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*“Let us together create a mindset revolution to harmonize the objectives of economic liberalization and social liberation”*

Inaugural address of

## **Prime Minister Atal Bihari Vajpayee**

*at the National Conference & Annual Session of the Confederation of Indian Industry*

In the recently concluded general elections, the people have given a mandate to the BJP and its allies to govern. At the same time, it is a fractured mandate. The challenge before us is to do full justice to our job even though we have a fractured mandate. I assure you, that in spite of some teething problems, the people's desire to see a stable, strong and action-oriented Government in New Delhi will be fulfilled. We have accepted the challenge.

The theme for this conference — *“Bringing Growth Back: Economy, Education and Employment”* — captures in a nutshell, the main thrust of our alliance's National Agenda for Governance, which is the blueprint for our policies. And as such there is a happy convergence of the concerns of the Government and the Indian industry. Such a participative relationship will enable India to realize her full potential of economic growth, and the well being of our people. I have good reason to be emphatic on this point. Today, not only the global standing of a nation, but also its security, integrity and stability indeed its very existence as a nation — is dependent on its economic strength.

I firmly believe, therefore, that the time has come to insulate the nation's economy as much as possible

from the turmoil in its democratic polity. It is high time all sections of our society, including those in business, industry and politics, sank their partisan obsessions and focused their attention on the all-important national imperative: Growth. Let the common patriotic mantra for one and all be: Growth, More Growth and Still More Growth. With the Union Budget due for presentation in early June, this is an opportune time to spell out our philosophy of growth. The National Agenda has stated in clear and unambiguous terms that my Government “shall strive to develop a national consensus on all major issues confronting the nation”.

The problems facing the Indian economy are too many, too complex and far too important to be subjected to a partisan approach. We simply cannot afford to play politics with the nation's economy anymore. This indeed will be the real test of patriotism on the economic front. This point demands candid and even self-critical elaboration. The first phase of economic liberalization was launched in 1991. Some of the reforms brought about positive changes. Unfortunately, the measures taken to free the economy were not matched by checks and balances. And we have paid a price for those lapses. Also, the liberalization process suffered from

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## Prime Minister Vajpayee's address . . . *(Continued from page 1)*

inadequate attention to the eradication of unemployment and to many critical issues in the social sector such as health-care, education and housing. Importantly, it failed to give a momentum to infrastructure development, which is now choking growth.

In our view, the reasons lie in the failure of the Government to effectively address the core concerns of the Indian industry. They lie in the failure of the Indian industry to appreciate the core concerns of the Government. They also lie in the failure of both the Government and the Industry to convince the Common Man that he too has a stake — a vital stake — in the reform process. That is why, during the election campaign, I repeatedly stressed that India urgently needs to reform the reform process. To explain what we mean by this, let me first enumerate what I think are the three main complaints of the Industry against the Government, the three main complaints of the Government against the Industry, and also the three main complaints of the Common Man against both the Government and the Industry.

The three chief complaints of the Industry against the Government are:

*One: Industry thinks the Government is the root cause of avoidable delays owing to excessive controls.*

Even after seven years of reforms, a typical industrialist is forced to spend considerable time in management of the Government than in management of his own business.

*Two: Industry complains that the Government takes too much, but provides too little and that too haphazardly.*

*Three: The Government is in all those areas of business in which it had no business to be there in the first place.*

Now let us look at the three chief complaints of the Government against the Industry:

*One: Government feels that the Industry does not share its social objectives.*

*Two: Government thinks the Industry wants the Government to abide by the canons of Good Governance such as transparency, accountability and fiscal prudence. Fair enough.*

But does the Industry itself follow transparent accounting and strict norms of disclosure? Does it meet its obligations towards consumers, workers, shareholders, bankers, the environment and the society in general?

*Three: Many industrialists want competition — but in other industries. In their own industry, they want protection.*

Now, what are the Common Man's perceptions of both the Government and the Industry? He thinks that —

*One: The top people in both the Government and the Industry are hand-in-glove to make the system work for their own self-enrichment.*

*Two: Neither the Government nor the Industry cares for the real needs of the people.*

*Three: There are two separate sets of laws in this country: one for the ordinary people and the other for the 'Big People' in the Government and the Industry.*

Now, let us ask ourselves:

- Are any of the above perceptions wrong? No.
- Isn't it a fact that no genuine reform process is possible without squarely addressing these valid perceptions? Yes.

That is why I say that India urgently needs to reform the reform process.

We need to reform the Government, which is the engine in any nation's development strategy. The Government must become a helper, and not a hurdle. Therefore, I urge each and everyone in the Government — from the minister to the lowest clerk — to recognize their duty and responsibility flowing from this commitment.

We need to reform the Industry. Broadly speaking, every industry and industrialist is entitled to grow to their fullest potential. But without recourse to unethical practices or evasions of dues to the State.

We need to also reform the mentality of the Common Citizen. He must realize the imperatives of hard work,

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quality work, and discipline. Responsible citizenry demands no less.

And barring those who belong to the weaker sections of society — and hence deserve all the support of affirmative action that we can render unto them — the others should begin to respect the laws which fashion and govern a sound economy. Which means, they must pay for what they use. And, yes, they must also get what they pay for. In short, the nation as a whole needs to reform itself in order to be able to effectively face the new challenges, and seize the new opportunities, of the 21st Century.

Let us together create a Mindset Revolution to harmonize the objectives of Economic Liberalization and Social Liberation. Let us together build a strong, prosperous and self-confident India, freed from the curses of mass unemployment, illiteracy and other manifestations of underdevelopment. And let us make India a global economic power in the 21st Century.

The key to translating this Vision into Reality is Growth: Growth with employment and equity. In our National Agenda, we have pledged to bring sustainable GDP growth into the 7%-8% bracket, from the present level of 5%. Many people doubt if it is an achievable target. I would say that this is a moderate target, given both India's capacity and necessity. Even at this rate of 7%-8%, India has to wait for well over half a century to catch up with the developed world.

Can we afford to be slower than this?

We must grow faster. We can grow faster. We simply have no other alternative. In the sphere of the economy, I should tell you plainly that I have inherited a weak, deficit-ridden economy. But I am not complaining. My job is not to harp on the past but to look to the future, not to complain but to lead.

Ladies and Gentlemen, I would like to utilize this occasion to tell you and the nation what my Government will do in the next three months.

All of us are legitimately concerned about the prolonged downturn in the economy. Industry, especially, is looking to the Government to take necessary steps to kick-start the economy.

This is no doubt dictated by the objective of faster economic growth. But it is also necessitated by my

own Government's stated goal of creating at least ten million new jobs each year in the economy. We shall soon announce a series of schemes to mobilize investible funds from idled resources existing in the country but unavailable to the exchequer. In consultation with trade and industry we will take all necessary steps to reduce the currently untenable level of NPAs of banks and financial institutions. We will also devise machinery for resolving disputes between the revenue departments and trade and industry to speedily obtain for the Government what is legitimately the State's. Also, suitable policy measures will be taken to tap new and unconventional sources of funding, such as debt market instruments and pension and insurance funds, for infrastructure projects.

II. The Government is committed to broaden, deepen and speed up the process of internal liberalization.

In the case of globalisation, we will adopt a carefully calibrated approach, for reasons most of you appreciate. The Government will play the role less and less of an active player in the economy, and more and more of a legislator, facilitator and regulator. Where necessary, it will be the protector of India's commerce and industry. My Government's relationship with Industry will be based on trust, not marred by mistrust.

I come from a political tradition that does not look upon commerce and industry with suspicion. When it was conventional political expediency to decry entrepreneurship, we championed their cause. As a government, we will do more. As a concrete proof of this approach, we will soon appoint a commission to comprehensively review in a short time frame all the administrative laws, rules and regulations governing industry and trade. Such of them which have outlived their utility will be either totally scrapped or radically simplified. With this move, we aim to enable Indian entrepreneurs — small, medium or big — to create more wealth for themselves and for the nation.

III. The Companies Act will be drastically overhauled. The Foreign Exchange Regulation Act (FERA) will be replaced with legislation consistent with current needs.

We will ensure that crucial Government Orders are not passed without first ascertaining their consequences on domestic industry. Many of the problems faced by

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# NRI-Investment: Frequently Asked Questions — Part I

## Part I: GENERAL

### *Q. 1 Who is a non-resident Indian (NRI)?*

**Ans.** An Indian Citizen who stays abroad for employment/carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad is a non-resident. (Persons posted in U.N. organisations and officials deputed abroad by Central/State Governments and Public Sector undertakings on temporary assignments are also treated as non-residents). Non-resident foreign citizens of Indian Origin are treated on par with non-resident Indian citizens (NRIs).

### *Q. 2 Who is a person of Indian Origin?*

**Ans. A.** For the purposes of availing of the facilities of opening and maintenance of bank accounts and investment in shares/securities in India

A foreign citizen (other than a citizen of Pakistan or Bangladesh) is deemed to be of Indian origin, if,

- (i) he, at any time, held an Indian passport, or
- (ii) he or either of his parents or any of his grand parents was a citizen of India by virtue of the Constitution of India or Citizenship Act, 1955 (57 of 1955).

*Note:* A spouse (not being a citizen of Pakistan or Bangladesh) of an Indian citizen or of a person of Indian origin is also treated as a person of Indian origin for the above purposes provided the bank accounts are opened or investments in shares / securities in India are made by such persons owned jointly with their NRI spouses.

### **B.** For investments in immovable properties

A foreign citizen (other than a citizen of Pakistan, Bangladesh, Afghanistan, Bhutan, Sri Lanka, or Nepal), is deemed to be of Indian origin if,

- (i) he held an Indian passport at any time, or
- (ii) he or his father or paternal grand father was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

### *Q. 3 What is an OCB?*

**Ans.** Overseas Corporate Bodies (OCBs) are bodies predominantly owned by individuals of Indian nationality or origin resident outside India and include overseas companies, partnership firms, societies and other corporate bodies which are owned, directly or indirectly, to the extent of at least 60% by individuals of Indian nationality or origin resident outside India as also overseas trusts in which at least 60% of the beneficial interest is irrevocably held by such persons. Such ownership interest should be actually held by them and not in the capacity as nominees. The various facilities granted to NRIs are also available with certain exceptions to OCBs so long as the ownership/beneficial interest held in them by NRIs continues to be at least 60%.

### *Q. 4 Are OCBs required to produce any certificate regarding ownership/beneficial interest in them by NRIs?*

**Ans.** Yes. In order to establish that the ownership/beneficial interest in any OCB held by NRIs is not less than 60%, the concerned body/trust is required to furnish a certificate from an overseas auditor/chartered accountant/certified public accountant in form OAC where the ownership/beneficial interest is directly held by NRIs, and in form OAC 1 where it is held indirectly by NRIs and further that such ownership interest is actually held by them and not in the capacity as nominees.

### *Q. 5 What are the various facilities available to NRIs/OCBs?*

**Ans.** NRIs/OCBs are granted the following facilities: 1. Maintenance of bank accounts in India. 2. Investments in securities/shares of, and deposits with, Indian firms/companies. 3. Investments in immovable properties in India.

**Part II and Part III of the series will be published in the May 16-31, 1998 and June 1-15, 1998 issue respectively.**

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Industry are at the State and local level. The process of internal liberalization will be widened to reach those operational levels. With this in view, we have recently appointed a Special Task Force, headed by Shri Bhairon Singh Shekhawat, to advise the Government on devolution of financial and administrative powers to the States.

IV. Infrastructure development is the very backbone of any strategy aimed at achieving higher growth and large-scale employment generation.

However, an unfortunate impression gained ground after the first phase of liberalization that the Government will have less and less to do with infrastructure development. As a result, a slowdown has taken place in investments in this vital area of the economy. My Government will substantially increase investments in infrastructure development. Simultaneously, private sector investments will receive far greater policy and implementation support.

The Minister for Power has just recently announced wide-ranging initiatives on the power front. My Government will take firm decisions — and also support firm decisions of State Governments — to bring financial viability to the power sector.

The State Electricity Boards are bankrupt and need restructuring. The drain on internally raised resources has to stop. In this regard, the country should take note of the bold but painful steps the Andhra Pradesh Chief Minister, Shri Chandrababu Naidu, has taken to guard and raise the viability of power generation and distribution in his State. We also support, in this regard, the initiatives of the Orissa Government.

V. Delays in implementation has been the bane of infrastructure projects in India. They have led to not only cost and time overruns, but also loss of opportunities in downstream income and employment generation. This neglect and waste will be positively addressed.

Towards this end, the Prime Minister's Office will directly monitor all projects capitalized at more than Rs. One hundred crores each in the areas of power, roads and bridges, dams and irrigation, telecommunication, oil and energy, railways, ports and airports. My office will seek a monthly progress report on all such

projects and ensure that they are completed and commissioned on due dates.

VI. Agriculture is the very heart of our economy and culture. Farm production has to reach a growth rate of at least 5%. Otherwise our goals of overall economic growth and employment generation, as also our promise to build a Hunger-Free India by the year 2010 will remain unfulfilled. Food security on a long-term basis is our urgent and immediate concern.

The Government plans to earmark substantial Plan funds for public investment in agriculture, rural development, irrigation, horticulture, afforestation, wasteland development and related rural infrastructure. We will also pay special attention to the modernization of the agro-processing industry. It has immense potential for employment generation.

Agro-processing industry provides a critical link between the agriculturist and the urban consumer. We will strengthen this link, among other things, by encouraging collaboration between the cooperative agriculture sector and the corporate sector. Opportunities in exports of food products will be vigorously pursued.

VII. We intend to give vastly higher policy attention to the small-scale industry and the Bhagidari sector, as these are important sources of self-employment.

This sector makes the highest contribution to the country's GDP. My Government will welcome suggestions from the CII and other Industry organizations as how to provide to this sector critical developmental inputs such as easy, adequate and timely credit; marketing infrastructure; and appropriate technology.

VIII. Housing and construction are the greatest generators of productive employment, next only to agriculture and services. The National Agenda for Governance has pledged to facilitate construction of two million new housing units each year, with priority for low and middle-income family needs.

Within the next 60 days, my Government will unveil a National Housing Policy. All impediments in the realization of our stated goals in the Policy will be removed forthwith. The Urban Land Ceiling Act will

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# Misconceptions on Climate Change Treaty

Two misconceptions prevalent in the US about the Kyoto agreement on a Protocol to the Climate Change Treaty are that the US cannot afford the Greenhouse Gases (GHG) emission reduction targets accepted by it and that it is necessary for the developing countries like China, India and Brazil to accept reduction commitments for the sake of equity.

With regard to the first misconception, President Clinton has clearly stated in his State of the Union Address that the US has “always found a way to clean the environment and grow the economy at the same time. And when it comes to global warming, we will do it again”. It should also be recalled that at the time of the Rio Summit, the United States, together with the other developed countries, had agreed to reduce emissions to 1990 levels by 2000. Although there is no sign of this being achieved as yet, further reduction commitments after 2000 are imperative under the Climate Change Treaty.

The developing countries were exempted from any commitment to reduce GHG emissions in 1992 for the reason that they were indeed required to increase their emissions to secure a minimum level of development. It was recognized that the developed countries were responsible for 85% of the GHG emissions so far and that the developing countries had contributed only 15%. On a per capita basis, the developed countries emitted 2.8 tons of GHG per year while the developing countries emitted only 0.5 tons. On the basis of 11 common but differentiated responsibilities’, therefore, the developing countries were authorized to increase emissions while at the same time, taking environment friendly measures for which “the incremental costs” would be paid by the developed countries. Contrary to the expectation raised in 1992, very little additional resources and concessional technology have been made available to the developing countries so far.

In Berlin as well as in Kyoto, there was general agreement that the developing countries should not be asked to undertake new commitments under the Climate Change Treaty as it was recognized that their developmental priorities should not be upset by the diversion of scarce resources to the environment. This does not mean that the developing countries are unaware of their obligation to safeguard the environment. Most developing countries have major programs for renewable energy and for the development of environment friendly technologies. These are being undertaken within their national development plans. Additional measures can be undertaken only if new and additional resources in the form of incremental costs promised in Rio are made available.

The basis of all the recent agreements on the environment is the partnership established in Rio by which the developed countries, as those who have contributed most to the degeneration of the environment, will take the first steps for the protection of the environment and the developing countries will do what they can without jeopardizing their developmental agenda. The decision taken in Kyoto that the United States should reduce its emissions by 7% below the 1990 levels and that the developing countries should have no new commitments is therefore reasonable, logical and just.

*For more information on India’s stand on the Climate change treaty, please visit the Embassy of India’s web site at the following address:*

**<http://www.indianembassy.org/special/envt/envt.htm>**

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be suitably amended to facilitate realization of housing goals and to boost construction.

IX. Information technology is an area of special importance. It has already revolutionized the world. No country can hope to develop global competitiveness if it ignores information technology.

This is one area where India can quickly establish global dominance. India can be fully competitive in this area with tremendous pay-offs in terms of income generation and creation of high quality jobs. This area also provides an alternative, attainable opportunity to Indian business and industry to become software czars. Just three Indian companies, not exactly household names, have today a market capitalization of Rupees Thirteen thousand crores. And all are also aggressively exporting. In this connection, I invite specific suggestions from trade and industry for removing any bottlenecks in the way of faster growth of the InfoTech industry.

In the National Agenda, we have pledged to make India a software superpower. Within the next 30 days, we will set up a National Information Technology Task Force, which will formulate a draft National Informatics Policy.

X. The Government will initiate immediate steps to effect reforms in the Public Sector. These will embrace the whole gamut of imaginative restructuring, including transparent disinvestment and reducing PSU losses

XI. Indian industry must improve its global competitiveness and strengthen its export muscle. We cannot succeed in Swadeshi development if we do not export. The new Exim Policy seeks to provide special support to our exporters.

There is a social dimension to making Indian Industry competitive. Capital-intensive structural adjustments in industrialized countries have given them a competitive edge in global markets. But they have also entailed massive lay-offs. Many of these countries have welfare schemes to cushion unemployment. India does not. Unemployment in India is more than a statistic. It means hardship and ruin for the unemployed person and his family. Sometimes even suicides. Let us keep this dimension in mind when we formulate growth strategies. In view of the rigorous time table of the World Trade Organization (WTO), I suggest that In-

dustry and the Government sit together and draw up a schedule upto the year 2005. We should then work backwards to closely monitor our forward movement in export promotion.

XII. Let me also say a few words on our policy towards foreign investment. Swadeshi does not mean that we do not value foreign investment. It only means that the bulk of the resources needed for our development must be mobilized by ourselves.

This is why we propose to take necessary steps to raise the rate of savings from 26% of GDP at present to about 30%. However, these domestic resources can, and need to be supplemented by foreign resources also. We welcome foreign investment in areas of our special priority such as infrastructure development, hi-tech, transfer of better management practices, upgradation of product quality to help export capability, and critical global marketing linkages.

I would also like to state categorically that no investor who has been given permission hitherto to operate will find the permission withdrawn or narrowed in scope. Government is a continuing entity. Towards this end, my Government will soon formulate transparent, non-discriminatory and non-discretionary policies governing Foreign Direct Investments. The Foreign Investment Promotion Board (FIPB) will be required and also empowered to give a firm "Yes" or "No" answer to every proposal involving FDI within a deadline of 60 days.

XIII. The importance of education in achieving our national objectives in growth and employment can hardly be overstated.

Enriched Human Resources are a critical input in any economic activity. In the knowledge-driven economy of today, they have become the most precious forms of capital. We need to improve quality and standards at all levels of the Education Pyramid. My Government is fully committed to promoting the cause of Total Literacy through elementary education, informal education and adult literacy.

I urge the CII and other Industry organizations to take a lead in giving an impetus to employment-oriented technical education on a massive scale. This will help the country develop much-needed primary and inter-

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mediate industry skills to improve the productivity of industry and services in cities, towns and semi-urban areas throughout the country.

Ladies and Gentlemen, as a nation, let all of us Think Big. I would particularly urge Indian Industry to —

- *Draw up big plans. When the big become bigger, the small and medium players would grow up to occupy their places;*
- *Set up manufacturing, marketing and finance units of global size and eventually global presence;*
- *Develop brands and products that will rule the world;*

- *And, through all this, plant the proud flag of India on the map of global business and industry in the early years of the 21st Century.*

My Government is more than ready to be your partner in the realization of your dreams. Will you be a partner in the realization of my Government's agenda?

I seek the active participation of one and all in this endeavor, confident that I'll have it in full measure.

Thank you.

*This inaugural address was delivered on April 28, 1998 at Vigyan Bhavan, New Delhi.*

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