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India — A Fiftieth Anniversary Balance Sheet — A Blueprint for US-India Relations In the 21st Century

(Excerpts from Ambassador Naresh Chandra's address at the David M. Kennedy Center for International Studies, Brigham Young University, Utah on February 18, 1998)

Just over 50 years ago, as the clock struck the mid-night hour on August 15, 1947, India, in the words of its first Prime Minister Jawaharlal Nehru, kept its trust with destiny, free from 200 years of British colonial rule. As we celebrate the fiftieth year of our independence this year, we also stand at the threshold of a new millennium. It is, thus, an appropriate time to take stock of our achievements and also look ahead into the future.

An ancient country priding itself in having one of the world's oldest continuous civilization, India is a young nation and yet over the past half-century its political, economic and social institutions have proved to be resilient and capable of adapting to change. Political pundits have often predicted the possibility of demise and disintegration of India and each time the Indian people have proved the pundits to be wrong. The Indian Constitution, inspired by some of the noblest thoughts of man, including the American Declaration of Independence and the Bill of Rights, guarantees equality to all its citizens regardless of their race, religion, caste, creed or gender. Although Hindus constitute by far the largest religious group in the country, with over 130 million Muslims, India also accounts for the second largest Muslim population in the world after Indonesia. Some 25 million Christians, 20 million Sikhs and over 10 million Buddhists are part of India's intricate religious mosaic. In fact, every race, language group and religious denomination known to man is represented in India, making it truly representative of humanity as a whole.

Despite the immense diversity of the country, India has steadfastly maintained the democratic and secular char-

acter of its polity. When in 1996 India conducted its 11th General Elections the US press described the operation as the largest organized human activity in history. Of some 590 million registered voters (greater than the combined populations of the USA, Brazil, Mexico, Canada, Argentina, Columbia and Venezuela put together) as many as 360 million actually cast votes in over 800,000 polling booths throughout the country. The Government had to mobilize some 5 million officials to conduct the elections and count the votes and another 1.5 million security personnel to ensure law and order. In mid-February this year India will be going in for its 12th General Elections, which given the numbers involved in the exercise will make it yet another stupendous achievement of human endeavour. Unlike most Third World countries India has been fortunate in having highly professional armed forces which have always willingly functioned under civilian control. The term coup d'etat has never figured in India's political lexicon.

A strongly nationalist desire after gaining independence to be economically self-sufficient served India's interests well up to a point. Despite a three-fold increase in the country's population since 1947, the quadrupling of our food production over the same period has made us a net exporter of food today. India also developed a vast and diverse industrial base and our scientists and technologists are in the forefront of the state-of-the-art research in nuclear energy, space, biotechnology, computer software, etc. But though the policy of mixed economy saved India's burgeoning population from famines and the pub-

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Estimates of National Income, Consumption Expenditure, Saving and Capital Formation, 1996-97

The Central Statistical Organization, Department of Statistics, Ministry of Planning & Program Implementation has released the Quick estimates of national income, consumption expenditure, saving and capital formation for the financial year 1996-97.

Gross Domestic Product and National Income

Gross domestic product (GDP) at factor cost at constant (1980-81) prices in 1996-97 is estimated at Rs. 2968.45 billion as against Rs. 2761.32 billion in 1995-96, registering a growth of 7.5 per cent during the year as against the growth rate of 7.2 per cent during the previous year.

At current prices, GDP in 1996-97 is estimated at Rs. 11492.15 billion as against Rs. 10062.86 billion in 1995-96, showing an increase of 14.2 per cent during the year. At constant (1980-81) prices the national income (i.e. net national product at factor cost) in 1996-97 is estimated at Rs. 2584.65 billion as against Rs. 2399.57 billion in 1995-96 showing a rise of 7.7 per cent during the year. At current prices, the national income in 1996-97 is estimated at Rs. 10081.88 billion as compared to Rs. 8812.16 billion in 1995-96, showing a rise of 14.4 per cent during the year.

The growth rate of 7.5 per cent in GDP during 1996-97 has been mainly due to high growth in agriculture, fishing, manufacturing, trade, hotels and restaurants, transport other than railways, communication, banking and insurance and community, social and personal services. The mining sector, however, registered a marginal negative growth of 0.3 per cent. According to the information furnished by the Ministry of Agriculture the agriculture production during 1996-97 has registered a growth rate of about 6 per cent, mainly attributable to the steep increase in the production of wheat (10%), coarse cereals (16%), pulses (10%), oilseeds (12%) and cotton (9%).

Per Capita National Income

The per capita income (per capita net national product at factor cost) in real terms is estimated at Rs. 2761 for 1996-97 as against Rs. 2608 for 1995-96, registering an increase of 5.9 per cent during the year. The per capita income at current prices is estimated at Rs. 10771 in 1996-97 as against Rs. 9578 for the previous year.

Carpet Fair generates Rs. 3 billion business

The 4-day Carpet Exhibit-India 98 organized by the All India Carpet Trade Fair Committee (AICTFC), under the aegis of the Development Commissioner (Handicrafts), Ministry of Textiles, has generated business worth Rs. 3 billion. More than 250 carpet buyers from the United Kingdom, USA, Germany, Canada, Belgium, Singapore etc., visited the Fair — which ended here on 14th February 1998 — and placed orders worth Rs. 3 billion. In addition, business worth Rs. 1 billion is under negotiations. Mr. J.A. Ansari, President of AICTFC, has said that the Government of India has given due recognition to the Indian carpet industry by promoting the Carpet Exhibit-India 98, which was inaugurated by Mr. Prabhat Kumar, Secretary, Ministry of Textiles. The Indian carpet industry earns foreign exchange of Rs. 20 billion annually besides providing gainful employment to 2 million artisans all over the country.

The AICTEC organizes this fair annually in association with Carpet Export Promotion Council (CEPC) to promote and encourage small cottage industry based manufacturers to display their carpets to carpet importers from Germany, USA, Australia, UK, Singapore and other parts of the world to place orders. This year around 107 carpet manufacturers and exporters from various parts of the country exhibited a wide range of hand knotted carpets and other floor coverings. The Carpet Exhibit-India 98 attracted a number of dignitaries including the former Chief Justice of India, Mr. K.N. Singh, Mr. Mahesh Prasad, Chairman, Public Grievances Commission, Mr. Lakhanpal, Director General of Foreign Trade Mr. S.P. Srivastava, Joint Secretary, Ministry of Finance, and Mr. Ajai Shankar, Director General, Archeological Survey of India.

Report of the Expert Committee on Biodiversity Legislation

India is a party to the Convention on Biological Diversity (CBD) which came into force on December 29, 1993. The three main objectives of the CBD are:

1. conservation of biological diversity;
2. sustainable use of the components of biological diversity; and
3. fair and equitable sharing of benefits arising out of the utilization of genetic resources.

Efforts to formulate a law on biodiversity to regulate access to biological resources and to secure equitable sharing of benefits arising from the utilization of these resources have been in progress ever since India became a party to the CBD in 1994.

Following a series of inter-ministerial consultations and discussions with experts and NGOs, a broad outline of the draft biodiversity legislation was prepared. This draft outline was discussed in a national level meeting of experts, officers of various central ministries/departments, officers of state governments and NGOs on June 10, 1997.

The Ministry of Environment and Forests constituted an Expert Committee under the chairmanship of Dr. M. S. Swaminathan to propose a suitable draft for biodiversity legislation. The members of the committee included secretaries of Ministry of Environment and Forests (MOEF), Department of Agricultural Research and Education (DARE), Department of Biotechnology (DBT) and Department of Ocean Development (DOD), Ministry of Law experts and NGO representatives. The committee considered the following principles while drafting the outline of the legislation:

1. The Act should be an umbrella Act.
2. The Act should enable the country to safeguard its sovereign rights over its biological diversity.
3. Undesirable fetters on research and development in the country should not be imposed.
4. Use of biological resources and knowledge relating to them by people should continue without any stifling restrictions.
5. The Act should reflect the spirit of all the three objectives of the CBD.
6. Enough flexibility is ensured to allow the systems to evolve.
7. The Act should be an effective instrument in achieving equitable sharing of benefits.

The committee deliberated the matter in four sittings and came up with an outline on the proposed biodiversity legislation. The outline proposes to govern the following to ensure conservation, sustainable utilization of biological diversity and fair and equitable sharing of benefits:

1. Access to biological resources and information related thereto.
2. Benefit sharing with conserves of biological resources/creators and holders of knowledge and information relating to the use of biological resources.
3. Notification of areas important from the standpoint of biological diversity as biological heritage sites.
4. Protection of threatened species.
5. Involvement of local bodies in the sustainable management of biodiversity and the preparation of biodiversity registers.
6. Establishment of a national biodiversity authority at the national level, state biodiversity boards at the state level and biodiversity management committees at the block/village level to implement the legislation.

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Indian companies seeking Foreign Direct Investments - RBI simplifies the procedures

In a major drive to simplify procedures for foreign direct investment in India under the "automatic route", the Reserve Bank of India had dispensed with the need for its prior approval for such proposals. Indian companies/entrepreneurs have been given general permission for this purpose vide Notification No. FERA. 180/98-RB dated January 13, 1998.

In terms of the foreign direct investment policy of the Government of India, proposals which do not satisfy the parameters prescribed for automatic approval by the Reserve Bank, require specific clearance from the Government of India {Secretariat for Industrial Approvals (SIA)/Foreign Investment Promotion Board (FIPB) as the case may be}.

According to the present procedure in vogue, on receipt of the FIPB approval the concerned Indian companies approach the Regional Office (RO) of the Reserve Bank for "in-principle" approval for receiving remittances from abroad subject to the conditions prescribed by the FIPB. After the "in-principle" approval Indian companies can receive funds from abroad but they have to again approach the concerned Regional Office of the Reserve Bank with documentary evidence of foreign inward remittance for "final" approval under Sections 19(1) and 29(1) of FERA to issue shares to the foreign collaborator.

In order to simplify the procedure in respect of cases already approved by the Government of India, the

Reserve Bank has now decided to grant general permission under FERA in respect of all such proposals. It will no longer be necessary for the Indian companies to approach the Regional Offices of the Reserve Bank for "in principle" permission before receiving overseas investment or at a last stage for issuing shares to the foreign investor. Necessary notification under FERA to give effect to the revised simplified procedure is under issue. Once the revised procedure comes into effect after the issue of the notification under FERA, Indian companies getting foreign investment approval from SIA/FIPB will not require any further clearance from the Reserve Bank for the purposes of receiving inward remittance and issue of shares to the foreign investors. These companies will, however, have to file the required documents with the concerned Regional Offices of the Reserve Bank within 30 days after issue of shares to the foreign investors. It is also being provided that, before receiving the overseas investment in accordance with the FIPB approval, the board of the Indian company will pass a resolution taking note of the conditions stipulated by the FIPB and confirming that pre-requisites, if any, laid down by the FIPB have been complied with.

With the above simplification in procedures, in future, proposals from Indian companies which conform to the foreign direct investment policy as laid down by the Government of India will no longer require case-by-case approval from the Reserve Bank. Cases pending with Reserve Bank of India will be dealt with expeditiously as per the procedure prevailing

Report of the Expert Committee on Biodiversity Legislation

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The proposed outline protects the rights of traditional users and local people to the use of biological resources. It also protects the free access of Indian survey, research and academic institutions to biological resources as well as traditional users of medicinal and other economic plants. The proposed Act provides for establishing a national biodiversity authority, state biodiversity boards and biodiversity management committees for implementing the legislation. It further recognizes all agreements entered into by government departments/agencies after a due process of examination.

The Ministry is examining the outline in consultation with other ministries/departments and taking further steps to finalize and introduce a Bill in the next session of Parliament.

India welcomes diplomatic breakthrough in Iraq

We were happy to learn that after detailed discussions in Baghdad, the UN Secretary General, Mr. Kofi Annan, and the Deputy Prime Minister of Iraq, Mr. Tariq Aziz, have signed an agreement to defuse the current crisis. India hopes that this agreement will be endorsed by the Security Council which will meet in New York.

We have always supported the resolution of the crisis through peaceful means. In our view, use of force would be counterproductive and would not meet the objectives to which the United Nations is committed in Iraq. This was emphasized by Prime Minister Mr. Gujral in his letter to the President of the United States and leaders of the other four permanent members of the UN Security Council, as well to the UN Secretary General, Mr. Kofi Annan. In his response, the UN Secretary General had agreed with the Prime Minister about the need to find a diplomatic solution to the crisis and had appreciated India's readiness to contribute to the peace process.

We are watching developments closely. We remain concerned at the sufferings of the Iraqi people, specially women and children, who have borne severe hardship for the last seven years due to the sanctions regime to which Iraq has been subjected. In this context, India welcomes the recent doubling of the oil-for-food program and calls for its speedy implementation.

India hopes that every effort would now be made to ease and normalize the situation in the Gulf. India has very close ties and deep cultural affinities with the Gulf and wishes for peace and stability in the region.

No Competitive Devaluation: Chidambaram

The Finance Minister P. Chidambaram has ruled out any competitive devaluation of the Indian Rupee in response to the currency meltdown in South East Asia to make up losses likely to be incurred by the Indian economy following the crisis. While admitting that Indian exports had been hit due to the steep fall in the values of all South East Asian currencies, he asserted the route to recovery was improving quality, reliability and delivery, and not merely devaluing the currency. The Finance Minister said while Indian exports will be noncompetitive for some time, exporters should react by developing new markets and improving quality and delivery. For the short term, countries with devalued currencies will have an edge, but when they revive, things will revert back to normal, he said. Capital Account Convertibility (CAC) was not to blame for the South East Asian crisis, but the management and process towards CAC and post implementation phase were critical. On India's movement towards CAC, Mr. Chidambaram said the country had a very good road map, and the government was carefully watching the signposts. The government would not rush through the process and proceed only if the signposts are reassuring.

He also said the introduction of CAC itself would not cause a currency crisis, but the government had to be very careful about the process and having a sound regulatory mechanism. In this regard, the government was carefully monitoring current account deficit, which could pose a problem if it exceeded eight per cent, the Finance Minister added. Similarly private sector borrowings, if completely unregulated, could result in misallocation of resources as it happened in the South East Asian economies, he said. Mr. Chidambaram pointed out that the economy his government had inherited was already showing signs of stress, with industrial investment and growth had begun to weaken as a result of the strong credit squeeze the previous year. He expressed satisfaction that the infrastructure sector had shown signs of healthy growth and the government had managed the economy reasonably well, despite its fragile political standing. He asked how could anyone expect miracles from a government that was made to fall on absolutely whimsical reasons within 30 days of the budget, and again seven months later on vague and unreasonable ground.

National Committee on Human Rights to celebrate 50th anniversary of the Universal Declaration of Human Rights

India has set up a National Committee headed by the Home Minister and with a broad and distinguished membership to celebrate this anniversary in a befitting manner. The celebrations commenced on Human Rights Day on December 10, 1997 with a function organized by the National Human Rights Commission. A National Plan of Action has been drawn up with a view to enhance human rights awareness, develop human rights education, to strengthen national capacities for the promotion and protection of human rights and to provide a catalytic role for further activities in the field of human rights. The focus is on activities which will give rise to continued and lasting action to promote and protect human rights.

As a part of these activities, a commemorative stamp is proposed for release on Women's Day underlining the priority given in general to Women's rights in India and in particular to activities related to Women's Rights in the National Plan of Action to celebrate the 50th Anniversary of the UDHR. It is also a tribute to two remarkable women associated with the drafting of the Declaration — Eleanor Roosevelt and Dr. Hansa Mehta.

Dr. Hansa Mehta, a Gandhian political activist and social worker, played a vital role in the formulation of the UDHR in 1948 as the Indian delegate. The Indian Constitution that was being formulated at the time the Universal Declaration was adopted by the General Assembly reflects most of the thirty rights recognized in the Declaration either as fundamental rights in Part III of the Constitution or as Directive Principles of State Policy in Part IV.

More than thirty constitutions which have come into being either contemporaneously or later have been substantially influenced by the Declaration. The Declaration has had a persuasive, cumulative impact through the reaffirmation of its provisions in a series of other instruments, mainly the two covenants of 1966 — International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. India is a party to these Covenants which constitute the International Bill of Rights along with the Universal Declaration.

Finance Minister outlines four-point agenda for next government

Union Finance Minister P. Chidambaram has set forth a four point agenda for the next government at the centre. The four-point program comprises fiscal consolidation, removal of infrastructure bottlenecks, financial sector reforms and progress in social sectors. He said the new government would have to reduce the fiscal deficit in order to keep inflation low and to release resources for productive investment. This would require hard, but unavoidable decisions to sharply — reduce explicit and implicit subsidies, contain the wage

bill, broaden domestic tax base and improve tax administration. The FM said infrastructure challenge was daunting and the imperative to facilitate huge investments in power, roads, ports, telecom, oil and irrigation could not be overemphasized. Mr. Chidambaram said, "we must summon the courage to take quick decisions, even if one or two turn out to be partially wrong. The cost will not be greater than the cost of not taking a decision at all."

Ambassador's address . . .

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lic sector helped create a broad industrial base, its limitations started becoming obvious by the mid-1980s. Sudden loss of major markets following the near simultaneous collapse of the socialist economies in Europe and the Gulf War of 1991 exposed the shortcomings of the way in which the economic system was being managed.

The macro-economic crisis of 1991 made the Government realize that the process of internal liberalization of the economy and opening up to foreign competition and investment should be started without delay. The public sector in India today commands no more than 20% of the total national resources and that is mainly because of railways, telecommunications and most of electricity being in the public sector. Its role in the economy is being progressively reduced. There is going to be no further nationalization and the process of disinvestment in the public sector will continue. The role of central planning has been greatly circumscribed. Barriers to foreign participation in India's economy have been dramatically reduced or eliminated. Highest priority has been attached to developing infrastructure through deregulation and attracting foreign investment in power, telecommunication and transport sectors as well as in oil and gas exploration and refining. In implementing economic reforms India has attempted to build up a political consensus, avoid shock therapy and overheating of the economy, and follow a carefully sequenced approach to the reform process in minimizing social pain.

Over the past three years India has maintained an impressive annual a growth rate of around 7% and according to a recent World Bank study, India has the potential to accelerate its economic growth to 8-9% per annum in the next ten years. Since the beginning of the liberalization process in mid-1991 India has attracted over \$22 billion of foreign investment and of all the foreign investors the US has been by far the largest, accounting for over a quarter of all capital inflows. The enormous economic potential of India has attracted numerous US companies to invest in the country — GE, GM, Ford, Enron, IBM, Microsoft, Kellogg, Heinz, Coca Cola and Pepsico being some of the more important ones. The US is also India's largest trading partner with the two-day trade between the two countries crossing \$10 billion in 1997, 70% more than the level in 1991. The Indian political parties regardless of their ideological moorings are committed to the progressive opening up of economy and its integration with the rest of the world.

The identification of India as one of the ten leading emerging markets by the Clinton Administration gave a boost to Indo-US relations. Over the past few years the

flow of official, congressional and commercial exchanges between the two countries reached unprecedented levels.

There has already been significant deepening and broadening of US-India relations as a result of the opening up of the India economy. Indo-US cooperation has expanded to embrace such diverse fields as combating transnational crimes such as narco-terrorism and money-laundering, cooperation in space research and information software development, improving the environment etc. Indo-US defense cooperation, though modest in scope, has also been growing among both the uniformed services and the technical personnel in defence organizations of the two countries.

We are particularly happy with the large number of friends we have been able to cultivate in the US Congress. The existence of a 90 strong Caucus on India and Indian Americans in the House of Representatives has been a source of great strength in promoting greater understanding and fostering US-India relations. During the past two years, the House rejected with overwhelming majorities amendments to the Foreign Operations Appropriation Bill aimed at curbing US developmental assistance to India on the specious grounds of human rights violations.

The US media response to 50 years of India's independence has been overwhelming. We were particularly gratified by the presence of the First Lady, the Secretary of State, the Secretary of Commerce and numerous other American dignitaries and friends in a banquet organized on August 15 last year to commemorate the 50th anniversary of our independence. What made the banquet particularly significant was the warm message of felicitation from President Clinton himself and the First Lady's announcement of a series of high-level visits to India from the US culminating with that of the President himself some time in 1998. Within the span of a single month in November-December, 1997, India was host to no less than three Cabinet-level visits by Secretary of State Madeleine Albright, Health Secretary Donna Shalala and Commerce Secretary William Daley, respectively.

No consideration of the burgeoning US-India relationship can of course be complete without reference to the sterling role being played by the 1.2 million strong Indian American community in building bridges between the two great democracies. It is a matter of immense satisfaction to us that over the years the Indian American community has become increasingly prominent and its contributions in the academia, research fields, business and the professions are being appreciated across the

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country. We are confident that they would continue to be a vital bridge between their country of origin and their country of adoption.

Considering that both the US and India strongly uphold the ideals of democracy, multiculturalism and the rule of law, it is but natural that the two countries should work closely together for the betterment of humanity. In this endeavour, it is important that we mobilize the support of all right thinking Americans in appreciating the fact that despite poverty and other ills, India is home to a sixth of humanity which enjoys the benefits of a democratic pol-

ity and the civil society, of rule of law and a free press — a real achievement in the annals of history. The message, that we would particularly like our American friends to appreciate, is that in the post-Cold War period, India's increasingly market-oriented, secular democracy remains a pole of stability in Asia and the Eastern Hemisphere. As the world's most powerful democracy, USA has a vested interest in promoting India's internal and external security and working in partnership to enable India to take its rightful place in the family of nations.

Thank you.

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