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DEVELOPING TECHNOLOGY EXPORT COMPETITIVENESS

Highlights of Union Budget 2003-04 and EXIM Policy 2002-07

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FIVE PRIORITIES of the Union Budget 2003-04 include, *inter alia*, Life Time Concerns: Health, Housing, Education & Employment, Infrastructure Development and Enhancement of Manufacturing Sector's Efficiency including promotion of exports and further acceleration of the reform process. The Tenth Five-Year Plan, announced in last December 2002, also promised to promote a balanced and equitable regional development, and to advance the necessary policy and administration reforms at the State level.

Even the objective of enhancing manufacturing sector's efficiency, as highlighted in the Budget, is also given due importance in the new Exim Policy 2002-07 announced on 31 March 2002. Exim Policy also aims to encourage manufacturing sector, particularly activities concerning knowledge industry, which would subsequently promote income, employment and exports.

The new Exim Policy seeks to consolidate and accelerate India's export growth by capitalising on the areas of its core competence and giving a massive thrust to services and agro exports, which have been identified as the important engines of growth. The new Exim Policy's principal objectives are, *inter alia*, to facilitate sustained growth in exports to attain a share of at least 1 per cent of world exports and to enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of international accepted standards of quality. These objectives will be met through the coordinated efforts of the State Governments and all the departments of the Government of India.

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SALIENT FEATURES

The salient features concerning developing technological competitiveness, as seen in the Union Budget 2003-04 and the new Exim Policy 2002-07 (as amended up to 31 March 2003), are given below.

Union Budget 2003-04

Infrastructure Development

- Rs 60,000 crore earmarked;
- Need to encourage public-private partnership, so that public funds are leveraged, and the quality of service delivery improved;
- 48 new road projects to cover 10,000 km at estimated cost of around Rs 40,000 crore, with a quarter of them made of cement concrete;
- National Rail Vikas Yojana projects worth Rs 8,000 crore;
- Special Purpose Vehicle to take up Rail projects for the Golden Quadrilateral Projects to be funded through Rs 3,000 crore worth of equity, provided by the Government, and Rs 5,000 crore worth of loans;
- Renovation & modernisation of two airports, and two seaports at estimated cost of Rs 11,000 crore;
- Two global standard international convention centres at estimated cost of Rs 1,000 crore;
- Additional levy of a cess of 50 paise per litre of diesel and motor spirit to fund North-South and East-West corridors. The levy to contribute a further Rs 2,000 crore for road development;
- Major thrust infrastructure—roads, railways, airports and seaports—through innovative funding mechanisms;
- Two more airports in Mumbai and Delhi; and

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- Comprehensive modernisation projects for Jawaharlal Nehru Port Trust, Navi Mumbai and Cochin Port.

Research & Development

Encourage R&D in product design and quality, tax holiday is extended to R&D companies established up to 31 March 2004.

Creativity

Royalty income up to Rs 3 lakh per annum, received by the authors of literary, artistic and scientific books shall henceforth be fully exempted; as royalty will be received by the individuals from exploitation of patents. This is in addition to the other existing exemption benefits.

TUF & Other Schemes

Technology Upgradation Fund Scheme will be enlarged to cover modernisation of powerlooms. Powerloom Workshed Scheme will be introduced by the Ministry of Textiles to create better working environment and obtain higher productivity together with State Governments. Improvement of other infrastructure of existing powerloom clusters will be taken up under the revised Textile Sector Infrastructure Development Scheme. Powerloom workers will be covered under the Special Insurance Scheme.

Pharmaceutical & Medical Equipment

All drugs and materials imported or produced domestically for clinical trials will be exempt from customs and excise duties. Customs duty on import of Reference Standard by the industry has been reduced to 5 per cent from 25 per cent. To promote India as a global health destination and encourage private hospitals, benefit is granted under Section 10(23G) of IT Act to financial institutions. Increase in the rate of depreciation from the present 25 per cent to 40 per cent in respect of life saving medical equipment. Reduction of customs duty on specified life saving equipment from 25 per cent to 5 per cent and also exempt them from CVD, and also excise duty so as to encourage indigenous manufacturers. Life saving drugs currently attracting nil or 5 per cent customs duty will also be exempt from excise duty, similar is the case for glucometers and cyclosporine. The exemptions should make domestic industry more competitive and enable them to face new intellectual property regime from 2005, hearing aids, crutches, wheel chairs, walking frames, etc., are other products in this category.

Information Technology

Customs duty on specified electronic components for IT industry is being reduced in conformity with WTO commitment. Customs duty on a number of capital goods used by the telecom and IT sector for manufacture of components will be reduced from 25 per cent to 15 per cent. For optical fibre cables, used widely for networking to provide bandwith to the IT community, the customs duty is also being reduced from 25 per cent to 20 per cent. Import duty on specified raw materials for the manufacture of e-glass down from 30 per cent to 15 per cent.

Biotechnology

To facilitate units engaged in R&D of bio-technology and pharma sector, it has been decided to remove the existing restriction of minimum export obligation of Rs 20 crore for availing exemption from customs duty for specified equipments. Further, the restriction of full exemption being limited to only 1 per cent of last year's export turnover is also lifted for R&D units. Moreover, in respect of R&D units with manufacturing facilities, the benefit of full customs duty exemption for specified equipment will also be available for their manufacturing activity to the extent of 25 per cent of the previous year's export turnover.

Small-Scale Industry

Plan outlay in actual terms in 2003-04 has fallen to Rs 400 crore, as against the budgetary allocation of Rs 435 crore in 2002-03. Withdrawn SSI reservation from another 75 items of laboratory chemicals and reagents, leather and leather products and paper products.

Allocation to DRDO

A new head of allocation has been created for the Defence Research and Development Organisation (DRDO) with an amount of Rs 2,734.11 crore for 2003-04.

Service Tax

Enhanced the general service tax rate from 5 per cent to 8 per cent, and also impose service tax on 10 new services.

CENTRAL PLAN OUTLAY BY SECTORS

(Rs crore)

	2002-03 budget estimates	2002-03 revised estimates	2003-04 budget estimates
Agriculture and allied activities	3733	3219	3866
Rural development	7973	12834	8181
Irrigation and flood control	443	381	443
Energy	36306	36825	43379
Industry and minerals	7993	7114	7598
Transport	32041	27812	28784
Communications	19540	14214	14903
Science, technology & environment	4414	4022	4696
General economic services	1785	1588	3945
Social services	29376	28461	31689
General services	434	397	409
Grand total	144038	136867	147893

Source: PTI Economic Service, 1 March 2003.

Customs Duty

Reduced the peak rate of customs duty from 30 per cent to 25 per cent, excluding agriculture and dairy products.

India Development Initiative

An initiative to promote India, both as a production centre and an investment destination called " India Development Initiative" shall be established in the Ministry of Finance, with an allocation of Rs 200 crore for 2003-04. This initiative will also leverage and promote our strategic interests abroad.

Non-Conventional Energy

To further research in solar energy, wind turbines and hydrogen fuels as alternatives to fossil fuels, Rs 20 crore allocated to CSIR for launching incentive driven research in these three fields.

Drinking Water

Water treatment and energy projects are exempted from excise duty.

Horticulture, Floriculture, etc.

A new central sector scheme on high-tech horticulture and precision farming involving fertigation, use of biotechnological tools, green food production, high-tech green houses, etc., with initially a sum of Rs 50 crore.

Gems and Jewellery

Benefits under Sections 10A and 10B of the IT Act for cutting and polishing of diamonds and gems.

Capital Account

Overseas investment up to 100 per cent of the net worth of the Indian company, pre-payment of ECB dues under the automatic route without current ceiling of US$100 million.

Indirect Tax – Customs

- Value limit for a full customs duty exemption, for *bona fide* commercial samples and gifts, raised from Rs 5000 to Rs 10,000.
- Reduction of customs duty from 15 to 5 per cent on components of membrane cell technology used in the caustic soda industry.
- Reduction of customs duty from 25 to 15 per cent on spares for diesel locomotive parts for conversion of

locomotives from DC to AC, and locosimulators for training of drivers from 25 to 20 per cent.

- Physical inspection of imported goods will be done by using risk assessment and management techniques as a computer-based system.

Exim Policy 2002-07

Service Exports

- Duty free import facility for service sector having a minimum foreign exchange earning of Rs 10 lakh.
- The duty free entitlement shall be 10 per cent of the average foreign exchange earned in the preceding three licensing years. However, for hotels, the same shall be 5 per cent of the average foreign exchange earned in the preceding three licensing years. This entitlement can be used for import of office equipments, professional equipments, spares and consumables. However, imports of agriculture and dairy products shall not be allowed for imports against the entitlement. The entitlement and the goods imported against such entitlement shall be non-transferable.

Agro Exports

- Corporate sector with proven credential will be encouraged to sponsor Agri Export Zone for boosting agro exports. The corporates to provide services such as provision of pre/post harvest treatment and operations, plant protection, processing, packaging, storage and related R&D.
- DEPB rate for selected agro products to factor in the cost of pre-production inputs such as fertilizer, pesticides and seeds.

Status Holders

- Duty-free import entitlement for status holders having incremental growth of more than 25 per cent in FOB value of exports (in free foreign exchange).

  This facility shall however be available to status holders having a minimum export turnover of Rs 25 crore (in free foreign exchange). The duty free entitlement shall be 10 per cent of the incremental growth in exports and can be used for import of capital goods, office equipment and inputs for their own factory or the factory of the associate/supporting manufacture/job worker. The entitlement/goods shall not be transferable. This facility shall be available on the exports made from 1.4.2003.

- Annual Advance Licence facility for status holders to be introduced to enable them to plan for their imports of raw material and components on an annual basis and take advantage of bulk purchases.
- The Input-Output norms for status holders to be fixed on priority basis within a period of 60 days.
- Status holders in STPI shall be permitted free movement of professional equipment like laptop/computer.

Hardware/Software

- To give a boost to electronic hardware industry, supplies of all 217 ITA-1 items from EHTP units to DTA shall qualify for fulfillment of export obligation.
- To promote growth of exports in embedded software, hardware shall be admissible for duty free import for testing and development purposes. Hardware up to a value of US$10,000 shall be allowed to be disposed off subject to STPI certification.
- 100 per cent depreciation to be available over a period of 3 years to computer and computer peripherals for units in EOU/EHTP/STP/SEZ.

Export Clusters

- Upgradation of infrastructure in existing clusters/industrial locations under the Department of Industrial Policy & Promotion (DIPP) scheme to increase overall competitiveness of the export cluster.
- Supplemental efforts to be made under the ASIDE scheme and similar schemes of other Ministries to bridge technology and productivity gaps in identified clusters.
- 10 such clusters with high growth potential to be reinvigorated based on a participatory approach.

Rehabilitation of Sick Units

- For revival of sick units, extension of export obligation period to be allowed to such units based on BIFR rehabilitation schemes. This facility shall also be available to units outside the purview of BIFR but operating under the State rehabilitation programme.

Removal of Quantitative Restrictions

- Import of 69 items covering animal products, vegetables and spices, antibiotics and films removed from restricted list.
- Export of 5 items, namely paddy except basmati,

cotton linters, rare earth, silk cocoons, family planning devices except condoms removed from restricted list.

Special Economic Zones Scheme

- Sales from Domestic Tariff Area (DTA) to SEZs to be treated as export. This would now entitle domestic suppliers to Drawback/DEPB benefits, CST exemption and Service Tax exemption.
- Agriculture/Horticulture processing SEZ units will now be allowed to provide inputs and equipment to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promotion of SEZs specialising in agro exports.
- Foreign bound passengers will now be allowed to take goods from SEZs to promote trade, tourism and exports.
- Domestic sales by SEZ units will now be exempt from Special Additional Duties (SAD).
- Restriction of one-year period for remittance of export proceeds removed for SEZ units.
- Netting of export permitted for SEZ unit provided it is between same exporter and importer over a period of 12 months.
- SEZ units permitted to take job work abroad and export goods from there only.
- SEZ units can capitalise import payables.
- Wastage for subcontracting/exchange by gem and jewellery units in transactions between SEZ and DTA will now be allowed.
- Export/import of all products through post parcel/ courier by SEZ units will now be allowed.
- The value of capital goods imported by SEZ units will now be amortised uniformly over 10 years.
- SEZ units will now be allowed to sell all products including gem & jewellery through exhibitions and duty free shops or shops set up abroad.
- Goods required for operation and maintenance of SEZ units will now be allowed duty free.

EOU Scheme

- Agriculture/Horticulture processing EOUs will now be allowed to provide inputs and equipments to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting agro exports.
- EOUs are now required to be only net positive foreign exchange earner and there will now be no export performance requirement.
- Foreign bound passengers will now be allowed to take goods from EOUs to promote trade, tourism and exports.
- The value of capital goods imported by EOUs will now be amortised uniformly over 10 years.
- Period of utilisation of raw materials prescribed for EOUs increased from 1 year to 3 years.
- Gem and jewellery EOUs are now being permitted subcontracting in DTA.
- Wastage for subcontracting/exchange by gem and jewellery units in transactions between EOUs and DTA will now be allowed as per norms.
- Export/import of all products through post parcel/ courier by EOUs will now be allowed.
- EOUs will now be allowed to sell all products including gem and jewellery through exhibitions and duty-free shops or shops set up abroad.
- Gem and jewellery EOUs will now be entitled to advance domestic sales.

EPCG Scheme

- The scheme shall now allow import of capital goods for pre-production and post-production facilities also.
- The Export Obligation under the scheme shall now be linked to the duty saved and shall be 8 times the duty saved.
- To facilitate upgradation of existing plant and machinery, import of spares shall also be allowed under the scheme.
- To promote higher value addition in exports, the existing condition of imposing additional Export Obligation of 50 per cent for products in the higher product chain to be done away with.
- Greater flexibility for fulfillment of export obligation under the scheme by allowing export of any other product manufactured by the exporter. This shall take care of the dynamics of international market.
- Capital goods up to 10 years old shall also be allowed under the scheme.
- To facilitate diversification into the software sector,

existing manufacturer exporters will be allowed to fulfill export obligation arising out of import of capital goods under the scheme for setting up of software units through export of manufactured goods of the same company.

- Royalty payments received from abroad and testing charges received in free foreign exchange to be counted for discharge of export obligation under EPCG scheme.

DEPB Scheme

- Facility for provisional DEPB rate introduced to encourage diversification and promote export of new products.
- DEPB rates rationalised in line with general reduction in customs duty.

Advance Licence

- Standard Input Output Norms for 403 new products notified.
- Anti-dumping and safeguard duty exemption to advance licence for deemed exports for supplies to EOU/SEZ/EHTP/STP.

DFRC Scheme

- Duty Free Replenishment Certification Scheme extended to deemed exports to provide a boost to domestic manufacturer.
- Value addition under DFRC Scheme reduced from 33 per cent to 25 per cent.

Reduction of Transaction Cost

- High priority being accorded to the EDI implementation programme covering all major community partners in order to minimise transaction cost, time and discretion. We are now gearing ourselves to provide online approvals to exporters where exports have been effected from 23 EDI ports.
- Online issuance of Importer-Exporter Code (IEC) number by linking the DGFT EDI network with the Income Tax PAN database is under progress.
- Applications filed electronically (through website www.nic.in/eximpol) shall have a 50 per cent lower processing fee as compared to manual applications.

Miscellaneous

- Actual user condition for import of second hand capital goods up to 10 years old dispensed with.
- Reduction in penal interest rate from 24 per cent to 15 per cent for all old cases of default under Exim Policy.
- Restriction on export of warranty spares removed.
- IEC holder to furnish online return of imports/exports made on yearly basis.
- Export of free of cost goods for export promotion @2 per cent of average annual exports in preceding three years subject to a ceiling of Rs 5 lakh permitted.

Conclusion

The Union Budget and the Exim Policy are aimed at putting India on the global map in terms of competitiveness, which is imperative given the World Trade Organisation (WTO) requirements.

In the Union Budget, tariffs have been rationalised. It may revive textile sector. Winning sectors such as pharmaceuticals, biotechnology and information technology have been benefited. Some of the budget provisions are towards enhancing the competitiveness of indigenous industry by excise duty exemption while the customs duties have also been reduced for the same products.

Services sector, a major contributor to GDP, grew by 7.1 per cent in 2002-03 given importance that include ten more services coming under the tax net. Massive thrust to export of services is given in the new Exim Policy that give major boost to Healthcare, Entertainment, Professional Services and Tourism.

Reducing customs duty on several capital goods will increase the economic growth. These capital goods include the reduction of customs duty on textile machinery, power transmission sets, etc. The reduction in peak customs duty shows India’s competitiveness to meet WTO obligation and making industry globally competitive.

The EPCG Scheme of the Exim Policy has been made more flexible and attractive to enable expansion of manufacturing base. The small-scale sector will be benefited. Special focus would be given to certain sectors having potential for accelerated export growth such as Textiles (especially garments), Auto Components, Gem & Jewellery, Drugs & Pharmaceuticals and Electronics Hardware.

The sops to R&D in pharma, biotechnology and IT industry point to a continued thrust in knowledge industries. “Brand India”, promoting India abroad is an acknowledgement of the need to position the country as an investment destination.

(Contd. on p. 9)

TECHNOLOGY EXPORT RELATED DEVELOPMENTS IN INDIA

Ranbaxy, Geneva's MMV Join Hands for Malaria Vaccine R&D

Ranbaxy Laboratories Ltd. has announced entering into an agreement with Medicines for Malaria Venture (MMV), Geneva, for the development of Synthetic Peroxide Anti-Malaria Drug. Pharmaceutical and clinical development apart, Ranbaxy will have the worldwide rights for the registration and commercialisation.

Ranbaxy's team of scientists will work in collaboration with scientists and researchers from the University of Nebraska Medical Centre, Monash University and the Swiss Tropical Institute in identifying a candidate for development.

Ranbaxy will file an Investigational New Drug (IND) once it establishes efficacy and safety in the pre-clinical phase. The new molecule should ensure a short period of treatment – three day – for malaria and the cost of the product is expected to be much less than the ones now being used. n

CROs Expect 100% Growth

The contract research organizations (CROs) developing new drugs is the next money spinning industry, where Indian companies are expected to excel globally. If current projections are to be believed, by 2010, India will get 20 per cent of the global CRO revenue which is expected to be around Rs 50,000 crore.

The nascent CRO industry in India, which notched up revenues of Rs 350 crore in 2002, is currently estimated to be growing at almost 100 per cent. In coming years, India will be able to achieve global acceptance in both infrastructure and maintenance of confidential data. Once this is done, India can hope to capture 20-25 per cent of the global new drug development business.

Of late, there has been a lot of action on the CRO front. Quintiles, the largest CRO in India is expected to have a turnover of Rs 85 crore this year. Lotus and Vimta Lamda, which started off as small ventures conducting bio-equivalence studies, are now planning to widen their scope of activities to clinical studies as well. Currently, two thirds of the total global R&D cost of $40 billion are invested in drug development. Outsourcing of clinical and pre-clinical research accounts for nearly $13 billion. Of this, about $9 billion is allocated for contractual research. n

DRL Setting Up 2 More R&D Labs in USA and India

Dr. Reddy's Laboratories (DRL) is setting up two more state-of-the-art research laboratories in USA and India, which will take its total research facilities to five.

Aurigene Discovery Technologies, a fully-owned subsidiary of DRL is setting up a new research laboratory in Boston, USA. In the meantime, this specialised laboratory will also become the company's key research centre. Similarly, Aurigene's Bangalore facility is also expected to go on stream by December-end.

Aurigene is a post-genomic discovery services company, which will focus on building skills in automated medicinal chemistry, structure-based drug design. The initial focus of Aurigene will be to establish alliances with pharmaceutical companies for chemistry and protein services and other related drug discovery activities.

DRL has substantially increased its spending on R&D activities in 2001-02 which stood at Rs 98 crore or 6.13 per cent of its turnover of Rs 1,652 crore, up from Rs 41.54 crore spent in 2000-01 (4.22% of its 2000-01 turnover of Rs 1,001.6 crore).

Dr Reddy's other three research centres are Dr Reddy's Research Foundation (DRF) and the new Technology Development Centre (TDC) at Hyderabad and Dr Reddy's US Therapeutics Inc. (RUSTI) located in Atlanta, USA.

Ahead of the 2005 deadline, when the product patents will be in place in India as well, Dr Reddy's is one of the few Indian pharma companies to have really given a big push to research efforts to become a totally focused research-led company. The focus therapies at Dr Reddy's are diabetes, inflammation, lipid metabolism, oncology and cardio-vascular diseases. n

Hero Cycles Ties Up with Japan's NBI

Hero Cycles has set up a strategic tie-up with Japan's National Bicycles Industry (NBI) to produce fresh-end cycles for exports. NBI, a part of Matsushita Electric, which owns brands like National and Panasonic, will anxiously export three lakh cycles from Hero.

The bicycles would be exported to Japan and European countries under the NBI brand. This tie-up will not only give an international recognition to Hero Cycles in the high-end bicycle market, but also strengthen its technical expertise. n

Modems from MRO-Tek

MRO-Tek Ltd., a leading networking and last mile access solutions provider, has annouanced the launch of ASMi-52 G. SHDL (High Bit Rate Digital Subscriber Line) modem with remote management strengthening their last mile access product portfolio.

The modem is a manufacture from the MRO-Tek facility at its Electronics City facility near Bangalore. The remote modem would help in control all the modems connected through the network, operating from a single place. The ASMi-52 is the first intelligent modem and also the first in the range of I-series modems to be launched in India. n

Matrix Labs Gets Australia's TGA Approval

Matrix Laboratories has bagged an approval from the Therapeutic Goods Administration (TGA) of Australia for its facility of manufacturing anti-bacterials, entral nervous system and anti-asthma among other drugs. n

JOINT VENTURES

Life Sciences Alliance Formed with US Firm

Three Indian pharmaceutical companies – Shasun Chemicals and Drugs Ltd., Innovasynth Technologies (India) Ltd. and Suven Pharmaceuticals Ltd. – have joined with Austin Chemical Company of USA to form what they call the "Life Sciences Alliance", which will service the needs of global life sciences companies right from drug development to distribution.

The Alliance would offer advantages like cost effective services, dedicated capacities, diverse capabilities, and comprehensive global regulatory support. The Alliance would leverage on core competencies, optimise capital, and would support drug development services in a collaborative mode.

The members of the Alliance are in the process of developing systems that would help integrate personnel, capacities and capabilities to offer a wide range of products and services including discovery support services, conduct pre-clinical and clinical trials in India, offer late stage product development, all of which would be supported by global regulatory compliance.

The Alliance would work to develop uniform quality systems, technical and project management teams to facilitate comprehensive services.

The Chennai-based Shasun Chemicals specialises in active pharmaceutical ingredients and their intermediates, the Hyderabad-based Suven Pharmaceuticals in contract research and manufacturing, and the Mumbai-based Innovasynth Technologies on custom synthesis and contract process R&D. n

L&T Inks Pact with Bangladesh Cement Firm

Larsen & Toubro Ltd. (L&T) has signed a contract valued at $23 million with Lafarge Surma Cement (LSC) Ltd. of Bangladesh for construction of a 17-km long cross-national belt conveyor.

It will convey limestone and shale from the mines in the hilly terrain of Shell Bazar in Meghalaya to the marshy plans of Chhatak of Bangladesh where Lafarge is putting up a cement plant. This is the longest belt conveyor to be constructed in India and is to be executed in 24 months by ECC, the construction division of L&T.

On completion, this project will serve as a global benchmark for construction of cross-national conveyor systems in terms of length, location and logistic challenges – spanning hills, plains, marshland, rivers, canals and roads.

The scope of the turnkey project undertaken in association with Aumund of France includes design, engineering, supply, construction, erection, testing and commissioning of the conveying system. The conveyor will follow the ground contour along its entire route and will have horizontal as well as vertical curves. n

Chinese Steel Plants to Use Indian Technology

China may soon use Indian technology for commissioning some of its mega steel projects, some of which are larger than combined capacity of SAIL and Tata Steel.

ABB India has recently won contracts from large Chinese steel companies – Maanshan Iron & Steel Corpon., Wuhan Iron & Steel, Hangzou Iron & Steel.

Chinese steel and cement plants have been commissioned by Indian companies as our technical expertise has been better than theirs.ABB India has commissioned such projects earlier bagged by ABB China. n

Sundram Sets Up Subsidiary in China

Sundram Fasteners Ltd. (SFL), the Chennai-based auto ancillary major, is setting up a $5 million wholly owned subsidiary in China. SFL said, it will first target companies in China and then in Taiwan and Korea.

SFL will manufacture value-added special fasteners and also standard fasteners at its plant at the Haiyan Economic Development Zone, 100 km from Shanghai.

SFL has received letters of interest from auto majors in the region which include Delphi General Motors and Cummins. China produces 1.7 million commercial vehicles and a million cars annually making it a big market for auto-ancillary units. SFL will initially target commercial vehicle manufacturers and then plan out to supply products to passenger car manufacturers.

Sundram Fasteners Zhejaing Ltd. has been accorded a 100 per cent tax holiday for first two years and 70 per cent and 40 per cent in the third and fourth years, respectively. Apart from these sops, the company has also been promised a refund of VAT for the first four years.

Counties in China are allowed to negotiate on tax and even waive the same if they are convinced about the importance of the investment. The entire process was completed within 18 months, including a one-month negotiation with the authorities. n

JB Chemicals in Tie-up with Canadian Co.

Mumbai-based JB Chemicals & Pharmaceuticals has entered into a strategic alliance with the Toronto, Canada-based Arrow group, a pharmaceutical company. JB Chemicals will develop, and manufacture a basket of generic or off-patent drugs which Arrow will market and distribute in Canada. JB Chemicals plans to launch a cardio-vascular drug and an anti-infective in that market in 2004 through Arrow.

With annual sales of $350 million, Arrow has a presence in the United Kingdom, Australia and Canada. JB Chemicals already has a joint venture in US market with a local firm to market generic drugs that it manufactures in India. n

(Contd. from p. 6)

It appears that while some of the budget provisions are towards enhancing indigenous technological capabilities and the competitive manufacturing in the country, the Exim Policy needs to address more or encourage the export of technology intensive or high value added products, projects and services, through special incentives and facilities to exporters. Also, there is a need to develop a synergy between the S&T Policy announced in November 2002 by the Government of India, and the Exim Policy as well as the budget provisions. If sustainable exports of the order of one per cent of the world exports are to be achieved in near future, it would be necessary to evolve a holistic approach. There is a need to distinguish between development and export of knowledge intensive services/products than those of traditional nature, and hence a different treatment.

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RECENT POLICY INITIATIVES

Global Research Alliance Launched

Nine leading S&T institutes from different countries have launched Global Research Alliance (GRA) to fund and facilitate international R&D in the areas of water, health, energy, transportation and digital divide.

The participating institutes are the Council for Scientific & Industrial Research (CSIR) of India, the Danish Technological Institute, the Fraunhofer Gesellschaft of Germany, SIRIM Berhad of Malaysia, TNO of the Netherlands, the CSIRO of Australia, Battelle Memorial Institute (BMI) of USA and the CSIR of South Africa.

These institutes can boast of an array of 50,000 scientists and technologists. All of them, except BMI, are public institutes, said Dr. R.A. Mashelkar, Director General of India's CSIR.

The unique capability of GRA is to combine not just skills but also the contexts from both developed and developing countries, he said. "We are joined in our dedication to serving the greater good through innovation and research. Alone we can each have tremendous impacts in the countries we serve. We together can serve the greater sphere of mankind."

The nerve centre of the alliance would be based at the CSIR in South Africa. GRA is expected to forge close ties with the institutions such as the World Bank, the European Union and other international funding agencies, said Dr. Mashelkar. n

I-T Relief for Software Developers

The Income-Tax Appellate Tribunal has allowed software package as deduction against taxable income in the year of incurring of such expenses under Section 35 of the Income Tax Act.

Section 35 of the Income Tax Act allows for deduction of scientific research expenditure from the taxable income regardless of whether such expenses are classified as capital or revenue in treatment. But this was not applicable for the software development as it was not classified as scientific research.

This is the first time such decision has been given as there has been no precedence of the treatment to be given to the software developmental expenses that is incurred by the companies. n

The basis of this has been that while a lot is spent on R&D, all the investment does not result in a product that is marketable. This has been a worry point for the companies indulging in R&D.

The judgement came out in the appeal made out by TCIL Bellsouth Ltd. *vs* Deputy Commissioner Income-Tax, New Delhi. As a result of this judgement, a precedent has been set for all companies other than those under Section 10A, for deducting all expenses met towards a software developmental on the same year under the head scientific research expenditure.

Companies under Section 10A that fall under the criteria of export-oriented unit has been getting these benefits.

The Income-tax Department has been arguing in the case that following the development of the software the benefits accrue to the company in the form of cash flows over the life of the product. In such a case, how can the Department allow for 100 per cent deduction in the year of incurring the expenses.

The Counsel argued that R&D expenses incurred had to be seen by the Department in the context of the ever and rapidly changing technology involved in the IT industry. As research was original and planned investigation undertaken with the hope of gaining new scientific or technical knowledge, software development also fell in this category. (*ET*, 14 May 2003) n

Task Force on Project Exports

Indian project exporters – consultants, suppliers and civil construction & turnkey contractors—have successfully implemented projects in a variety of sectors and in diversified markets overseas. Indian companies have demonstrated capabilities to execute successfully a range of projects in challenging environments. However, only a relatively small number of Indian project exporters are securing contacts, and that too in few destinations.

A Task Force on Project Exports was constituted by the Prime Minister's Office to address issues related to project exports, and facilitate the creation of an enabling environment that would lead to a quantum increase in project exports. The Terms of Reference of task force were:

- Analysis of performance of India's project exports
- Identification of Issues/constraints faced
- Benchmarking against internationl practices
  - Export credit agencies - Trade promotion agencies

- Recommendations to achieve quantum increase in project exports
  - Policy - Procedure - Institution
- Time frame for implementation of recommendations
  - Short term - Medium term - Long term

Increase in project exports could be achieved if constraints faced by Indian companies are addressed by:

- increased institutional support, including a more pro-active role by Indian missions;
- availablity of more competitive credit and insurance terms over extended periods;
- enhanced brand image of India as a Project Exporter;
- need for Indian consultants to have enhanced presence in thrust markets at early stages of the planning process;
- industry/industry associations adopting innovative approaches.

Task Force has since submitted its wide-ranging recommendations to the PMO. These recommendations include:

- Constitution of High Level Standing Committee on Project Exports
- Establishment of Coordinating Agency
- Target Multilateral Agency Funded Projects
- Capacity Building of Indian Missions
- Strengthening of ECGC
- Strengthening of Exim Bank of India

(*Eximius:* March 2003) n

ESC Sets Up 3 Panels to Drive Exports

The Electronics and Computer Software Export Promotion Council (ESC) has set up three committees to impart a critical push to electronics and IT exports from the country. The three committees are on IT-enabled services exports, hardware exports and software exports.

This is important in view of the great prospects for export of embedded software. Countries that have a competitive advantage in exporting hardware are trying to develop strengths for embedded software also and it is, therefore, necessary to shore up India's competitive advantage in hardware.

Significantly, some of the South East Asian countries like Singapore, Thailand and Malaysia are trying to relocate their production bases to destinations where the cost of labour is cheaper. The committee will be striving to project India as an ideal location for relocating the production bases. n

TECHNOLOGY INTENSIVE EXPORTS

ABB Bags Rs 158 cr Order

ABB India has won a Rs 158 crore order from Public Establishment of Electricity Generation & Transmission utility of Syria. The turnkey order is for six new 230/662/20KV substations for six towns.

The project is being financed by the European Investment Bank and is scheduled for completion in 24 months. The scope of the project includes design/procurement manufacturing & supply of equipment for all the substations. n

KEC International Bags Over Rs 30 cr Power Contracts from Kuwait

KEC International Ltd. has secured a power transmission project of Rs 30 crore.

The overseas project, from the Ministry of Electricity and Water of Kuwait, is a 98.5 km. double circuit line to be completed in four sets of 33 KV each. This project is scheduled for completion in the third quarter of 2004 on turnkey basis.

The company has appointed JD Edward to implement ERP and EPM across its various locations. n

Sterling Biotech Bags Rs 5.5 cr Order from USA

Sterling Biotech, one of the leading gelatin makers in the country, has received a Rs 5.5 crore order for supply of gelatin to Cardinal Health Inc., USA. The latter is the largest producer of healthcare products and services in the world, with annual sales of $40 billion.

Sterling Biotech has also received approval from the European Directorate of Quality Medicines (EDQM), a department of the EU Government.

The approval is required for selling pharmaceutical products in the European countries.

Quoting the Sterling Biotech Chairman, Mr. Nitin Sandesara, it said: "We are delighted to be associated with Cardinal Health, a *Fortune 500* company. We are confident of making further inroads into the USA market.The approval from the European Directorate of Quality Medicine will enable us to expand company's market in the EU".n

Exports Reach $51.7 bn in 2002-03

India's exports of merchandise goods in 2002-03 are valued at US$51.7 bn. thereby crossing the crucial milestone of US$50 bn. mark. With this achievement, which implies a growth rate of 18.05 per cent, exports have exceeded the target of 12 per cent fixed for 2002-03. This also implies that India has been able to more than double its exports of merchandise goods in a span of 10 years in dollar terms.

India's share in world exports in merchandise goods has increased to 0.8 per cent in 2002 from 0.4 per cent in 1992-93 and 0.7 per cent in 2001. If the present trend is maintained India might even reach 1 per cent share in world exports before the target year of 2007.

Some of the export sectors, which have contributed to higher growth, are engineering goods (24.7%), basic chemicals (18.2%), plastic & linoleum (12.8%), man-made yarn, fabrics, made-ups etc. (24.7%), gems & jewellery (18.1%), Iron ore (112.9%), petroleum products (8.9%), mica, coal & other ores (24.9%) and RMG of all textiles (6.9%). Auto sector is emerging as an important sector for exports, similar to computer software.

A target of 12 per cent growth for exports of merchandise goods in 2003-04 in dollar terms has been fixed at US$57.8 bn. In rupee term this would be around Rs 273,636 crore in 2003-04 compared to Rs 250,130 crore in 2002-03.

CSIR EMERGES AT NUMBER ONE POSITIONS IN PATENT COOPERATION TREATY APPLICATION FROM DEVELOPING COUNTRIES IN 2002

Ranking	*Applicant*	*Country*	*No. (Appln.)*
1.	Council of Scientific & Industrial Research	India	184
	Samsung Electronic Company	S. Korea	184
3.	Biowindow Gene Development Inc	China	136
4.	LG Electronics Inc	China	125
5.	Huawaei Technologies Co.	China	84
6.	Ranbaxy Laboratories Ltd.	India	56
7.	LG Chem Ltd.	S. Korea	47
8.	SAE Magnetics (HK) Ltd.	China	31
9.	The National University of Singapore	Singapore	28
10.	Philips Electronics Singapore PTE Ltd	Singapore	24

EU Asia IT & C Project – EDECAD @ IIFT

Enhancing Competitiveness of SMEs and Women Entrepreneurs: e-status

IIFT has been identified as a partner in the above Project, along with China, Belgium and UK. The main objective of the Project is to transfer and share e-commerce/e-business knowledge across SMEs, related associations, policy-makers, academics and other relevant organisations of partner countries with focus on disadvantaged groups like women. Identification of knowledge gaps of the SMEs and development of knowledge management tools for SMEs is another major objective of the Project, besides development of networking of SMEs among the partner countries for business promotion.

Initially, it is proposed to prepare a report on e-status and a comprehensive website for SMEs in India. Towards this objective we request you to kindly let us know:

(i) Addresses of websites already available for SMEs,

(ii) Information/details about the e-status concerning enterprises,

(iii) Suggestions/views related to the e-needs and capabilities of SMEs.

You may also kindly send us copies of any report/publications available on e-commerce/e-business/e-learning, and also knowledge management in SMEs.

The SMEs willing to participate in the execution of this Project and get benefited from its outputs, may contact Prof. S.P. Agarwal, IIFT, Telefax: 26182016 for further details. Since the e-status report is to be completed in next two months, an early response is requested.