3 million people with a large

appetite for all manner of consumer goods and services.

Aside from economic possibilities India has certain features inherently linked to its local culture that investors should not overlook. For one, there is a high degree of transparency, which imparts a level of confidence to those investing their capital locally. “In India no flaws are hidden under the carpets, because there are no carpets,” he noted humorously.

Ambassador Tripathi also pointed to some challenges facing the country. He stressed the need to reduce the number of administrative rules and regulations, and introduce a single window clearance system wherever possible. He noted the help required to bridge the yawning gap in infrastructure. He observed that this would call for an investment of USD 350 billion over the next 10 years, and suggested public-private partnerships as the most effective implementation model.

Spearheading the Global Market

In response to the inevitable question regarding the relationship between India and China, Ambassador

Tripathi emphasized that this is not a rivalry, “the world is big enough for the two powers.” He said that despite evident differences between the two countries, there is also a lot of synergy between them. “China is the hardware and India the software. There is movement on both sides to benefit from each others rise and prosperity,” he observed.

In concluding, Ambassador Tripathi noted that the Indian government is following a path leading to liberalization and integration into the global economy. However, given the country’s level of diversity, this cannot be done recklessly. It has to be implemented in a way that balances the India’s socio-economic needs, while ensuring that the country stays competitive. Given that India’s GDP will exceed Japan’s in 2035, according to a Goldman Sachs study, Ambassador Tripathi left the audience with a lingering question: “Can you afford not to be there in the future due to some difficulties today?”

The Swiss Organisation for Facilitating Investments (SOFI)



The Swiss Organisation for Facilitating Investments (SOFI) was created in 1997 on the initiative of the Swiss State Secretariat for Economic Affairs (**seco**) in cooperation with KPMG. SOFI’s role is to promote investment projects of Swiss companies in countries with developing and transition economies, and to enable the transfer of capital, technological know-how and managerial expertise through this process. India is one of SOFI’s top priority countries for promoting the collaboration of Swiss and local SMEs in the field of investment.

SOFI as an instrument of seco is committed to seco’s Poverty Reduction Agenda 2010. Through the developmental impact of its activities, which contribute to job creation and viable commercial enterprise SOFI supports sustainable growth and improved living conditions in its target regions, thereby leading to their gradual integration into the world economy.

SOFI offers Swiss companies wishing to invest in economies under development and in transition the

following services:

- Access to information about investment conditions and opportunities;
- Support in search and selection of partners in target countries;
- Consulting services on investment strategy, business planning, financial structuring and project implementation;
- Financing through the seco Start-up Fund (SSF), and access to other financing sources.

SOFI is mandated to operate the Association of Swiss Foreign Trade Chambers (SwissCham), the Swiss-CIS Chamber of Commerce (IG-GUS) and the Swiss-Central Europe Chamber of Commerce (SEC). SOFI also functions as the Private Sector Liaison Office of the World Bank Group and the European Bank for Reconstruction and Development (EBRD) in Switzerland.

For further information, please visit: www.sofi.ch and www.sofipro.ch

Building on 8 per cent Economic Growth

Finance Minister P Chidambaram unveiled yet another budget which has left everyone pleased. With no increases in income tax and corporate tax, even the Opposition had nothing to criticise. **Yogi Aggarwal** analyses Budget 2006.

Every year at the end of February, two important events mark the economic calendar of the country. The more important and eagerly awaited one is the Union Budget which presents the monies to be spent and received by the government during the next fiscal year, and the changes in the taxes and levies proposed. More important, it is an occasion for a statement on the direction of economic policy.

Preceding the presentation of the Budget is the Economic Survey which gives the government's version of how the economy has performed in the last year and what course corrections are necessary. Three things matter most in the budget — the new taxes, how the government balances its books, and the pattern of revenue and expenditure. Businessmen, the stock-markets and economists read the budget for whether or not it will stimulate growth and its effect on various industries.

The Budget for the financial year 2006-07 presented by finance minister P Chidambaram had an easier task than during the last two occasions. The economy was galloping ahead at 8.1 per cent GDP growth, government policies had the air of stability, and the reforms were well established, backed by a national consensus.

The Budget presented on February 28 managed to stay the course on reforms. Though vast sums were needed for infrastructure projects, Chidambaram did not feel the need to increase taxes. The policy of lowering tax rates to reasonable levels had served reformers well. Not only have tax revenues been going up by around 20 per cent annually, tax revenue as a per-centage of GDP has gone up from 9.2 per cent in 2003-03 to 9.8 per cent the next year to 10.5 per cent in 2005-06 to a budgeted 11.2 per cent for the year beginning in April 2006. This is the strongest case for the reforms made in the taxation system.

Nevertheless the finance minister thought some changes were necessary. It was necessary to re-align the tax structure to tap the 54 per cent of

GDP currently generated by services. An eight per cent service tax introduced a few years back on a limited number of services has gradually been expanded to include more services. This year some more were added and the service tax rate moved up to 12 per cent. There were no changes in the income tax or corporate tax rates.

Eventually the aim, Chidambaram said, was "that the country should move towards a national level Goods and Services Tax (GST)" which would be introduced in 2010. "The world over," he said, "goods and services attract the same rate. That is the foundation of the GST." In other words, service tax will be the same as excise duty.

There were some other taxation proposals worth noting:

- The fringe benefit tax, payable on company expenses on its employees, which was taxed for the first time last year, has been lowered.

- The peak rate of customs duties on non-agricultural goods has been reduced from 15 to 12.5 per cent. Eventually they are to be brought down to Asean levels of around 8 to 12 per cent. This would lower the cost of imports and put greater competitive pressure on Indian industry.

- Excise duty on small cars has been reduced from 24 to 16 per cent. It is hoped this will increase the demand for such cars and help in making India a global manufacturing hub for cars and auto components.

- The securities transaction tax has been increased. This would increase costs for day traders in the stock market.

- Foreign funds have been encouraged to invest in government securities and corporate bonds by increasing the total foreign fund limit on the former from \$1.75 billion to \$2 billion and on corporate bonds from \$500 million to \$1.5 billion. At the same time it is proposed to have an exchange for trading in corporate bonds.

■ Some companies, despite handsome profits, get away from paying tax because of various concessions. To plug this loophole a minimum alternate tax, or MAT, of 7.5 per cent was introduced last year compared to the corpo-rate tax rate of 35 per cent. MAT has now been raised to 10 per cent and a loophole on capital gains plugged.

The stockmarket greeted the budget proposals by a 0.86 per cent rally that day — the Bombay Stock Exchange's Sensex went up 88 points to close at 10,370. The next day it went up further by 1.8 per cent and closed at 10,565 points. Both industrialists and analysts were largely satisfied with the proposals. The Budget is increasingly being seen by industry observers as a non-event, indicating the stability of economic policy and maturity of the economy. As expected, the budget proposals didn't fiddle too much with the tax rates, just some fine-tuning.

Nevertheless there is going to be a marked shift in tax revenues. The traditional heavy revenue earners like excise and customs duties will lose in importance as services become an important source. Service taxes are the fastest growing generators of revenue, increasing 62 per cent in 2005-06 and another budgeted 50 per cent in the coming year to generate \$7.7 billion.

Their contribution to government revenues will move up. Simultaneously rates of excise duties are being cut. This year they are only budgeted to grow at a modest six per cent to \$26.4 billion. Corporate tax collections are expected to grow by over 28 per cent to \$29.6 billion; this is due to expectations of buoyant profits. Since profit growth of the corporate sector has flattened recently, there are some doubts whether this will be realised.

Total revenue receipts were estimated at \$89.6 billion, with revenue expenditure at \$108.4 billion. Consequently, the revenue deficit was estimated at \$18.8 billion or 2.1 per cent of the GDP. The fiscal deficit is estimated at 3.8 per cent of GDP. This follows the fiscal and revenue deficits in 2005-06 being 4.1 per cent and 2.6 per cent respectively. The fiscal deficit has fallen from around six per cent in the '90s. The efforts to reduce the deficits are in line with the government's commitment on the Fiscal Responsibility Act.

Suman Bery, director general of the National Council for Applied Economic Research, a respected think tank, says, "Eliminating the revenue deficit by the end of this government's term looks hard; the target of three per cent fiscal deficit still looks manageable."

The budget also sets the pace for economic policy. Three things stand out: a commitment to agriculture and the social sectors, investment in infrastructure, and a plan to make India a global manufacturing hub in automobiles, textiles, leather and chemicals. The first is a political compulsion, the second requires resources the government does not have, while the third objective is best achieved by reducing levies and leaving industry alone. The budget just doesn't generate the resources to meet all these requirements.

There is talk of public-private-partnership for infrastructure projects but no clear idea on how this is to be achieved. The government hopes to bring in more funds by opening the corporate debt market to foreign inflows. Deepak Parekh, chairman of HDFC, the largest housing finance company, says, "We are going to need ample liquidity. The mega projects alone will soak up so much money."

These include investment of around \$12.4 billion for ports, a similar amount for airports, 53,000 MW of power (at \$1.1 million per MW it works out to \$58.9 billion), and a massive highway construction programme. The budget support for National Highways Development Project has been increased from \$2.1 billion to \$2.2 billion.

Equally remarkable about this year's budget exercise is what has been left unsaid. There is no revenue expected from disinvestment in the public sector, and only \$3.4 billion has been provided for the landmark rural employment guarantee scheme instead of the estimated \$8.9 billion that will be needed each year. These would require to be tackled at a later date.

On the Web

Union Budget: www.indiabudget.nic.in

What's next for Tata Group: An interview with its chairman

Ratan Tata explains how the company is expanding abroad while cultivating an emerging mass market at home. (McKinsey Quarterly 2005, Number 4)
Ranjit V. Pandit

The hopes, challenges, and opportunities of India's globalizing economy are closely intertwined with those of Tata Group and its chairman, Ratan N. Tata. The country's second-largest conglomerate—with revenues of \$17.8 billion (in the financial year ending 2005) and core interests ranging from steel, cars, and telecommunications to software consulting, hotels, and consumer goods—has come a long way since he stepped up as chairman, in 1991. That also happened to be the year when India launched the economic reforms that were to make it one of the world's fastest-growing economies.

When the 67-year-old Tata, a Cornell-educated architect, succeeded his uncle J. R. D. Tata at the helm of the then-stodgy company, he set out to unite, refocus, and modernize the sprawling group of almost 100 largely independent businesses. Helped by cash from its booming software unit (Tata Consultancy Services) and by the growth of India's economy, he has rebuilt its shareholdings in its largest subsidiaries (by revenue), including Tata Motors and Tata Steel, and increased its revenue sixfold. In 1995 he took on the passenger car business—an effort that three years later resulted in the launch of India's first indigenously designed, developed, and produced car, the Indica. The gamble paid off.

In 2000 Tata Group purchased the United Kingdom's Tetley Tea and followed this move with other big overseas acquisitions and investments. Restructuring or divesting nonperforming businesses, however, has proved to be more difficult.

In an interview with Ranjit Pandit, a director in McKinsey's Mumbai office, Tata spoke about the group's international strategy, his plan to create a \$2,200 "people's car," his vision of India as a knowledge center for the world, and his dedication to the social responsibilities required from companies operating in developing markets.

The Quarterly: *How would you describe Tata Group's growth strategies in a globalizing economy?*

Ratan Tata: We have two guiding arrows. One points overseas, where we want to expand markets for our existing products. The other points right here, to India, where we want to explore the large mass market that is emerging—not by following but by breaking new ground in product development and seeing how we can do something that hasn't been done before.

The Quarterly: *How do you select which countries to enter?*

Ratan Tata: Our strategy has been a little more modest than a truly global one. We want to expand into

geographies where, as a group, we can have a meaningful presence. Even though companies could probably be very satisfied in an Indian context with maybe a 5 percent market share in a foreign country, this is—at least in our view—not a sustainable level. So in the first instance we have chosen countries where we felt we could make an impact and, secondly, where we are able to participate, as we have in India, in the development of that country. When you visit a country or examine a particular company, I think you intuitively know if there's an opportunity, and then you flesh out that opportunity in one form or other. If we get to the stage of justifying assembly or manufacturing operations, we will seek either to contract them or to invest in facilities in that country. That has been the way we have gone into, say, South Africa. An example of another way is South Korea, where we acquired the Daewoo truck company. We saw an opportunity in an entity that had a certain market share, that had a product line that we did not have, and that was a strategic fit for us. We brought in our marketing reach and made the company more profitable.

The Quarterly: *Why South Africa?*

Ratan Tata: I have been involved with South Africa for perhaps seven or eight years. There was such an enormous disparity between rich and poor, and I always felt that this large poor community had been exploited over the years. So I met [Thabo] Mbeki before he became

Vital statistics

— Born Dec 28, 1937, in Mumbai

Education

— Graduated in 1962 with BS in architecture from Cornell University

— Completed Advanced Management Program at Harvard Business School in 1975

Career highlights

Tata Group (1962-present)

— Chairman of Tata Sons (Tata Group's holding company) and of Tata Tea (1981-present)

— Chairman of VSNL (2002-05) — Chairman of Tata Motors, Tata Industries (1981-present) — Chairman of Tata Steel, formerly TISCO (1977-present)

— Director-in-charge of Nelco (1971-94)

Fast Facts

— Received Padma Bhushan award from the Indian government
Chairs Indian government's investment commission

— Serves on International investment Council (government of South Africa), on central boards of Reserve Bank of India and the Ford Foundation, and on overseas advisory boards of Mitsubishi and J P Morgan Chase: member, program board of the Bill & Melinda Gates foundation's India AIDS initiative.

president—this was in [Nelson] Mandela's time—and I said we really wanted to do something in South Africa to give to the country rather than take away from it.

One thing led to another. We started professional schools in South Africa that train people in trades so that they can be self-employed, and then I became more involved with the country by joining Mbeki's investment council. Eventually, this led to our launching our cars and trucks in South Africa, where we became quite successful, and then we were awarded a second network operator's contract for telecommunications in all of South Africa.

The Quarterly: Most of these big moves seem to be taking place in other developing countries. When will Tata be ready to go into developed markets?

Ratan Tata: We are, to some extent, in developed economies already. In Western Europe, I think Italy and Spain are among our most promising markets for automobiles. We're in software in several countries. We have made acquisitions to enter the hotel business, including in the United States. And we are now looking at opportunities to invest in steel companies in developed countries, but we are making sure that we have secure access to raw materials, because I really believe that owners of iron ore are going to rule the industry. They will be the OPEC¹ of the steel industry.

The Quarterly: Turning to your plans for the Indian market, the most intriguing is perhaps the development of a people's car that would sell for 100,000 rupees.² What's the thinking behind it?

Ratan Tata: It is propelled by the opportunity, but there is also a social or dreamy side to it. Today in India, you often see four people on a scooter: a man driving, his little kid in front, and his wife on the back holding a baby between them. It's a dangerous form of transportation, and it leads to accidents and hospitalizations and deaths. If we can make something available on four wheels—all-weather and safe—then I think we will have done something for that mass of young Indians. If you could position an all-weather car that was not a glorified scooter or a stripped-down car, then I believe there would be a market potential of one million cars a year.

The Quarterly: How do you make such an undertaking profitable?

Ratan Tata: Today we're producing a \$7,000 car, the Indica. Here we're talking about a \$2,200 car, which will be smaller and will be produced in larger volumes, with all the high-volume parts manufactured in one plant. We're looking at more use of plastics on the body and at a very low-cost assembly operation, with some use of modern-day adhesives instead of welding. But the car is in every way a car, with an engine, a suspension, and a steering system designed for its size. We will meet all the emissions requirements. We now have some

issues concerning safety, mainly because of the car's modest size, but we will resolve them before the car reaches the market, in about three years' time.

In addition—and this again touches on the social dimension—we're looking at small satellite units, with very low breakeven points, where some of the cars could be assembled, sold, and serviced. We would encourage local entrepreneurs to invest in these units, and we would train these entrepreneurs to assemble the fully knocked-down or semi-knocked-down components that we would send to them, and they would also sell the assembled vehicles and arrange for their servicing. This approach would replace the dealer, and therefore the dealer's margin, with an assembly-cum-retail operation that would be combined with very low-cost service facilities.

The Quarterly: You have launched another new low-cost venture—building a chain of basic hotels, the indiOne. What's the philosophy behind it?

Ratan Tata: It's exactly the same as the philosophy for the car, and it's a philosophy that's also being thrown out as a challenge to our watch company—why can't we produce a watch at a much lower price to go on everyone's wrist? The mandate has gone out to our people that we now really need to look seriously at the needs of the larger part of the Indian income pyramid, where most consumers can be found.³ If we don't do that, I think the Chinese will come and do it for us.

We have been a very measured, very cautious group, which has looked at the market, decided what was safe, and then moved in. We need instead to lead and not just follow. We have to take more risks and gain predominance in that manner. Targeting the larger part of the income pyramid is an important part of what Tata will be doing.

The Quarterly: What about going into China and producing for the emerging middle market there?

Ratan Tata: We haven't found what we can do as yet in China. It's been very difficult to understand the market, at least for me. It is a market that seems, on the one hand, subservient to international brands and, on the other, very price conscious and very willing to buy unbranded products or local brands. It's pricing isn't fully comprehensible. In Beijing, you know, I was taken to some little alley where watches and clothing were sold. The watches were extremely attractive and very similar to known brands, but some had stopwatch buttons that didn't work. So I don't really understand the Chinese market. But if we could identify the right product, I think we would move in there. We do have a memorandum of understanding with a Chinese car company to manufacture our current car under its brand, but we haven't seen much action from that side.

The Quarterly: China is manufacturer to the world. What position do you see for India in a globalized

economy?

Ratan Tata: If we play our cards right as a country, we could be a supplier of IT services and IT solutions to the world. We could also be a product-development center for Pharmaceuticals. We could be a very good global R&D center in biotechnology and in some of the emerging technologies, such as nanotechnology, provided we really give them the focus they would need. If I may draw a somewhat oblique analogy: Singapore, which has done so much to build its biotech infrastructure, strangely isn't looking at creating any homegrown enterprises. I'm sure 90 to 95 percent of what comes out of Singapore's biotech infrastructure is the work of US companies and others. In India I would say it would be very different. It would be local—Indian—scientists and entrepreneurs establishing start-ups, very similar to the way this happened in Silicon Valley. Do we have the venture capital to support them? Probably not. Do we have government support? Probably not. But if we can get these supporting things in place and synchronize them with the need to create more risk-taking platforms, then I think some very interesting things could happen in India. We may not become the manufacturing base of the world, but I think we could be very much a knowledge center for the world.

The Quarterly: Do you see this as a joint government-business project or as something that happens through market forces?

Ratan Tata: We're so far behind on the infrastructure that the government will have to play a very active role. It may be a public-private partnership, but for the most part it will have to be the government.

The Quarterly: Why would India win in the knowledge area?

Ratan Tata: India has people with skills. And it has people with considerable intellectual capabilities who have been leaving India because the opportunities were not there. We have to create these opportunities. So if you are asking, why should this happen if all things remain as they are, the answer is that it won't. But if we can hold onto our best people in India, if we can attract our best people back, if we can create a sense of opportunity and reward, then I think India could be a very different place.

Indians coming back to India really go through a cultural shock. They give up a lot in terms of the quality of life, the education of their children, the availability of medical facilities. This will also have an impact when we want to hire people who are not Indians, as we will have to do in a world without boundaries. Even if we start only with pockets of the country and make those pockets less of a cultural shock, the benefits will spread. In some ways, this is what China did with the economic zones.

The Quarterly: You serve as chairman of the government's investment commission. Why do you think

many foreign companies are reluctant to set up shop in India?

Ratan Tata: In some areas, rules and laws are more investor friendly in India than they are in some other countries, and in some areas they are less so. Most investors today cite caps on foreign investments as a deterrent. But there are sectors where even 100 percent is permitted, and you don't see people rushing in there. India has an impeccable record of repatriation of profits, so it's not that either. But a new investor looking at India does run up against different ministries, with each one seeming to have a different angle on the investment and throwing up roadblocks. So companies don't really come in as they do in China or Singapore, where they get clearance and are free to start their operations quickly. And once investors are in India, they quite often find that one bureaucrat interprets the law differently from another bureaucrat. All of us in India live with this. You can have an excise official in Maharashtra who takes a different view of the duty structure than an excise person in Bihar does. You'll go to court and fight that, but you're used to it. But a US, European, or Japanese company finds this terribly debilitating and gets all upset about it.

So I think a number of things, including red tape and corruption, deter investors from coming to India, which is a market with a middle class of 250 million people. It is a terrific opportunity for growth because you have the larger part of the pyramid rising in prosperity.

The Quarterly: Tata Group had to change when you stepped up as chairman, in 1991. What do you hope people will say in the future about you and your impact on Tata?

Ratan Tata: We used to live in a world of just raising our top line. I would hope people will say that I've helped make the Tata companies more competitive and more conscious about costs and the bottom line. I would hope they remember me for bringing the group together, because we were often referred to as a loose federation of companies that competed and fought with each other. By creating a common brand and a codified framework for how we operate, I think we have brought the group much closer together. I would feel sad to be remembered for not being able to change the structure of the company more radically.

The Quarterly: What about Tata Group's impact on India's economic development and consumers?

Ratan Tata: What I feel most proud of is that we have been able to grow without compromising any of the values or ethical standards that we consider important. And I am not harping on this hypocritically. It was a major decision to uphold these values and ethics in an environment that is deteriorating around you. If we had compromised them, we could have done much better, grown much faster, and perhaps been regarded as much more successful in the pure business sense. But we

would have lost the one differentiation that this group has against others in the country. We would have been just another venal business house.

The Quarterly: Will Tata's social values endure when you leave?

Ratan Tata: I would hope so. I think it is wrong for a company in India to operate in exactly the same way, without any additional responsibilities, as if it were operating in the United States, let's say. And even in the United States, I think if you had an enlightened corporation that went into the Deep South, you would see more of a sense of social responsibility, of doing more for the community, than the company might accept in

New York City or Boston. Because it is inevitable that you need to be a good corporate citizen in that kind of environment. And companies that are not good corporate citizens—those that don't hold to standards and that allow the environment and the community to suffer—are really criminals in today's world.

About the Author:

Ranjit Pandit is a director in McKinsey's Mumbai office.

Notes

- 1 Organization of Petroleum Exporting Countries.
- 2 About \$2,200.
- 3 V. T. Bharadwaj, Gautam Swaroop, and Ireena Vittal, "Winning the Indian consumer," *The McKinsey Quarterly*, 2005 special edition: Fulfilling India's promise, pp. 42-51.

Excerpts from the Circular

King Stubb Kasiva Advocates & Legal Consultants, New Delhi, March 2006

100% FDI through automatic route notified

THE Government issued notification permitting Foreign Direct Investment (FDI) through the Reserve Bank of India's (RBI) automatic approval route in a large number of new sectors. The sectors include greenfield airport projects, distillation and brewing of potable alcohol, manufacture of industrial explosives and hazardous chemicals, laying of natural gas/LNG pipelines and cash-and-carry wholesale trading. It has also allowed 100% FDI in existing airports with prior permission from the Foreign Investment Promotion Board (FIPB) and subject to sectoral regulations notified by the Ministry of Civil Aviation. Similarly, 100% FDI in manufacture of potable alcohol under the automatic route is allowed subject to licensing from State Governments where the unit will be set up. The Government also permitted 100% FDI for manufacturing of cigarettes and cigars through the FIPB route for which licences will have to be issued by the State Government concerned under the Industrial (Development & Regulation) Act 1951.

Government notifies guidelines for FDI in single brand retailing

THE Government notified the guidelines for FDI in single brand retail trading. The notification states that FDI up to 51% in retail trade of single brand products would cover only those that are branded during manufacturing and are sold under the same brand internationally. These stipulations would prevent third party sourcing and encourage multinationals to set up a manufacturing base in India. Further, the notification makes it clear that FDI would be allowed only with a prior three-tier

approval of the Government, for which an application seeking permission would have to be made to the Secretariat of Industrial Assistance under the Department of Industrial Policy and Promotion (DIPP), before being considered by the FIPB.

Exporters can remit licence fee through demand drafts

GOVERNMENT has given exporters the option to remit license fee through demand drafts. Till now, the license fee could be remitted only through the Electronic Fund Transfer (EFT) mode. According to the Director-General of Foreign Trade (DGFT), the option to use demand drafts would, however, be available only till March 31 this year. This move of the DGFT comes in the wake of representation from trade and industry that the procedure for opening Electronic Fund Transfer (EFT) accounts with the DGFT designated banks was time-consuming.

Telecom companies get more time on FDI

GOVERNMENT has announced changes in the guidelines governing increased Foreign Direct Investment (FDI) in the telecom sector from 49% to 74%, thus giving service providers more time to comply with the new conditions. The government has decided to extend the time limit for the telecom service provider companies to comply with the conditions by four months from March 3 till July 2, 2006. Several telecom operators had urged the government to extend the deadline. Some operators had said that the FDI guidelines were unfairly imposed even on those companies that did not have

74% cent FDI. Existing telecom companies will get a period of four months from the date of the notification to comply with the 74% FDI cap. It is believed that few telecom companies currently have foreign holdings beyond 74% through the pyramidal structure which they will have to limit to the 74% FDI cap in the next four months. Telecom licencees will be required to disclose the status of foreign holding on a half-yearly basis.

RBI eases overseas investment norms

INDIAN corporates will now find it much more easier to provide guarantee for their overseas investment or to disinvest from their foreign venture. Reserve Bank of India (RBI) issued a notification liberalising the procedure for overseas investment.

As per the new norms, corporates can offer any form of guarantee for their overseas investment under the automatic route, provided all financial commitments are within 200% of their net worth and the guarantee amount is specified upfront. Accordingly, companies can offer corporate, personal, primary or collateral guarantees. Guarantees by Wholly-Owned Subsidiaries (WOS), sister concerns, Joint Ventures (JVs) or associates of a company will also be permitted. At present, only the promoter company is permitted to offer guarantees on behalf of its WOS or JV under the automatic route. Personal, collateral and third party guarantees require prior approval of the RBI on a case-by-case basis.

India's economy

Fast track

(A critical observation in the foreign press)

DELHI

But politics could still apply a brake

“GROWTH”, as Palaniappan Chidambaram, India's finance minister, puts it, “is the best antidote to poverty.” Presenting his budget on February 28th, he was celebrating an economy that has grown by an annual average of about 8% for the past three years. Mr Chidambaram's government now says it wants to see 10% annual growth. But politics still limits its ability to pursue tough economic re-forms, without which even the current rate may be hard to sustain.

Still, Mr Chidambaram is entitled to feel smug. Rapid growth, underpinned by a savings rate of 29% of gdp and an investment rate of 30%, has been a great help to government finances. His budget was able to include big spending increases and a return to fiscal prudence. Last year, mindful of promises to spend more on relieving poverty and on health, education and infrastructure, Mr Chidambaram suspended efforts towards fiscal correction, though the outcome was not as bad as he feared. The central government's deficit rose only fractionally, to 4.1% of gdp.

When India's state governments are added in, the overall government deficit climbs sharply, to an expected 7.7% of gdp in the present year. But, at the turn of the decade, it was hovering around 10%, so even fiscal hawks congratulated Mr Chidambaram. For the second year running, he was given credit both by the left, for trying to meet his spending promises, and by reformers, for his commitment to growth.

Mr Chidambaram himself lists four main threats to the economy: high oil prices, rising interest rates, external shocks and “the temptation to stray from the path of fiscal prudence”. The government has not passed the full impact of rising oil prices on to consumers. The IMF has estimated the cost of this, mostly borne by state oil companies, as 0.5% of annual gdp in the first half of this fiscal year.

Partly for this reason, inflation, at around 5% a year, remains subdued. Despite this, the Reserve Bank (the central bank) raised interest rates in January. This will help contain the expansion of bank credit, which in the year ending March 2005 was the fastest in Asia, at more than 30%, and of economic growth itself. Indeed, according to figures released this week, the economy is already slowing slightly—to an annualised rate of 7.6% in the last quarter of 2005. This will ease the pressure on India's current account, which after three years of modest surplus is now back in deficit by as much as 4.6% of gdp in the third quarter of last year.

But the IMF also noted that India's large reserves of foreign exchange (\$133 billion) and its capital controls provide a buffer. The bigger danger may turn out to be that India misses opportunities. The present boom should offer the chance for a more rapid fiscal clean-up. Obvious candidates for reform are the inefficient price subsidies on food and fertiliser as well as pe-troleum products—that take up 10% of current expenditure (see chart).

Mr Chidambaram urged parliament to reach consensus so that subsidies can be directed at the truly needy. But in a year when there are elections in a number of states, this will not happen. And, while its finances remain strapped, the government will find it hard to plug India's “infrastructure deficit”—in roads, ports and above all electricity. Nor will it be able to deliver the improvements it so badly needs in health and education.

Social and Cultural Events

Swiss India Society Zurich

28th April 2006	17.30	Annual General Meeting Museum Rietberg
25th June 2006	11.00	Hindustan Vocal Recital Kalapini Komkali Suyog Kundalkar (harmonium) Sanjay Deshpande (tabla) Park Villa Rieter

Museum Rietberg

Ongoing exhibitions and events:

Until 6th June 2006	Endangered Love, illustrated love poems from India accompanied by an installation by Ives Netzhammer One of the greatest painters of Eastern India (Orissa) 18th century gives an illustrated anthology of one hundred love poems Haus zum Kiel
Until 11th June 2006	Godesses. Four centuries of Indian painting Sixty paintings from the collection of Museum Rietberg give an inside view of the various manifestations of the Devi, the Great Goddess. Park Villa Rieter
23rd June until 28th January 2007	Vishnu, A Hindu diety of many guises The exhibition of many paintings from the 17th and 18th century give an overview over the most important incarnations of the Hindu god Vishnu. Park Villa Rieter

Völkerkundemuseum Zurich

27th June until 1st October 2006	Vishnu: European Traveller's Encounters an Indian God.
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Indian Association Zurich

3rd June 2006	Keli International Kalamela Competition Competition for persons of Indian origin residing outside India. Classical Dance, folk dance, mono act, fancy dress cinematic dance, solo song For details visit : www.keliswiss.org
9th to 30th June 2006	Art Exhibition by Ambassador of India in Baden Works of Art of graphic computation by Ambassador Amitava Tripathi will be on exhibit at Galerie Anixis Baden Oberstadt, Oberstadtstrasse 10, 5400 Baden

Swiss-Indian Chamber of Commerce

Application for Advertising Space

Please mail or
 fax to: +041/620 88 01
 e-mail: sicc@osec.ch

Swiss-Indian Chamber of Commerce
 Stampfenbachstrasse 85
 P.O. Box 351
 8035 Zurich

We will advertise in the SICC-Bulletin as follows (please tick):

A) for any company (SICC member)

Inside page prices for ads in black and white

Size	Preproduction Format	Price in CHF (excl. VAT)
<input type="checkbox"/> 1/1 inside cover page	180 x 270 mm	700.00
<input type="checkbox"/> 1/1 inside back page	180 x 270 mm	700.00
<input type="checkbox"/> 1/1 page	180 x 270 mm	600.00
<input type="checkbox"/> 1/2 page	180 x 130 mm	400.00
<input type="checkbox"/> 1/4 page	180 x 65 mm (cross)	150.00
<input type="checkbox"/> 1/4 page	65 x 180 mm (upright)	150.00
<input type="checkbox"/> Enclosure/Flyer	180 x 270 mm	500.00

Inside page prices for ads in colour

<input type="checkbox"/> 1/1 inside cover page	180 x 270 mm	800.00
<input type="checkbox"/> 1/1 inside back page	180 x 270 mm	800.00
<input type="checkbox"/> 1/1 page	180 x 270 mm	700.00
<input type="checkbox"/> 1/2 page	180 x 130 mm	500.00
<input type="checkbox"/> 1/4 page	180 x 65 mm (cross)	250.00
<input type="checkbox"/> 1/4 page	65 x 180 mm (upright)	250.00
<input type="checkbox"/> Enclosure/Flyer	180 x 270 mm	700.00

B) for SICC Consultants (offering their India services)

Prices for ads in **black and white**, minimum two issues; colour at cost plus 15% handling fee

	2 issues	3 issues	4 issues
<input type="checkbox"/> 1/1 page	CHF 600.00	CHF 800.00	CHF 1000.00
<input type="checkbox"/> 1/2 page	CHF 300.00	CHF 450.00	CHF 600.00
<input type="checkbox"/> 1/4 page (cross)	CHF 200.00	CHF 300.00	CHF 400.00
<input type="checkbox"/> 1/4 page (upright)	CHF 200.00	CHF 300.00	CHF 400.00

Price subject to change

Issue	Title	Date	Due date for orders
2/06	Information Bulletin	End July 2006	5 June 2006
3/06	Information Bulletin	End September 2006	7 August 2006
4/06	Information Bulletin	End December 2006	2 October 2006

Discounts for multiple advertisements: 10 % per issue

Advertising materials:

The prices stated are valid for ready for press art work, high end resolution PDF-Files or films (screen 54-60). Other formats, screens or films can be converted by the printers at extra costs. You may also use the possibility to e-mail your advertisement to: rfwiesinger@vsnl.com.

Company:..... Phone:.....
 Fax:.....
 E-mail:..... Date:.....
 Person in Charge:..... Signature:.....

Swiss-Indian Chamber of Commerce

Get Your Benefits and Services from the Swiss - Indian Chamber of Commerce

How to Order Our Information

For faster service please return this form duly filled to the secretariat of the Swiss - Indian Chamber of Commerce by fax to ++41(0)44 363 20 53

Company: _____

Person to contact
(First name/name) _____

Function: _____

Address: _____

Postal Code / City: _____

Telephone: _____

Facsimile: _____

E-Mail: _____

Web-page: _____

Place/date: _____

Stamp and Signature: _____

Membership

Yes, we would like to become a member of SICC. Please send us detailed information about your business activities and also please enclose your company profile.

I / we apply for Membership

The annual membership fee is CHF 550.—, for large and small companies.

SICC - Bulletin

The annual subscription of the SICC-Bulletin is CHF 20.—

Invitation Upcoming Events

Please send me an invitation for the next event

The *Swiss Indian Chamber of Commerce* was founded in 1985, in Switzerland, as a private non-profit association. Its main purpose is to promote the economic and business relations between Switzerland and India based on the principle of reciprocal benefit. The Chamber serves as a forum for all firms, institutions, government bodies and individuals interested in bilateral relations between Switzerland and India.

The Swiss - Indian Chamber of Commerce offers its members a comprehensive range of services at preferential terms:

- **Success** – All Board members have first hand experience on and in India and willingly advise members. We have a strong representation of small and medium-sized enterprises in Switzerland and India.
- **Business Contacts** – We provide assistance in establishing business contacts and penetrate the fast-growing Indian market in locating suitable agents, representatives, manufacturers and suppliers. We offer you well-established links to Indian and Swiss authorities and local embassies. We act as a contact point for Swiss industry whenever questions arise with regard to bilateral economic relations. We offer you direct access to senior executives and their vast knowledge acquired by experience and above all, a person-to-person interchange opportunity.
- **Connections** – We offer you access to over 140 Swiss and Indian members, active in different fields, such as IT services, banking, HR, consulting, transportation, automotive industry, trading, engineering and manufacturing.
- **Communication** – We organize regular luncheon and dinner meetings with leading speakers and address issues of our members at the Swiss-Indian Joint Commission.
- **Business Advice** – We provide you unique access to people and institutions which affect your business and offer you opportunities to meet with professional staff to discuss general or specific issues on the Indian market. Chamber luncheons allow you

to meet, learn from, and interact with CEO's of major corporations or with decision-makers from the public sector.

- **Exchange of Experience** - We help you to establish business relations with business people and official bodies in India. We offer our experience to link Swiss and Indian companies for rewarding business opportunities.
- **Information Services** – We offer you diversified, up-to-date information and documentation services including database access, enquiries about and from India. Our web-page: www.sicc.ch, has contacts, extracts from our bulletin, useful addresses and a schedule of upcoming events.
- **Publication** – We offer you the quarterly publication of the Chamber, the "*SICC Information Bulletin*" which keeps you on track with developments in India, including a brief summary of the economic and political situation, the budget, customs issues and special reports. Members can publish their company news and experiences related to India and take advantage of advertising space at reasonable costs.
- **Government/Economic Relations** – We keep regular contact with Swiss and Indian government agencies, economic organisations and private firms. Members may benefit from this network by obtaining access to these organisations through our Chamber.
- **Delegations** – We assist trade delegations from and to India in their visits and give support to Swiss business people going to India.

The Chamber is open to all business sectors and Indian business activities - not only exports to India and imports of Indian products, but also for investment, licence production, services and R&D. As part of its membership, a company is incorporated into a comprehensive network of contacts to which it may refer at any time.

Our Chamber is headed by a board representing most sectors of the Swiss industry and trade. (see page 2).