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INDIA NEWS

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APRIL 16-30, 1998

EXIM Policy, 1997-2002-Highlights (As revised on April 13, 1998)

General Issues:

For calculation of DEPB Credit Rates at present only the basic custom duty is taken into account. Now special Custom Duty shall also be taken into account for the purpose of calculation of DEPB Rates.

DEPB Credit Rates for over 300 items will be announced shortly. DEPB Rates for more than 1600 items have already been announced. With this DEPB Rates for all the items where the input output norms and value addition norms were existing would have been declared. DEPB Rates now announced will also be applicable for the exports already effected under DEPB.

Threshold limit for EPCG zero duty scheme for Electronics, Textiles, Leather, Gems & Jewelry, Sports goods and Food Processing sectors has been brought down from Rs. 20 Crore to Rs. 1 Crore. For Agricultural and Allied sectors, this limit under zero duty has been brought down from Rs. 5 Crore to Rs. 1 Crore.

Provision is being made to enable the setting up of Private Bonded Warehouses which would permit import and supply of even Negative List items for supply on payment of duty against specific licenses and without payment of duty against Advance License. This should help to ensure easy and timely availability of raw-materials to the exporters, specially to SSI Units who may find it difficult to import directly smaller quantities at internationally competitive price.

Private Bonded Warehouse for exports will also be permitted. This would help such exporter especially overseas buyers to procure the goods from the domestic market from different manufacturers duty free. This permission will help project exports and large overseas buyers including departmental stores.

A provision has been made to the effect that movement of export consignment will not be interrupted and no export consignment shall be withheld or delayed for any reason whatsoever. In case of any doubt Custom Authorities may ask for an undertaking that the exports is on sole responsibility of the exporter.

To help sectors like Electronics and Garments, etc. license on production program basis is being allowed with the flexibilities like change in description of export product so long as accounting is in terms of input output norms. After completion of export obligation against this license, second license on production program basis in the same year can also be issued.

Licensing functions are being decentralized extensively. All licenses for negative list of imports / negative list of exports, advance licenses approved by ALC, EPCG Licenses approved by EPCG Committee at Headquarter / COS will henceforth be issued by Regional Licensing Authority. Power to grant extension in export obligation period and revalidation of advance licenses has been fully decentralized.

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Duty exemption scheme:

Advance Licenses with Actual User condition will be allowed based on Positive Value Addition only. Requirement of minimum Value Addition of 33% for this category of Advance License has been done away with.

Clubbing of Advance Licenses is being simplified. Accordingly, request for clubbing for closure of Advance Licenses shall be considered in cases of similar description of the export product and Input Output Norms. Same value addition shall not be insisted upon.

Advance Licenses to Export House / Trading House / Star Trading House / Super Star Trading House will be issued automatically. Deficiency, if any, shall be required to be complied with after issuance of the license.

Time limit for filing post-export DEPB claim is being raised from 90 days to 180 days. Limit of shipping bills per application for post-export DEPB is being raised from 10 to 25.

One time extension in export obligation period is being provided for regularization of pending Advance Licenses. Accordingly, if the exports have been completed even beyond the stipulated period, but before 31.3.1998, such cases shall be regularized automatically on payment of prescribed extension charges. Similarly, one time extension in export obligation period upto 30.9.1998 has been provided in respect of Quantity Based Advance Licenses on payment of extension charges provided at least 50% export has already been completed.

EPCG Licenses:

Under EPCG License, an exporter was required to fulfil his obligation by the export of goods manufactured from the capital goods imported under the license only. In case an exporter undertakes further processing of goods so manufactured then the exports of such value added products shall now be permitted but with an enhanced export obligation to the extent of 50%.

Jigs, Fixtures, Moulds and Dies will be permitted to

be imported along with spares to the extent of 20% of CIF value of license. This has been done because earlier Jigs, Fixtures, Moulds and Dies which were imported under various Schemes had to be exported back or could be retained only on payment of duty. Now exporters can retain these goods imported under EPCG.

Fluctuation of 10% of CIF value is being permitted automatically with corresponding enhancement / reduction in export obligation. Accordingly, the exporter will not have to come to DGFT for seeking such enhancement or reduction in CIF value time and again.

EOU / EPZ:

In the Agricultural and Allied Sector EOU / EPZ Units will be permitted on the basis of positive Net Foreign Exchange earning only. Accordingly, for this sector, the requirement of minimum Net Foreign Exchange earning of 20% is being done away with.

Depreciation limit is being enhanced from 70% to 90% over a period of 5 years in electronic goods and over a period of 8 years in other goods. This will help Electronic Sector including Computer Hardware and Software Sector as new technology can be brought in on a faster pace.

Export House/Trading House/Star Trading House/Super Star Trading House:

Threshold limit for Export House is being fixed at Rs. 12.50 Crores on an average fob value of the exports made during the preceding three licensing years. Limits of Trading House / Star Trading House / Super Star Trading House have also been fixed accordingly. Certificates based on these revised criteria will be valid for a period of 3 years. This will meet the demand of the entire Export Promotion Organizations and individual exporter who had felt that the limit of Rs. 20 Crores prescribed in EXIM Policy, 1997-2002, was too high.

In order to encourage project exports, double weightage in terms of value will be given to project exports.

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Investment Incentive Agreement Entered Into Force

1. Investment Incentive Agreement between the Government of India and the US Administration entered into force on April 16, 1998 with the exchange of letters between Shri Yashwant Sinha, Finance Minister, Government of India and Mr. Robert Rubin, Secretary of the US Department of Treasury.
2. The Agreement was signed on November 18, 1997 at New Delhi. The intent of the Agreement is to promote and protect US investments into India by facilitating investment support to US investors from Overseas Private Investment corporation (OPIC), a designated agency of the US Administration. The Agreement is important in the context of the additional comfort it offers to potential US investors by way of investment support from OPIC.
3. The Agreement shall continue in force in perpetuity unless either Government gives a notice of its intent to terminate the Agreement, whereupon the Agreement shall terminate after six months from the date of receipt of such notice.
4. The Agreement incorporates the principle of reciprocity. For any investment support extended by Export Credit Guarantee Corporation of India, or any other designated agency of Government of India for Indian investments in -USA, provisions equivalent to those contained in the Agreement shall apply to Indian investments upon completion of constitutional or other legal processes of either Government and upon exchange of notes made at the initiative of either Government.
5. The Agreement enlarges the scope and nature of investment support or risk coverage extended to potential US investors by way of OPIC investment support. OPIC investment support includes any debt or equity investment, any investment guarantee and any investment insurance or reinsurance provided in connection with a project in India. Investment insurance includes insurance against risks relating to inability to convert other currencies into US dollar, loss of investment due to expropriation, losses due to war, revolution, insurrection or civil strife etc.
6. The Agreement provides for dispute resolution mechanism for disputes between the two Governments in matters relating to the interpretation of the Agreement and in relation to claims arising out of acts attributable to the Government of India involving questions of liability under public international law, and includes recourse to international arbitration.
7. The Agreement shall apply to investment support by OPIC, if approvals from Reserve Bank of India, Foreign Investment Promotion Board, Ministry of Finance, Ministry of Industry or concerned agencies of the Government of India as may be specified, have been obtained for making of the loan, equity investment or any other form of investment underlying the investment support.
8. Taxation matters would continue to be governed by the Double Taxation Avoidance Agreement between India and USA.
9. This Agreement would replace and supersede the previous exchange of notes between the two governments of 1957, 1959 and 1966 which sought to protect US investments in India against currency non-convertibility and expropriation by providing risk coverage/insurance.
10. It is perceived that the signing of this Agreement would give a boost to US investments into India.

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Additional SIL will be given based on incremental exports as given below:

25 - 50% over preceding year: 1%

50 - 75% over preceding year: 2%

75 - 100% over preceding year: 3%

Over 100% over preceding year: 5%

Gem & Jewelry:

Wastage norms, which have been revised, have been de-linked from value addition norms. Value addition norms have also been revised on the basis of input output analysis. This should give a fillip to jewelry exports through simplification of the procedures.

The successful Replenishment Licensing Scheme based on value for Gold will be extended to Silver and Platinum jewelry as well. This should provide further impetus to exports in this sector.

Export of branded jewelry / partly processed jewelry is being allowed so as to encourage the export of branded jewelry. Such exporters will now be able to export branded jewelry for display for a period of 180 days. Personal carriage of jewelry in baggage by foreign buyer will also be permitted.

Electronic Sector:

Threshold limit under 'Zero' Duty EPCG Scheme for Software is being brought down from Rs. 20 Crores to Rs. 10 Lakhs. SIL Entitlement for Electronic Sector to the License holder under the DEPB is being enhanced from 15% of Net Foreign Exchange earnings to 25% of Net Foreign Exchange earnings. For encouraging software exports, SIL is being allowed to ISO-9000 Quality Certification holders even for exports of 'on-site consultancy services'. SIL benefit also has been extended to WHO-GMP, HACCP and ISO-14000 Certificate holders. Depreciation limit for EOU/EPZ Units for Electronic Sector is being enhanced from 70% to 90% over a period of 5 years.

Exports:

Exports of all oilseeds such as HPS groundnut,

sesame seeds, sunflower seeds, Mustard seeds etc., when exported for consumption purposes, are being made free without any quantitative/licensing requirements. Similarly, export of Vegetable oils such as coconut oil, cotton seed oil, corn oil, kardi oil, linseed oil, mustard oil, niger seed oil, palm oil, palm kernel oil, rape seed oil, rice bran oil, salad oil, sunflower oil, sesame seed oil, soyabean oil are being made free. Export of groundnut oil in consumer packs upto 5 Kgs. is also being made free. However, their export in bulk shall continue to be restricted. The value limit for free gift is being raised to Rs. 25,000/- from existing limit of Rs. 15,000/-. Exporters of medicines / pharmaceutical formulation will now be able to export free samples / physician samples, nor for sale, upto a value of 1% of their exports of similar items in the previous licensing year as against the existing limit of US \$2,000/-.

Computerization:

The process of computerization of DGFT offices to improve their functioning would now be completed during 1998. The task now would be to ensure that this process is completed during 1998 itself. This would include not only computerization but also the inter-linking of major offices of DGFT with the Customs so that electronic data inter-change could take place.

The EXIM Policy and the Handbook of Procedures is being placed on the Internet and henceforth all Public Notices issued by the DGFT would be on Internet. To bring about transparency in decisions taken by various committees for issuance of licences will be simultaneously displayed electronically.

The complete EXIM-policy can be obtained from the Ministry of Commerce Home Page at the following address:

<http://www.nic.in/commin/>

and

<http://www.nic.in/eximpol/>

Note: 1 Crore = 10 Million

Prime Minister's Address to the Nation

After becoming the Prime Minister, Prime Minister Shri Atal Behari Vajpayee for the first time addressed the Nation on March 22, 1998.

Following are the contents of the PM's speech:

Sisters & brothers,

You have given your mandate. The President has decided. Your Government has been formed. Now let us get down to work.

The world is rushing ahead. It is time for us to leave our petty disputes and differences behind. It is time, especially, to drop the bitterness of losses and victories in the election. My Government has begun working, and I urge all of you too to get to work.

I urge this especially to those who have been returned to Parliament. I have spent almost all my working life in and around Parliament. My heart breaks when I reflect on what it was meant to be and what we have made of this great national institution. We must once again collectively make it a forum for deliberation and discourse, an example of civility, of reasoned debate on people's issues. Therefore, I appeal to members of Parliament who will be taking their seats soon: millions and millions of people have placed their trust in you, do strive how to make Parliament worthy of those trusting, long suffering millions.

And I urge the people too: you are the masters, the members you have sent are here to deliberate on your behalf. Do not now forget these members till the next elections. And do not let them forget you.

The second point I want to urge is even more elemental: Let Us Look Ahead. Other countries are reaching for the stars. Not just products, but entire technologies break out every other year, and are just as swiftly overtaken by still newer ones. This is the world we have to face. We cannot cut ourselves off from it. Those nations that are technologically and economically stronger are dominating the world. None of us can tolerate India being consigned to mediocrity.

And why should we? We have all the resources we need. India has world-class talent. Indians are in the forefront of new technologies the world over; in India too, as new avenues have opened up the software industry, space research, new information and communication technologies — our young women and men have moved in swiftly. That is the way I want all of us to look at the future, with confidence.

It is but natural that in the turbulence of world markets, in the new emerging regime of the World Trade Organization, our principal responsibility should be to safeguard and promote the country's interests. There is no need to be shy in this regard—that is what governments the world over, are pursuing in the era of globalization. Promoting the country's interests, strengthening its own abilities does not mean isolating ourselves from the world. It means meeting its challenges after thorough preparation. And a major part of the preparation, to which my Government is deeply committed, is speedy internal liberalization of the economy, freeing it from all the growth-hindering bureaucratic and governmental controls.

Therefore, let us not fear the new regimes of trade. Let us put them to work. It is right that we should raise our voice when products that are generic to India — haldi, basmati — should be patented abroad. But the real remedy is to take all those initiatives that will enable India and Indians to overtake others in acquiring world-class patents. That is how my Government will view the new economic order, and that is how I believe all of us should face it.

I am reminded of what Sri Ramakrishna Paramhansa told an aspirant: Life is like a boat, he said; the natural place for it to be is on water; but one cannot let water enter the boat, and drown it. That is what my colleagues and I mean by Swadeshi; the natural place for the country to be is in the world, but we are not to let the powerful currents now rocking world markets to drown us. Instead, we are to put those very currents to work in our favor.

Let us, therefore, make the boat of our national economy stronger and sturdier. Let us do it in the shortest possible timeframe by unleashing the productive energies of Indian people. And let us accomplish this challenge by eradicating poverty and unemployment at the earliest.

In a word, step over the past, and grasp the future. To do so, there is but one mantra: Let Us Work Together. If we keep blocking each other, how can the country progress? Let us break out of this destructive habit. During the glorious Freedom Struggle, patriotism

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Prime Minister Vajpayee's address to the nation . . . *(Continued from page 5)*

meant going to jail, it meant struggle and sacrifice. In today's context, patriotism can only mean working hard, working honestly and working together. I appeal to one and all-to fellow politicians as well as to ordinary people-to rise to this higher challenge of patriotism.

Among the things that keep us from joining hands and working together is the unfortunate turn our public life has taken. Democratic contest has given way to perpetual confrontation. Yet, the very force of circumstances in the nation's polity has created an atmosphere of cooperation and coalition building. The politics of negativism and untouchability has run its course. Our mad race to pull each other down by fair means and foul has sullied the image of India in the eyes of the world. It has spread fear and caste and communal divisiveness in society. I sincerely feel that we, as a nation, must give up this harmful path of confrontation.

Ours is an ancient civilization. It has been built on consensus, on permission, on not mere tolerance. It has been built on an active and deep respect for the faiths and practices of all. Our sages say, "Akashaat patitam thoyam, yad gachchati saagaram, Sarva devam namaskaram, Keshavam prati gachchati" (Just as drops of rain falling on varied places, all gather in streams and flow to the one Sea, so also all worship leads to the same Divinity.) The Tamil savant Thirumoolar proclaims in his "Thirumandiram": "Ondre kulam, Orvane devan" (We are all of one clan, and there is but one God).

In the Indian perspective, this is the only valid meaning of secularism. My Government is unequivocally committed to this concept of secularism. My colleagues and I have been nurtured in this tradition. We treasure it. It is by this tradition that we shall recreate the spirit which was the hallmark of the Freedom Struggle—persons of all religions, all professions working together to create a strong, confident, resurgent India.

As we approach the dawn of a new century and a new millennium, the mission of India's national renewal beckons us all: the Government and the people alike. As the first imperative, we must restore the credibility of public life and public institutions, making them once again reliable and independent pillars of State. The second key is to mobilize talent — at all levels, from all corners of society. I still remember the thrill that every Indian felt fifty years ago when our country won Independence. Every Indian felt we were set on a great adventure. And for a while, talent of the highest

order was in fact galvanized for reconstructing our country.

That air of excitement, that gathering up of talent is what I want to recreate. My Government shall reach out to talent across the country. It shall strive to create a new work culture, a world-class working environment so that the best remain here to build our country, so that those who are now working elsewhere return, and put their prodigious acumen to work for their country.

While I do not want to talk of policies and programs today, there are five goals that I do want to place before you — they are close to my heart, they are goals, which my Government shall go all out to achieve:

1) My Government is determined to take steps, which will help us double our food production, and make India hunger-free, in ten years. It is indeed alarming that the per capita availability of foodgrains, which is already abysmal, has been decreasing. It is a matter of grave concern.

2) My Government is committed to rapid expansion and improvement of India's social infrastructure — drinking water, housing, education, health-care and sanitation. In particular, we shall provide within five years safe drinking water to every settlement in the country.

3) My Government is committed to rapid expansion and improvement of India's physical infrastructure — power, oil, petroleum and renewable sources of energy, roads, transport, ports, airports, telecommunications and financial services — so that they work both as engines of growth and employment generation.

4) My Government shall unveil a National Water Policy so that no water goes waste, and also so that our country, which has always revered their sacred waters, cleans up all its water resources.

5) My Government will strive hard to make India a global Information Technology power — specifically, make India one of the largest generators and exporters of software in the world — within ten years;

In this sacred national mission, I invite the most active participation of our hard-working kisans, workers, teachers, government employees, lawyers, doctors, engineers, traders, businessmen — in short, people in all professions. We shall aim, in particular, at equipping the weakest sections of society to participate in

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Prime Minister Vajpayee's address to the nation . . . *(Continued from page 6)*

this adventure: I have in mind especially members of Scheduled Castes and Tribes, of minorities who may be poor. It has been quite rightly said that many have these sections as vote banks. but they have left their real problems exactly as they were: inadequate education, malnutrition, and the rest.

The counter-example, the one I want the country to follow, is provided by the life and career of Dr. Babasaheb Ambedkar: a benevolent Rajah spots the sparkling talent in this little child; he and others assist the child to study, to struggle, to excel; and see the heights he scaled. A good project was initiated during Shri Rajiv Gandhi's tenure to locate the brightest children from among the poorest sections, and to set up the very best schools for them. Like so many good ideas, the scheme has languished. I am particularly anxious to revive it, and to multiply it twenty-fold.

In many ways the position of women is even more precarious and it is pivotal to our future. A country cannot even be said to be progressing if one-half of its population remains disadvantaged. In any case, it just can't progress: every study has identified female literacy, female health as the keys that determine so much else. Doubling female literacy within ten years, vastly improving medical care for daughters and mothers, protecting the self-respect of women, empowering them politically through reservation in Parliament and State Assemblies — these are not just goals that my Government shall work towards, these are goals which I shall personally monitor.

Another major area of focus will be restructuring of Center-State relations. I am particularly keen to decentralize financial and administrative powers to the States — just as the license-quota raj choked the initiative of individuals, centralizing decisions and functions in Delhi has choked the initiative at all levels of governance.

As a first step, the Government shall urgently devise legal and executive changes so that decisions can be taken directly by the States in regard to sectors such as Power. Even in regard to Foreign Direct Investment — upto, say, Rs. 1,500 crores. In such areas, I believe, the task of the Central Government is to lay down guidelines. As long as any proposal conforms to those guidelines, decisions regarding the project are properly within the province of the States themselves. We will ensure that Chief Ministers and their ministerial colleagues do not have to trudge to Delhi every now and then to seek routine clearances for unnecessary discussions.

I do want to add one word for our neighbors. One of the fine accomplishments of the last few years are that relations with almost all our neighbors have improved. My Government will strain every nerve to accelerate this trend. We are determined to be friends with all — and precisely because we happen to be the larger country, we shall be all the more sensitive to the aspirations and needs of our neighbors.

That applies to Pakistan as much as to our other neighbors. Our relations have been and are bedeviled by needless tensions. But our lives are intertwined. I believe that a happy and prosperous Pakistan will benefit the entire subcontinent, India in particular. Whenever there is the slightest opportunity to improve our relations with Islamabad, my Government will go the extra mile.

I have deliberately talked to you about these general things, and not about specific programs. In part because there will be occasions enough for spelling out the programs. But also because I believe that we are being held back not by one wrong policy, but because of the wrong habits of thought and discourse which we have slid into. Attend to these, and the advances will follow as a matter of course.

Remember the teaching of our sages: one can serve the Motherland wherever one is, one does not require some exalted position to do so. If you are a student, excel in your studies; if you save, save some more; if you run a bloodbank, run it as you would a place of worship. Exert to the utmost, excel-yogah karmasu kaushalam. And every bit of good you do, dedicate to the Motherland. Be that little squirrel who helped Lord Rama build the sethubandhan — the bridge across the Ocean of Challenge — by fetching one particle of sand, and then another.

Sarve bhavantu sukhinah
Sarve santu niramayah
Sarve bhadrani pasyantu
Ma kashit dukha bhag bhavet!

May all enjoy good health
May all dwell in happiness
May all be blessed by auspiciousness
May no one encounter distress

May this Government be an instrument for realizing this ancient prayer of our sages.

Vande Mataram!

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Press Release

April 14, 1998

The Prime Minister received Mr. Bill Richardson, US Ambassador to the UN this morning. The Prime Minister welcomed the strategic dialogue between the two countries and reiterated his commitment to promoting Indo-US understanding and cooperation. He reconfirmed the invitation to President Clinton to visit India later this year. Ambassador Richardson conveyed that President Clinton was looking forward to the visit, the dates for which will be finalized through diplomatic channels. He handed over a letter to the Prime Minister from President Clinton. This letter speaks of President Clinton's desire to advance the shared interests and common objectives of the two countries and to strengthen and deepen Indo-US relations.

Ambassador Richardson also described the US perspective for the 21st century in which India and the United States should work together as countries with global responsibilities. Shri Vajpayee called for closer cooperation between India and the USA in the fields of trade, investment and science & technology. The Prime Minister and Ambassador Richardson agreed on the need to combat terrorism.

The Prime Minister also spoke briefly about the new Government's foreign policy priorities, including improving relations with our South Asian neighbors, which the American side welcomed.

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