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Indo-US ties set for historic technology agreement

India and the US get ready to sign a high technology pact, India, aiming to move up the duality chain in IT, defence, space, life sciences and nanotechnology, may get US know-how that has hitherto been denied.

It has taken almost two years of steady whittling down of US objections to get the bilateral hi-tech train going. Since the Jaswant Singh-Strobe Talbott talks started in 1998, India has held out for access to "dual-use" technology as a "litmus test" of its improving ties with the US. Over the next couple of years, India took significant steps to tighten export controls, simultaneously assuring the US of its non-



Prime Minister of India A. B. Vajpayee and US President George Bush putting Indo-US relations on a high footing

proliferation credentials, and pushing "strategic trade" in hi-tech sectors. Things moved slowly and even after the establishment of the High Technology Cooperation Group (HTCG) in 2002, the prospects were not bright.

It wasn't until September 12 that US Deputy National Security Adviser Stephen Hadley and Undersecretary of Commerce Kenneth Juster walked into the office of National Security Adviser Brajesh Mishra. Their brief, to finalise negotiations on an agreement covering the high-value sectors of civilian nuclear energy, space, missile defence and high-technology commerce. For the next two hours and without even stopping for

breakfast, the US and Indian teams battled with lingering differences, but by the time Hadley and Juster stepped back into their aircraft that afternoon, the contours of a "trinity" agreement were clearer and it seemed entirely possible that President George W Bush and Prime Minister A.B. Vajpayee would

seal a new strategic deal during their September meeting in New York.

Over the next couple of weeks, India's Deputy National Security Adviser Satish Kumar and senior officials from the Ministry of External Affairs (MEA) Jayant Prasad and Sheen Kant Sharma conferred with Deputy Defence Secretary Paul Wolfowitz, Deputy Secretary of State Richard Armitage, Juster and Hadley to sew up the deal. Nevertheless, it was a Pakistani US Government that postponed the signing almost at the eleventh hour. India agreed, reluctantly, wondering if the Pakistan veto would apply to Indo-US relations forever. But the US officials were quick to assure otherwise, which

prompted External Affairs Minister Yashwant Sinha to announce in New York that negotiations were on their "last lap". Speaking to India Today, Juster said, "There have been important discussions on the issues and, with regard to high-technology trade in particular, there has been significant progress." His visit to Delhi this week for the HTCG meeting "will focus on trade relating to dual-use goods, technologies, export controls and trade facilitation".

It isn't that the deal will open the floodgates of US technology next year, but certainly a greater degree of commercial traffic is expected to overcome the hurdles of US export controls, which, India says hampers the growth of the US-India commercial ties as well as the trade balance. Juster hotly denies this. "The US maintains a more restrictive dual-use export control policy towards China than it does with India. Nonetheless, US-China trade, including trade in high technology, has thrived. US exports to China in 2002 was five times greater than US exports to India," he said recently.

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India and Pakistan declare ceasefire

India and Pakistan agreed to a formal ceasefire from Nov 25, 2003 midnight along the International Border, the Line of Control and the Actual Ground Position Line in Jammu and Kashmir, setting the stage for a productive South Asian Association for Regional Cooperation (SAARC) summit in January in Islamabad.

In what is being described as the first comprehensive agreement of its kind, the External Affairs Ministry spokesman said here today that the Directors General of Military Operations, in their weekly telephone conversation, agreed to the cease-fire accord.

Separately, the Army Headquarters said: "Pursuant to the understanding between the Governments of India and Pakistan, the two DGMOs discussed-

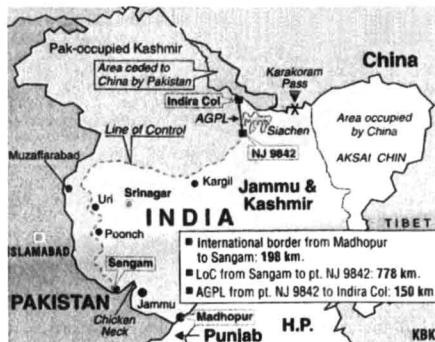
the modalities of implementation of the proposal. It was mutually agreed that the ceasefire will be enforced between the two sides, along all the sectors of the IB, LoC and AGPL..."

After the noon conversation between the officiating Indian DGMO, Major-General A.S. Bhaiya, and his Pakistani counterpart, A. Kayani, the Army said that its acceptance of the cease-fire was "without any prejudice to counter-infiltration measures and anti-terrorist operations in Jammu and Kashmir."

"In the past, there have been decisions to lower the level of firing, or even observe maximum restraint.

But, it is for the first time that India and Pakistan have agreed to a ceasefire that covers the International Border, the LoC and the Siachen Glacier in Jammu and Kashmir," highly-placed South Block sources informed.

It is hoped that the new



arrangement will allow the Indian and Pakistan armies to perform administrative chores such as moving stores and evacuating casualties during the day in sectors vulnerable to firing from the other side. This is of special importance in the Siachen sector where movement of troops at night is a daunting task.

For the two countries that came close to war following the December 13, 2001, attack by Pakistan-backed terrorists on Parliament House, today's agreement is being seen as a major step forward in the peace process.

As far as the public domain is concerned, events preceding the ceasefire agreement have moved quickly. In a television and radio address, the Pakistani Prime Minister, Mir Zafarullah Khan Jamali, announced on Sunday night that Islamabad would begin a unilateral cease-fire from Id-ul-Fitr.

On Monday, India wel-

comed Mr. Jamali's announcement and said that it would respond positively to his statement. The "positive" response came in the form of a four-line statement issued by the External Affairs Ministry spokesman this evening.

Also, while Mr. Jamali spoke of the LoC, India proposed on Monday that the ceasefire be extended to Siachen as well. Not only did Pakistan agree to hold fire in Siachen, the two countries agreed to extend their now-comprehensive ceasefire to the International Border as well.

A former Director-General of Military Operations, V.R. Raghavan, concurred with the view that this was the first time India and Pakistan had agreed to such a comprehensive ceasefire. "Both sides have agreed to give it (the ceasefire) a shot," he said, pointing out that in the past the two countries had agreed, to use smaller weapons, but had not really succeeded in putting this into practice. Asked whether the issue of monitoring the cease-fire would now come up, the former DGMO said this would be the case.

He feared that Pakistan might try to bring up the issue of "neutral" monitors in case there is a ceasefire violation. Even the Ramzan ceasefire in 2000-01, initiated by the Prime Minister, Atal Bihari Vajpayee, only saw Pakistan announce a policy of "maximum restraint".

The ceasefire, diplomatic observers believe, has opened up several possibilities on the India-Pakistan front.

Foreign investment crosses US\$6 billion mark

Foreign institutional investor (FIIs) inflows in the Indian equity and debt markets crossed the \$6 billion-mark on November 14, 2003, making it the highest-ever foreign investment in the country in a single year. This figure at \$6.05 billion is double that of \$3 billion which FIN pumped into India in 1996, the last record high.

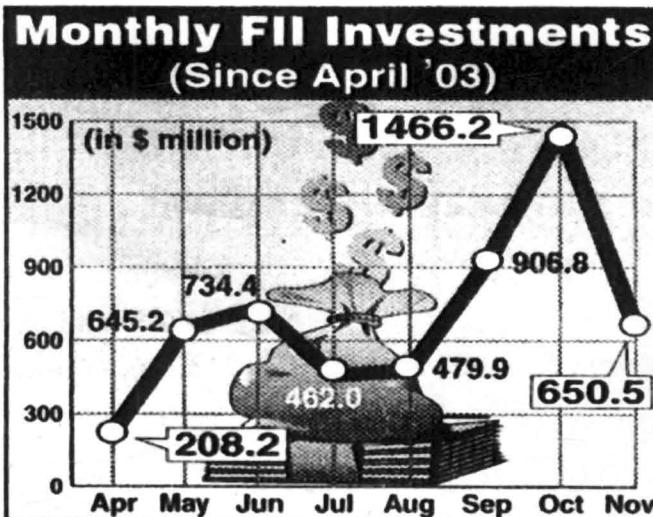
What more, the good times promise to roll. Chairman of DSP Merrill Lynch Hemendra Kothari said, "I expect a continuity in FII investments backed by a strong performance from Indian corporates, higher growth in GDP, and a stable rupee."

Mr Kothari cautioned that the investments may be hit as good scrips got scarcer.

"The strength of the India economy, in relative as well as absolute terms, is the prime driver of FII money. FII investments are likely to continue at the same pace for two to three years," said Refco-Sify Securities India Ltd head of equities, Mr Sandeep Tandon.

Arbitrage opportunities seem to be one of the prime drivers for this FII euphoria. The head of a portfolio management company, said, "With inflation under control and fewer chances of a lowering in interest rates, arbitrage opportunities exist. Therefore, money will continue to flow from large corporates who raise funds abroad and redeploys them in Indian equities."

The forthcoming Christmas holidays may see a slowdown in FII money flowing into the Indian bourses as these investors



may be keen on booking profits. Mr Kothari, however, said that this likely trend to book profits at

year-end was a part of the regular market behaviour.

Market men expect FIN to slow down when retail in-

vestors get more active in the domestic market. So far, small investors have displayed a cautious attitude, quite different from the heady days of the tech boom. There were other notes of caution. Ind Asia Fund Advisors chairman Pradip Shah said, "So far, the run up has been very fast and FIIs may resort to booking profits in December." Holiday season aside, Mr Kothari said with more IPOs and government's thrust on disinvestment, FIN would continue to add Indian shares to their portfolios.

Govt targets 12% export growth rate

The government ruled revising the export growth target in the wake of the appreciation of the rupee against the dollar and said it was slated to grow at 12 per cent during 2003-2004. It also said the appreciation of the rupee would be off-set by a revival in global demand, particularly in the US. "We are sticking to our targets and not revising them, as we are reasonably confident of achieving a 12 percent growth," Director General of Foreign Trade L Mansingh said on the sidelines of a seminar organised by the Confederation of Indian Industry.

Exports grew 10 per cent to \$27.43 billion during the first half of 2002-03 from \$24.94 billion during the same period in 2002. After a sluggish growth in August, exports bounced back in September this year

to post a 16 per cent growth at \$4.98 billion against \$4.29 billion in September 2002.

Commerce ministry sources said signs of recovery in export growth were visible in September and the trend of lower growth could be reversed. Besides, traditionally the export growth during the second half of the year is higher than in the first six months, an official said. "We are fairly confident that exports will do well. We are comparing this fiscal's performance with the spectacular growth of 20 percent of last fiscal," Mansingh said.

He sought to allay the fears that rupee appreciation was hurting India's trade, saying the country was in a better position in terms of non-oil imports, like that of edible oils. Exporters are competitive enough to take the growth

to a high level," he added. The government is also considering a merger of the duty entitlement pass book (DEPB) scheme with the duty drawback schemes by 2004-05 and come up with a uniform scheme, which will take care of the needs of all segments of industry.

"As both the DEPB scheme and duty drawback schemes are post-export schemes, they would be merged and a uniform scheme would be launched," Mansingh said. He said the government was also reviewing the DEPB rates and it might come down on some items in tandem with the reduction in tariff rates.

The government of India has an optimistic vision of the future and with an increase in foreign investments in India, the economy is also set for a major growth.

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To



Indonesia's diplomatic row jolts Indians

Despite India's proactive engagement with Asean countries, there is trouble brewing between India and Indonesia. Reason: Indon-



Arun Jain, CEO and MD of Polaris Software was detained by the Indonesian Police in Jakarta

esia's sudden decision that Indians cannot be issued visas without prior clearance from Jakarta.

Highly-placed sources say a number of Indians with valid visas have been harassed on reaching Jakarta. They were told to deposit their passports and collect them later. Those who landed on Friday were stranded till Monday as the

offices were closed. Some Indian tourists bound for the Indonesian island of Bali were also stranded at Jakarta.

On Tuesday, a JNU academic and his wife were stopped in Jakarta despite holding valid Indonesian visas. They were on their way to take up a UN assignment.

"This is clearly an attempt to selectively ban the entry of Indians into Indonesia. It is causing delays and hassles for bona fide travelers, who have been harassed and made to collect passports," a diplomatic source said.

Sources say even the Indian mission in Jakarta and the Indonesian mission in New Delhi were caught unawares when the Indonesian authorities enforced this rule last week.

The Indonesian mission in New Delhi had no explanation for the strange

rule. "We have sought clarification from Jakarta. We don't want this measure to jeopardise bilateral relations," said Dalton Sembiring, spokesperson for the Indonesian embassy

While New Delhi has already conveyed its displeasure to senior Indonesian diplomats in Delhi, there is no word so far from the authorities in Jakarta.

Earlier, tourist visas were granted within two days, embassy officials said. But now that a clearance from Jakarta is required, the process is bound to take longer.

While Indians are being discriminated against, sources say Indonesia allows travelers from some western countries to get visas on arrival.

Interestingly, these curbs come at a time when the two countries want to boost trade. A joint working group is also scheduled to meet

next month on promoting tourism. And just last month India had signed a frame-work agreement on free trade at the Asean-India summit in Bali.

South Block sources admit these measures are discriminatory. "We may have to take reciprocal measures as Indonesians are given visas easily and they don't have to register with us," remarked a senior official.

CEO and MD of Polaris Software Arun Jain was also detained by the Indonesian police in Jakarta. Released after diplomatic intervention March 2003: 270 Indian IT workers were roughed up and detained in Kuala Lumpur despite holding valid visas. India lodged a protest with Malaysia.

Nearly 50,000 Indians travel to Indonesia every year, most of them tourists. Professionals and businessmen also visit that country.