WESTERN PA INTERNATIONAL BUSINESS

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Passage to India

India—land of contrasts; a trite statement, but true. A huge country rich in natural resources, with a low-wage market and relatively skilled workers, India has experienced falling per capita income while its close economic rival, China, surges ahead. While India has experienced a healthy 6 percent increase in its economy over the past decade, China's growth has averaged 8 percent to 10 percent per year for the past two decades. In the meantime, India's population growth in 2002 was an estimated 1.51 percent compared to China's growth rate of 0.87 percent, the result of concerted government population control programs.

Hampered by a patchwork of bureaucratic state governments, state-owned companies in all sectors, outmoded laws regarding business ownership of land, and frequent power failures that cause blackouts that last for days, Indian businesses find it difficult to compete. Inefficient state-owned companies manage an average of just 3.5 percent return on investment, far lower than a return on government bonds.

Of all the challenges to the Indian economy, energy issues remain critical. Coal is still the single most important fuel source for power generation, representing 70 percent or more of electricity generation. But both production and end-use of power are inefficient, creating high economic and environmental costs. A priority is to establish distribution systems that would reduce transmission and distribution losses, improve billing and collections, and better the quality, reliability, and efficiency of power supply to consumers, particularly poor farmers and the weaker sections of urban society.

While significant economic and social problems remain, there are signs of change in India. In December 2002, the Indian government announced that it would privatize two energy companies: Hindustan Petroleum, the country's largest refiner, and Bharat Petroleum, the largest fuel retailer. Plans to privatize other businesses in sectors from bread making and tourism to software development continue, albeit slowly. Labor unions protest the loss of jobs in a country that has few safety nets for the unemployed.

Where there are problems, there may also be opportunities. Inefficiencies in power systems, the processing and distribution of agricultural products, and transportation represent opportunities for U.S. companies to export technologies and services to India. The following are the 14 best prospect sectors for India, ranked on the basis of estimated imports from the U.S. for the year 2002. More detailed information for the top three sectors is shown on page 2.

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Rank	Sector	2002 Est'd Indian Market (US $)	2002 Est'd Imports from US (US $)
1	Computer software and services	$9.62 billion	$9.67 billion*
2	Telecommunication services	$9,174 million	$3,630 million
3	Telecommunication equipment	$12,664 million	$1,404 million
4	Computers and peripherals	$3,982 million	$1,204 million
5	Education	$2,299 million	$767 million
6	Pollution control equipment	$4,356 million	$610 million
7	Biotechnology	$485 million	$163 million
8	Power transmission and distribution	$5,977 million	$152 million
9	Medical equipment	$1,745 million	$150 million
10	Process control equipment	$550 million	$90 million
11	Airport and ground support equipment systems	$215 million	$50 million
12	Textile machinery	$596 million	$20 million
13	Air-conditioning and refrigeration equipment	$1,249 million	$20 million
14	Franchising	N/A	N/A

** Imports of U.S. computer software and services slightly exceeds total market in India due to extensive exports (outsourcing) of Indian products and services.*

(Source: USDOC, Country Commercial Guide, India, FY 2002. These numbers are estimates only.)

Sector Rank 1:
Computer Software and Services

The Indian software industry has been recording an average annual growth of more than 40 percent for the past eight years. According to the U.S. Commercial Service, U.S. exports of software and services will continue to propel and sustain this growth.

Sector Rank 2:
Telecommunications Services

India's 27.42 million line telephone network is among the top 10 networks in the world and the second largest among the emerging economies, after China. The telecommunications market is growing at an average annual rate of 20 percent. The total number of lines added in the last five years is 1.5 times that of the preceding five decades.

India has one of the fastest growing telecommunications systems in the world, with system size (total connections) growing at an average of more than 20 percent per annum over the last 4 years. According to the U.S. Commercial Service, the industry is considered to have the highest potential for investment in India. The growth in demand for telecom services in India is not limited to basic telecom services, but includes rapid growth in services such as cellular, radio paging, value-added services, Internet, and global mobile communications by satellite.

Sector Rank 3:
Telecommunications Equipment

Telecommunication is one sector in India where the benefits of deregulation and decontrol are apparent. In comparison to China, though, which also deregulated the industry at about the same time as India did, the results are not at all spectacular. However, compared to other core sectors in India, this is one sector where, following some systemic hiccups over the formation of the regulatory authority, things have begun to fall into place. The tough market conditions that have emerged following the liberalization and the ending of the state monopoly have immensely benefited the Indian consumers.

Telecom euphoria is expected to continue for at least the first half of this decade, as India races to catch up with the rest of the world. Investment required in this sector at present is nearly US $2.5 billion per annum, and is expected to reach a total requirement of US $300 billion by the end of this decade. In India, at present, the tele-density is about three telephones per 100 people (including cellular phones). The 10-year perspective plan of the federal government forecasts the same to be nine per hundred by 2007. This would translate into about 90 million Direct Exchange Lines (DEL) by 2007. In 2000, the total DELs was only 22 million. The production of telecom equipment in India increased from US $1.3 billion in 1993–94 to US $2.5 billion in 1997–98; production is expected to reach US $8 billion by 2002.

(Source: Country Commercial Guide, India.)

India Facts at a Glance

Population:	Approximately 1.1 billion, 28% of whom are urban
Capital:	New Delhi
Principal languages:	Hindi (official), English (associate official), 14 regional languages
Chief religions:	Hindu (80%), Muslim (14%)
Chief industries:	Textiles, steel, processed foods, cement, machinery, chemicals, mining
Chief crops:	Rice, grains, sugar, spices, tea, cashews, cotton, potatoes, jute, oilseed
Minerals:	Coal (fourth-largest reserves in the world), iron, manganese, mica
Per capita GDP:	US $2,500 (2001 est. at purchasing power parity)
Imports:	$53.8 billion (f.o.b., 2001), 8% from the U.S.
Exports:	$44.5 billion (f.o.b., 2001), 23% to the U.S.

Source: The World Fact Book 2002 (www.cia.gov/cia/publications/factbook)

Where can I find more information on India?

The detailed *Country Commercial Guide*, published by the U.S. Commercial Service, provides political and economic forecasts, recommendations on how to market U.S. products and services in India, economic and trade statistics and regulations, and more. It can be viewed online by typing "country commercial guide, India" in your Web browser or by visiting www.usatrade.gov. More information on India can also be found in the CIA's *World Fact Book*, at www.cia.gov/cia/publications/factbook.

Working with USAID to Enter an Unfamiliar Market

India's patchwork of numerous cultural groups, diverse geographic regions, and numerous state and regional bureaucracies can make it a challenging market for a first-time exporter. In addition to working with the Department of Commerce, the Export/Import (ExIm) Bank, the Overseas Private Investment Corporation (OPIC), or the U.S. Trade Development Agency (TDA), another way to enter an unfamiliar market or to expand market share in an existing market is to work with the U.S. Agency for International Development (USAID). This agency provides economic, developmental, and humanitarian assistance around the world in support of the foreign policy goals of the United States. It supports economic growth, agriculture, and trade; global health; and democracy, conflict prevention, and humanitarian assistance. USAID is actively seeking U.S. companies to export technology to under-developed markets.

The agency provides assistance in four regions of the world: Sub-Saharan Africa; Asia and the Near East; Latin America and the Caribbean; and Europe and Eurasia. It works with more than 3,500 American companies and more than 300 private voluntary organizations. USAID procurements include the following:

Technical Assistance

Contracts for managerial and technical consultants in developing and implementing sustainable development programs in broad-based economic growth; democracy; environment; population and health education and training, humanitarian assistance, and support for post-crisis transitions.

Commodities

Equipment and supplies needed to fulfill USAID project needs, disaster relief, as well as materials financed through USAID-funded commodity import programs, household and office products/equipment for USAID Mission staff.

Training

Academic or professional training needed for the implementation of sustainable USAID projects as well as staff training.

Food Aid

Provisions needed in conjunction with emergency, supplemental feeding and food security programs developed by USAID in collaboration with host governments. Most non-emergency food aid is financed through the Food for Peace Program (P.L. 480) and purchased through the Department of Agriculture.

Exporters to India in Western Pennsylvania have had successful experiences working with USAID and the Department of Energy, as described in the following interviews with CLI Corporation and Conco Systems, Inc.

Contact Information

Where can I find information on doing business with USAID?

The USAID Web site containing general information and frequently asked questions is located at www.usaid.gov. The agency's main telephone number is 202-712-0000. Worldwide business opportunities (in the form of solicitations) can be found on the USAID Business and Procurement site: www.usaid.gov/procurement bus_opp/. This page contains the agency's policies governing grants, contracts, and other implementation mechanisms used by USAID as well as links to other key sites.

Where can I find more information about export licenses?

The U.S. Bureau of Industry and Security sponsors a Web site at www.bxa.doc.gov. This site provides the details on the process by which U.S. exporters obtain a license to export a specific product or service to a specific location (or, on occasion, a specific buyer).

How do I contact the Pittsburgh Office of the U.S. Commercial Service of the U.S. Department of Commerce?

Contact Keith Kirkham and his staff in Pittsburgh at 412-395-5050 or by e-mail at office.Pittsburgh@mail.doc.gov, or visit them at their offices on the 20th floor of the Federal Building at 1000 Liberty Avenue in downtown Pittsburgh.

CLI Corporation's Technology Exceeds Expectations

"India is a 'show-me' country," says Mark Sharpe, vice president of CLI Corporation. "Indian businesspeople don't just want to know that a technology works in the United States—they want demonstrated proof that the technology will work in India, with Indian raw materials and workers and end users. With the help of USAID and the Department of Energy, we did just that."

CLI Corporation, located in Canonsburg, PA, provides engineering, construction, equipment, and management services in the field of coal and mineral processing—in this case, in the building of a plant to wash impurities out of Indian coal in order to both render it more efficient in generating power and reduce pollution.

In 1994, during a bidding process run by the government-owned Coal India, CLI became aware that USAID, in conjunction with the U.S. Department of Energy's National Energy Technology Laboratory (NETL), located here in Pittsburgh, were developing energy improvement projects for India. While India is the third largest producer of coal in the world, its coal is of poor quality, containing up to 40% ash. CLI saw an opportunity and formed a team, including another U.S. company and Bombay Suburban Electric Supply Co., a privately owned Indian power company, in order to obtain a USAID energy-related grant to demonstrate their technology in India.

The new power plant that incorporated CLI's coal cleaning technology was completed in July 1999. Since then it has operated above or at capacity. It has exceeded all guarantees and all expectations in its ability to clean coal well and economically.

CLI Corporation is now actively promoting the use of this coal-washing technology elsewhere in India. "India can be a difficult market to effect change in," admits Sharpe. "For the last four years we have been trying to get the government to change the criteria as to who washes the coal. Ideally this should be done at the point of production—the mine—so that only clean coal is shipped, making shipping a cheaper and more efficient process. But Coal India, the government-owned mining entity, doesn't want to take on this cost, and the utilities that would benefit from the clean coal are not only capital-impaired but are also run by various state-owned bureaucracies. It has been frustrating at times to work with all these entities. But since 1999, CLI Corporation, with the assistance of USAID and the Department of Energy, has been gathering data on the cost efficiency of our technology, and it is slowly garnering more interest."

"I will say that if you expect a quick turnaround of business in India, you will be disappointed," Sharpe warns. "India has some great advantages: a strong, well-educated workforce, fairly low wage rates, and well-developed technological and business centers. But Indian businesses aren't looking for one-time sales; they are looking to develop partnerships and joint ventures that will result, in part, in a buildup of the Indian infrastructure. And, to be frank, it is difficult to deal with a currency (the rupee) which is not openly exchanged on the world market and which has devalued 100% against the U.S. dollar in the last five years. Despite these disadvantages, however, CLI Corporation remains committed to the Indian market."

Sharpe and CLI Corporation have been pleased with their USAID experiences. "USAID has tremendous resources at their disposal, and the agency should be one of the first stopping places for a company that is considering doing business overseas. The support that they give is exemplary. The staff always includes the support of people indigenous to the country you're interested in who can tell you just what is going on, politically, economically, and culturally."

Visit CLI Corporation's Web site at www.clicorp.com.

A Snapshot of Department of Energy/USAID-India Cooperation

Since 1982, the Department of Energy's National Energy Technology Laboratory (NETL) and its predecessor organizations and technical services contractors have supported the U.S. Agency for International Development in the implementation of various energy and environmental (E&E) components of its development programs in India. These efforts have focused largely on showcasing U.S. E&E technologies, products, and services that will enable India to better use its indigenous coal, as well as its sugar cane production wastes, for clean, efficient power generation. This has been accomplished through a balanced mix of U.S.- and India-based training activities for Indian power plant personnel; demonstrations of technology and power plant testing, operation and maintenance procedures; and first-of-a-kind projects, such as the use of fly ash to reclaim mined areas in India. Supporting NETL in managing this project is Energy & Environmental Solutions, LLC, a joint venture of Science Applications International Corporation and EG&G.

For further information on NETL's projects in India and other countries, contact Scott M. Smouse, NETL's Senior Management and Technical Advisor – International, at Scott.Smouse@netl.doe.gov.

CONCO Systems Cleans Up

From Verona, Pennsylvania to Unchahar, India, Conco Systems, Inc. is cleaning up. Conco is cleaning up in a literal sense, as well as a profitable one, as the company sells a patented technology that cleans obstructions and deposits that collect in the condenser tubes of coal-fired power plants. While the company began exporting its equipment in the early seventies, it became more active in the late eighties. And, early in 1998, Conco began working with USAID, the Department of Energy (DOE), the Tennessee Valley Authority (TVA), and the Electric Power Research Institute (EPRI) to export its state of the art technology to India.

"Without USAID and the Department of Energy, we probably wouldn't have any export sales to India," says George Saxon Jr., vice president for international sales and marketing. "They evaluated our capabilities and organized a meeting among all the parties, including the Indian National Thermal Power Company (NTPC). Then we negotiated a demonstration and then the sale of one complete set of our equipment—a sale on which future sales could be based."

"We did have to contribute in kind," Saxon points out. "The NTPC wanted to see some type of commitment from us to ensure the success of the application that we gave them. So we sent a representative to India to perform the demo and to train the workers."

The first application was impressive, achieving fuel savings of 9,400 tons per year and a reduction in carbon dioxide emissions of 11,750 tons per year—all from what is considered to be a relatively small power plant. Since that first sale, Conco has done a brisk business in India.

"The agency created an export opportunity for us which, at the time, was somewhat controversial in the company, since we were concerned about the financial risk. But, because the agency was there behind us, we thought we'd get the first deal done and then see what happened. And what happened was beautiful—we increased exports and actually added jobs here in Western Pennsylvania!"

USAID and the DOE are not the only government agencies that Conco works with; the company relies heavily on the services provided by the Pittsburgh Office of the Department of Commerce.

"We use their Gold Key Service," Saxon explains. "We get market reports and analyses of companies. They have really helped us, not only in qualifying markets and companies with which to do export business, but in making personal contacts. We're working with the local office now to expand our tube cleaning business in several other foreign markets."

Saxon points out that the USAID and the DOE are eager to find companies to work with to export technology to developing countries. They help forge many relationships that result in generating a substantial amount of export revenue in the United States. "If you haven't included the USAID Trade Development Program or the Department of Energy as part of your international marketing strategy, you may want to consider it!" Saxon adds.

Visit Conco Systems, Inc.'s Web site at www.concosystems.com.

Expand Your Markets with the U.S. Commercial Service

"No one matches our ability to help businesses overseas," maintains Keith Kirkham, Director of the Pittsburgh Office of the U.S. Commercial Service of the U.S. Department of Commerce. "Our eight offices in India seek out new sources of demand, introduce American companies to Indian contacts, and advocate for U.S. businesses' interests in India." Kirkham cites the depth and breadth of the Commercial Service's market expertise as a chief asset for its clients. "We can offer a high degree of experience in industries ranging from major power projects to consumer goods in India. We know and have access to the decision makers in the business community and the government of India."

The Commercial Service's assistance falls into three areas, all designed to help exporters gain new sales and expand market share:

Market Research

"We provide current and specific information about the Indian markets and the prospects for a given product or technology," explains Kirkham.

Advocacy

"We use a wide range of methods to advocate for U.S. companies to win competitive bids, especially against local or third country competitors."

Introductions to Potential Partners

Through its Gold Key Services, the Commercial Service can qualify and introduce your company to prospective distributors, agents, or sales representatives in India.

Kirkham encourages companies interested in doing business in other markets to contact his office as well. "We are on the ground and assisting U.S. companies in more than 110 cities in 85 countries worldwide." Companies can access that network through the Pittsburgh Office of the U.S. Commercial Service.

Contact Keith Kirkham and his staff in Pittsburgh at 412-395-5050 or by e-mail at office.Pittsburgh@mail.doc.gov, or visit their offices on the 20th floor of the Federal Building, 1000 Liberty Avenue, downtown Pittsburgh.

Black Box

While this issue of *Western Pennsylvania International Business News* has focused on technology-driven products with lengthy sale and installation timeframes, these are not the only goods or services that this area exports to India. Black Box Corporation, located in Lawrence, has worked with a single Indian distributor since 1993. "Our distributor, Trans-Tel Communications, used to market our products under their own name—that's not uncommon—but now they sell our products under the Black Box name," says Sherry McCarren, Supervisor of Customer Sales and Service. "It did take a while before they understood how we wanted to do business, but we are very pleased with our success."

Black Box provides worldwide information solutions: a wide variety of data communication equipment such as cables, switches, and adapters that connect one computer to another. The company has 21 international offices and services in 132 countries around the world. Visit Black Box at www.blackbox.com.

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