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FIRST MEETING ON INDUSTRIAL INVESTMENT PROMOTION  
New York, 26-27 June 1967

**INDUSTRIAL INVESTMENT PROMOTION ACTIVITIES OF THE  
UNITED STATES OFFICE OF THE  
INDIAN INVESTMENT CENTRE**

submitted by

**Indian Investment Center**

**We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.**

## INDIAN INVESTMENT CENTRE

### I. BACKGROUND OF THE AGENCY:

The Indian Investment Centre was established in November 1960 with the object of promoting the flow of foreign private investment into India. The primary operative objectives of the Centre are:

1. To promote, among the capital exporting countries, a wider knowledge and understanding of laws, policies, procedures and conditions pertaining to investment in India and opportunities offered by the country.
2. To advise and assist Indian industrialists, including those engaged in medium and small industries, in their efforts to attract foreign private capital and/or advanced technical know-how.
3. To advise and assist foreign businessmen on matters relating to the setting up of joint ventures consistent with the basic framework of India's Five Year Plans; and
4. To conduct surveys of investment possibilities open to prospective investors in India.

The Centre, with its headquarters in New Delhi, was established as a non-profit service Society under the Societies Registration Act and is supported by the Government of India. The affairs of the Centre are managed by a Governing Body appointed by the Government of India and consisting of eleven members. Two members represent the Ministry of Finance and Ministry of Industry and the remaining nine members represent finance and private industry in India and abroad. The Chairman of the Governing Body is a non-official.

It was considered that the promotional services envisaged could be more effectively rendered by an agency working outside the normal administration of Government, as it could function with greater objectivity and informality; undertake measures of promotion and

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publicity, mobilise interest of foreign investors and tender advice to them on various matters in a professional manner which a department of Government cannot always do. At the same time, such an agency had also to be close to Government so as to be able to speak as an informed source on Government policies. The executive staff at all levels was, therefore, drawn both from Government and private industry.

The day-to-day activities of the Centre are guided at the head office by an Executive Director. The Executive Director is assisted by a Secretary, full time technical advisers and heads of divisions -namely (a) Project Proposal Division; (b) Industry Information Division; (c) Economic Division. The Centre has established two foreign offices. The first, in New York, was established in October 1961 to deal with North America. The second, in Dusseldorf, which covers the whole of Europe was established in October 1964. These foreign offices are headed by Resident Directors who are assisted by Deputy and/or Assistant Directors.

The total annual budget of the Centre is Rs. 2.4 million. The budget of the New York office excluding the cost of the Public Relations contract is \$ 100,000.00

## II. ACTIVITIES OF THE AGENCY:

Though the head office and the foreign offices of the Centre work as a team and consult with each other continuously in dealing with specific investment proposals; the functions of the Centre may be dealt with for the sake of convenient classification, in two parts -- those which are largely carried out by the head office in New Delhi and those for which the foreign offices are primarily responsible.

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The functions of the head office can be best described by the working of its divisions:

The Project Promotion Division is responsible for the evaluation of collaboration proposals originating from either Indian or foreign sources. To an Indian company they provide assistance in documenting relevant information and in the preparation of a suitable project note for consideration by prospective foreign collaborators. This normally involves detailed discussions with Indian firms regarding the technical and economic feasibility of the project and sources of finance. Through foreign offices the Indian parties are then assisted in locating a suitable partner and in negotiating a mutually acceptable agreement. Assistance is provided, if necessary, for securing required approvals from the Government. The foreign companies are assisted by this Division by supplying required information such as the scope for the development of particular products, selection of Indian partners, raw materials available; and in obtaining necessary Government approvals and in arranging meetings with Government and private industry for visiting foreign businessmen. Technical advisers work closely with the Project Promotion Division which has a financial analyst, a tax expert, a legal adviser and project officers.

Industry Information Division:

This Division maintains close liaison with Government like the Ministry of Industry, the Ministry of Finance and the State Governments, collects market data and helps individual companies in identifying investment opportunities. It has published a series of Fact Sheets on specific industries. During the last six years it has handled more than 6,000 enquiries, about 4,000 from Indian firms and 2,000 from foreign sources.

Economic Division:

The Division undertakes collection, compilation and analysis of data having a bearing on the investment climate in the country. It has published a number of books and brochures relating to foreign private investment in India. In addition to publications dealing with general economic and investment information, brochures on specific aspects of investment such as, taxation, exchange control, corporate law, labour legislation, financial institutions, have also been published. A list of the Centre's publications is at Annexure I. This Division is also responsible for the publication of a Monthly Newsletter which presents factual information and an objective analysis of current economic developments in India relating to investment. The Newsletter has a circulation of 5,000 including 3,500 foreign readers.

The foreign offices, while acting as extensions of the head office in relation to specific proposals, also aim at creating and sustaining the interest of foreign companies in Investment in India. The functions of the Indian Investment Centre's foreign offices could be broadly classified as under and explained thereafter.

1. To promote a wider knowledge and understanding of laws, policies, procedures and conditions pertaining to investment in India.
2. To provide assistance to foreign companies in establishing specific projects in India.
3. To provide assistance to Indian firms in establishing contacts and in negotiating with foreign companies.

1. The Centre has employed various tools to promote a wider knowledge and understanding of the investment climate and opportunities in India.

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a) The Centre has established Advisory Committees in key centres of industry consisting of prominent local businessmen, bankers, financiers, economists and industrialists serving in an honorary capacity. In the United States at present there are nine (9) Advisory Committees with more than 75 members. These Committees which meet to discuss matters of current importance relating to U.S. investment in India, function as sources of informed opinion and information to American businessmen about the investment climate in India and serve as links between the Centre and potential investors. In turn, the members provide to the Centre first-hand information on economic developments in the United States and offer guidance and advice for effectively implementing the Centre's promotion work. A close relationship is also maintained with the Government Departments of the United States, banks and other organisations interested in international investment.

b) The Centre has a program of holding seminars with the object of projecting a balanced picture of investment opportunities in India helped by the experience of foreign companies operating in India. In U.S.A. seminars have been organised in almost all the major industrial centres. Normally, these seminars are organised in co-operation with a local bank, the local Chambers of Commerce, the field offices of the U.S. Department of Commerce. They are addressed by representatives of the Centre, the Department of Commerce and A.I.D. A local company is requested to present a case history of its experience in India. The discussions which follow, generally cover a wide area including such problems as the size and structure of the Indian market, Government procedures and policies, practical problems, tax laws, labour situations etc. The Centre has found these seminars very helpful in generating interest in investing

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in India. Annual seminars covering a wider field have also been organised by the American Management Association in which the Centre has taken an active part.

c) The Centre has sponsored visits to India by delegations of businessmen, bankers and financiers from abroad. The main object is to provide them with an opportunity of making an on-the-spot study of the investment climate in India. The Centre has so far organised visits of delegations from the U.S.A, Japan and West Germany.

d) Industry and Trade Conventions provide an excellent opportunity to speak to a select group of individuals with common interests. The Centre has participated in Annual Conventions of the Chemical Engineers Association, Electronics Manufacturers Association, Farm Equipment Manufacturers Association and Machine Tool Builders Association. In some cases experts on specific industries were invited from India to address the Conventions. The Centre has also, on a regular basis, participated in the Annual Meetings of the Far East America Council, National Foreign Trade Council and other similar organisations interested in International Trade and investment.

e) The Centre arranges informal group discussions between visiting Indian businessmen, or Government officials and local representatives of business and finance. These meetings provide an opportunity for those interested in investment in India to get a latest and first-hand appraisal of economic and other matters by responsible leaders.

f) The Centre arranges publication of articles on general as well as specific issues in financial journals and Business and Trade Magazines in foreign countries.

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g) The Centre <sup>issues</sup> releases on matters of current interest to a mailing list specially prepared for the purpose.

h) On special occasions, press, radio and TV interviews are also arranged to give the widest possible publicity to <sup>the</sup> investment climate and opportunities in India.

2. Foreign companies interested in investing in India may contact IIC for collecting information or for discussion on specific problems. Banks, Law and Accounting firms and Consultants with whom the Centre maintains close contacts, also arrange meetings of their clients with the Centre. The foreign offices of the Centre are sufficiently well-equipped to handle the majority of possible enquiries. They are regularly briefed by the head office. If any additional information or assistance is required, the head office is able to provide it within a short time. The Centre is also able to suggest names of suitable Indian partners and to help in arranging visits to India for field investigations.

A large number of enquiries are received from Banks, Consultants and similar institutions asking <sup>for</sup> information on Government policies regarding foreign investment, repatriation of income, tax rates and procedures regarding the establishment of a company in India. Individual companies generally desire information on Government policies, incentives for foreign investment, import and export regulations, living conditions, labour problems, cost of construction, local availability of raw materials and equipment and the local scope for developing their products and services. Foreign offices have assisted

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a large number of foreign companies in suggesting solutions to specific difficulties which arise in the course of negotiation or operation. They also keep in close touch with companies who have already invested in India.

3. The most important and also the most difficult function of the IIC's foreign offices is to assist Indian businessmen in establishing contact with foreign companies interested in providing technical and/or financial assistance to specific projects. This involves the selection of a panel of companies known to be operating in the specific field, the identification of a senior officer to be contacted in each such company and the establishment of contact with such officer in order to ascertain the company's interest in the Indian project or in meeting with the Indian party. When the interest of a company is successfully activated, further progress lies in assisting the foreign company in evaluating the proposal made to it and providing assistance in negotiating an agreement as well as obtaining Government approvals.

In the course of about 6 years, 145 projects have matured into collaboration with the assistance of the Centre. The capital investment in these projects exceeds Rs. 800 million, the foreign equity investment amounting to Rs. 171 million. The Centre is currently assisting many other projects which are at various stages of maturity. A look at Annexure shows that a fairly wide spectrum of industries has been covered. The fields in which the Centre has been able to evoke U.S. investors' interest appear to be predominantly in machinery engineering industry. This, of course, does not reflect the pattern of U.S. investment in general.

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### III. ADMINISTRATION OF THE AGENCY

Though the broad policy of Government in regard to foreign investment is fairly clear, it admits of flexibility, depending on the operational sophistication of the industry concerned, its importance to the growth of the economy and the balance of payments. The Centre keeps in close touch with the Economic Ministries of the Government and is, therefore, conversant with the nuances of policy as applied to specified products which may be the subject matter of a negotiation being assisted by the Centre. In particular, such matters as the requirements relating to the extent of domestic manufacture of a product and the range of compensation generally admissible for technical assistance vary from case to case and the Centre is particularly qualified to advise on these matters.

The Centre maintains an up-to-date list of names of Indian parties desirous of seeking collaboration or investment. In addition to projects in which the Indian party may itself request assistance from the Centre, investment opportunities are ascertained from industrial licenses issued by Government to parties from time to time and through contacts maintained by the Centre with several Indian Chambers of Commerce and Industry and Associations.

To be reasonably certain of an Indian party's serious interest and his capacity to carry out his plan successfully, the Centre seeks from him important data in a "check-list". The data on his current business activities seek to glean his management experience, capital resources, the nature and operating results of his business and his bank references. The data concerning the specific venture relate to appropriate Government licences obtained, his study of project

dimensions such as demand and supply, product pattern, inputs, location and transport, his estimates of capital investments and profitability and the nature of foreign collaboration desired. The examination of these particulars by the Centre's specialists finally decides if and with what modifications acceptable to the party, the Centre is prepared to pursue the proposal abroad. It has to be stated that the Centre's contribution in this area is not <sup>in</sup> great depth but is generally directed towards a clearer understanding of the several issues involved from the project feasibility angle. Experience has shown that private parties tend to utilise agencies of their own choice for a more detailed investigation of feasibility.

The task of matching an Indian proposal with the interest of the right kind of foreign company is a difficult one and involves several steps. A list of foreign companies engaged in broad fields of industry could be easily obtained from Directories available in each country but the difficulties arise in identifying firms engaged in the manufacture of specific products desired which are in many cases not listed in these Directories. In the initial years considerable difficulties were experienced in this connection but with greater experience and better contacts, proper identification has become easier.

Where the number of companies engaged in a particular business is large it is necessary to restrict approach to a select group which is likely to be more interested/in investing in India. This selection <sup>than others</sup> has to be made on the basis of some prior information on these companies, particularly about their resources, technical competence, their interest in international business etc. During the early years of its existence the Centre in New York often depended on the U.S. Department

of Commerce and the local banks for assistance in identifying the U.S. companies likely to take interest and in arranging meetings with concerned executives but it was soon realized that to be really effective it was necessary for the Centre to build up its own records and establish its own contacts in all directions. Assistance from the U.S. Department of Commerce and banks, though very willingly available, is of limited utility and has to be used only to supplement the Centre's own efforts. During the last five years the Centre has built up reliable records and contacts at important points to be able to make systematic approaches to prospective collaborators.

Having identified suitable companies and executives to be contacted the next step is to approach them to ascertain their interest in investing in India. Before making an approach to a foreign company the Centre has found it very helpful to do its own homework first. The Centre has to be prepared to answer intelligently all possible questions asked by the foreign company. For this purpose the foreign offices have to rely very heavily on the head office. In addition to the "check-list", prompt and complete support from the Head Office is very essential for the efficient operation of foreign offices. Most of the contacts with foreign companies have been made directly by the Centre but in some difficult cases introduction by companies and bankers is found to be necessary and useful.

After establishing the initial approach it is necessary to provide the foreign company with full assistance in collecting data and opinions necessary to evaluate the project and the investment climate in India. The foreign offices provide adequate services in

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this regard. The good offices of Advisory Committee members, local Banks and U.S. A.I.D. and the Department of Commerce are also used for this purpose. A continuous flow of ideas and information goes on between the foreign corporations on the one hand and the Centre and the Indian party on the other until the foreign corporation decides to take a more concrete course of action.

The Centre's role in negotiations between parties varies from case to case. A foreign firm which is fairly conversant with Indian conditions generally prefers to get together with the Indian party quite early and conduct further negotiations. Others may carry on for some more time with the Centre exploring the various aspects. It is, however, generally correct to say that the Centre does not enter into the negotiation of terms between parties. It may sometimes assume a role with Government calculated to impress upon it the special circumstances of any project which require a careful consideration of conditions to be prescribed by Government. The Centre is also takes upon itself the duty to get Government decisions expedited. The Centre does not attempt to influence decisions either by Government or by the parties concerned as it is likely to curtail its larger usefulness.

#### IV. PROBLEMS ENCOUNTERED IN PROMOTIONAL ACTIVITIES

This subject has been dealt with in detail while describing the "Administration of the Agency" under Section III. Some special difficulties are stated below.

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Problems of identifying prospective investors arise when projects received from the home country are in very specialised fields or relate to the manufacture of products which are not common in foreign countries. For example, the Centre has found it difficult to locate U.S. firms interested in the manufacture of paper from jute stalks available in sufficient quantities in India. After identifying the prospective investor company, the identification of the proper person to be approached is a delicate question. An approach to the wrong person could create considerable difficulties even for a promising project. In certain cases foreign companies are prepared to provide technical assistance but no financial participation and this makes further progress quite difficult if substantial capital is needed.

#### V. ROLE THAT UNIDO CAN PLAY

Several developing nations will find it disproportionately expensive to undertake any or all of the activities which are essential to a sound promotion program for soliciting foreign private investment. This is not only because they do not have the expertise required for the task but also because several capital exporting countries have to be covered. This is, perhaps, the strongest single reason in favour of creating an international investment promotion service organisation under the auspices of UNIDO. The following are some areas in which UNIDO can render advice and assistance most economically and competently.

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Advice and assistance on national institutions and programmes

The developing nations need to set up internal institutions to advise Government, private entrepreneurs and associations, to provide support to their foreign offices, if any, and to support and complement the efforts of UNIDO itself. UNIDO can advise and assist in setting up the right type of national institutions. This may include the training of staff and the supply of expert advisers for short periods, assistance in the preparation of promotion material and advise on the need to hold meetings and seminars in capital-exporting countries.

Identification of beneficial sectors for investment, particularly export industries.

An important area in which UNIDO can make a contribution is to identify industrial sectors which, with the help of foreign technology could lead to the most economical exploitation of a developing nation's natural resources and in particular industrial programs which, through international co-operation and investment, can add significantly to the developing nation's export earnings. With technology, continuously making labour-intensive operations increasingly uneconomic in high income countries, there will be more and more fields in which developed nations can benefit from arranging primary and intermediate product supplies from developing nations. UNIDO will be particularly suited to elicit the cooperation of developed nations in this task..

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Guidelines for the preparation of project framework.

Foreign investors from advanced nations employ quite sophisticated means of examining investment possibilities in less developed countries. While they welcome statistics and information supplied to them in ready-made form, they generally prefer to make their own appraisals in regard to demand, marketing problems, raw material supplies, costs of construction and operation and the additional investments that may become necessary for off-site facilities such as water supply, drainage, power connections etc. Besides, investors are governed by complex considerations having to do with their Government's policy at home and abroad, the money market, the comparative merits of foreign-based production to supply home demand, etc. All these factors, affecting different countries in different degrees, go to make up an investor's mind. An important function of UNIDO can be to help developing nations to meet the foreign investor's appraisal standards as closely as possible with a view to quick decision-making by them. This organisation, with knowledge of practices followed in different capital-exporting countries, can evolve

(a) most desirable and b) minimum standards with respect to each country which the developing nations should conform to in preparing a project framework.

Reaching foreign investors.

UNIDO can assist developing countries to get into touch with the most likely sources of capital and technology in a given field, with the minimum of wasted effort. It can develop detailed data in its files on various aspects of this important but difficult process.

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Among relevant aspects are the specific sectors of technology in which foreign corporations are generally willing to part with their know-how, sectors which are monopolies or near monopolies and which need greater incentives, detailed listing of corporations under these sectors, the extent of their interest in international operations, preferences of investors for investment as distinct from technical collaboration and their favoured conditions.

Cooperation between developing nations.

As developing countries themselves differ in their stages of development, possibilities of exchange of capital and know-how between them will become larger in the next few years. There will be many sectors of less-sophisticated industry in which know-how can be transferred at relatively less cost from a developing country than from a developed country. UNIDO can develop data on industries of this kind and make recommendations for cooperation among developing countries themselves. Where necessary, it can also recommend financing of such projects with the help of international financing institutions.

ANNEXURE I

PUBLICATIONS DESIGNED ONE BY ONE  
INDIAN EXPORT PROMOTION BOARD.

Brochures.

Industrial Fact Sheets

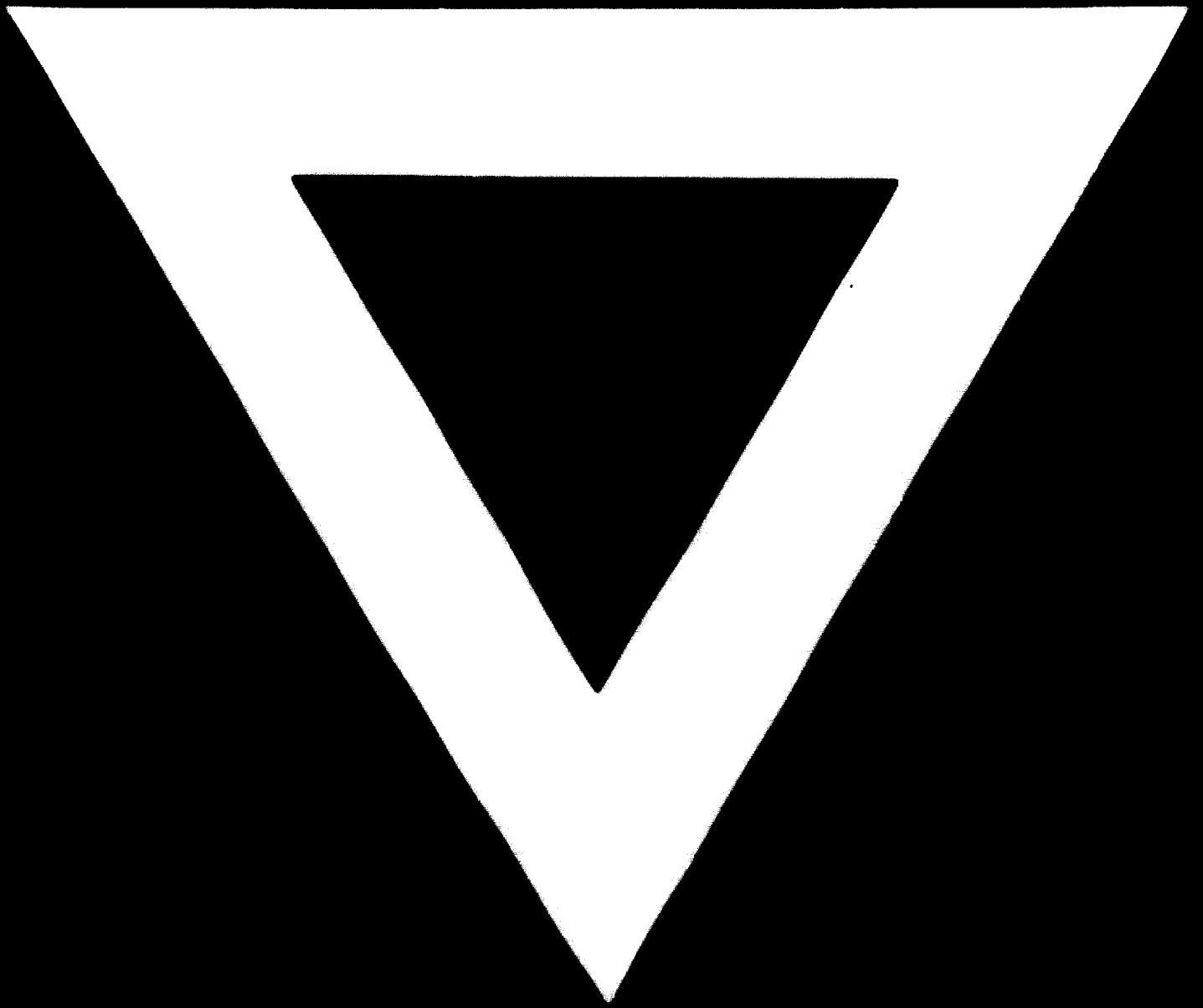
- |   |   |
|---|---|
| 1. Objects & Functions (I: Aug. 1951)                           | 1. Steel Castings   |
| 2. Basic Facts of Indian Economy                                | 2. Ball & Roller Bearings   |
| 3. Exchange Control (I: Feb. 1952)                              | 3. Steel Forgings   |
| 4. Taxation (I: September 1952)                                 | 4. H.T. & L.T. Insulators   |
| 5. Exchange Control (Revised II: Oct. '62)                      | 5. Industrial Furnaces  |
| 6. Objects & Functions (Revised II: Dec. '62)                   | 6. Printing Machinery   |
| 7. Company Law (I: Jan. 1950)                                   | 7. Steel Castings (revised)   |
| 8. Supplement to Taxation (Aug. 1953)                           | 8. Steel Forgings (Revised)   |
| 9. Exchange Control (Revised III-<br>Jan. 1964)                 | 9. H.T. & L.T. Insulators (Revised)   |
| 10. Taxation (Revised II: Nov. 1964)                            | 10. Malleable Iron Castings   |
| 11. Exchange Control (Revised IV: Jan. '65)                     | 11. Rolls   |
| 12. India Welcomes Foreign Investment                           | 12. Boilers   |
| 13. Why Invest in India   | 13. Crane Machinery   |
| 14. Tax Changes in 1955   | 14. Particle Board (Chip Board)   |
| 15. Years in Service  | 15. Demand for Measuring Tools, Gauges<br>and Instruments.  |
| 16. Introducing India to Overseas<br>Investors                  | 16. Paper, Newsprint, Paper Board and<br>pulp made from bagasse   |
| 17. Help India: Help Yourself                                   | 17. Equipment and Machinery required<br>for the processing of pharmaceuticals<br>and agricultural chemicals |
| 18. An Outline of Labour Legislation<br>and practices in India  | 18. Textile Machinery   |
| 19. A Guide to Investing in India                               | 19. Silicon Carbide, Abrasives grains<br>and Bonded Abrasives.  |
| 20. Indian Joint Ventures Abroad                                | 20. Synthetic Cryolite & Aluminium<br>Fluoride.   |
| 21. Taxes & Incentives.   |   |
| 22. Specialised Financial Institutions                          |   |
| 23. IIC at Work   |   |
| 24. Introducing India to Overseas Investors<br>(German edition) |   |
| 25. Indian Company Law (March 1967-Revised Edition)             |   |

Summary Statement

Joint Ventures Assisted by the India Investment Centre,  
country-wise, indicating industries helped. As on 31st March '60

S.No.	Country	No. of projects assisted.	Industry
1.	U.S.A.	73	Machine Tools Chemical Machinery Heavy Earth Moving Machinery Steel Tubes Steel Forging & Castings Printing Machinery Material Handling Equipments Fluorescent Electric Lamps Industrial Pumps Woodworking Machinery Nylon Fibre yarn Starch & Dextrose Powder H.T. & L.T. Insulators Poultry Equipment Chemical for electroplating industry Cosmetics Pre stressed Concrete Pipes
2.	U.K.	33	Machine Tools Automobile Ancillaries Electrical machinery like transformers, Switchgear etc. Injection Moulding Machines Welding Electrodes Steel Castings Cables Electronic Computers Cranes Foodstuffs Chemicals
3.	West Germany	16	Machine Tools Automobile ancillaries. Electrical Machinery Steel castings Tyre & Tube valves Consultancy firms.
4.	Japan	9	Wire Ropes Ceramic Machinery Steel castings Alarm Clocks Water Meters Chemicals.

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