HANDBOOK OF INDUSTRIAL POLICY AND STATISTICS 2003-2005

सत्यमेव जयते

OFFICE OF THE ECONOMIC ADVISER
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FOREWORD

The Handbook of Industrial Policy and Statistics is a comprehensive documentation of various issues connected with industrial development in India. A review of policy matters is combined with exhaustive data on industrial production, both sectoral and aggregate, imports and exports, wholesale prices and infrastructure industries. The evolution of industrial reforms in India has been separately described in a chapter. This publication would be found equally useful by policy-makers, researchers and investors.

(Dr. Ajay Dua)

PREFACE

This issue of the Handbook of Industrial Policy and Statistics is the 14th issue of the kind. The last issue before this publication pertained to the year 2002 and was released in 2003. It combines development after the previous issue and particularly during the years 2003, 2004 and partially for 2005. It marks a departure from the previous issue(s) in so far it covers data for 2003, 2004 and partly for 2005 and embodies several new aspects like National Common Minimum Programme (NCMP) on Industry, introduction to index number of industrial production, wholesale price index, share of manufacturing in GDP of States, exports, trend of customs duty rate since 1991-92 till 2005-06, census (2001-02) of small scale industry, environmental clearance of industries/projects etc.

The contents in the 15 chapters in the Handbook are mentioned in brief in the Introduction to the Handbook. The data and information for the Handbook have been sourced from various Ministries/Departments of the Government of India and other agencies. Their contribution in providing updated information is gratefully acknowledged. Suggestions for improvement in the quality of presentation and coverage are welcome from Ministries/Departments, source agencies and users.

I am happy to record my appreciation for the efforts put in not only by the officers and staff of Research & Publication Division in this office but also by all others engaged in bringing out this Handbook.

(A.K. Neog)

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INTRODUCTION

Handbook of Industrial Policy and Statistics is an analytical presentation of India's industrial economy besides the policy. This issue of the Handbook combines development during the years 2003, 2004 and partly for 2005. It marks departure from the previous issue(s) in so far it covers data for 2003, 2004 and partly for 2005 and embodies the following:

(i) Chapter I reproduces Industrial Policy of July 1991 and developments since 2002; names of industries, which require environmental clearance; and National Common Minimum Programme (NCMP) on Industry.

(ii) Chapter II gives an introduction of the Index of Industrial Production (IIP) with base year 1993-94=100, reforms in mining policy, highlights of the Union Budget, FDI, Foreign Trade Policy, trend of customs duty rate since 1991-92 till 2005-06, share of manufacturing in exports, financial sector/capital market reform, monetary & credit policy, reform in infrastructure sector and tax reforms.

(iii) Chapter III presents a review of industrial performance sector wise, groupwise (at 2- digit level), and planwise; production data of selected items and some characteristics based on Annual Survey of Industries.

(iv) Chapter IV deals with trend of growth of infrastructure industries, comprising of crude, petroleum refinery products, electricity, coal, finished steel and cement.

(v) Chapter V furnishes data on industrial investment intentions, Foreign Direct Investment (FDI) with sectoral and country wise break up, technology agreement, and financial assistances rendered by Development Banks.

(vi) Chapter VI focuses on data in respect of Public Sector Enterprises of the Government of India.

(vii) Chapter VII pertains to Small Scale Sector focusssing on its role and contribution, incentives, facilities and other schemes for its development, Census of SSI(2001-02) and the Prime Minister's Rozgar Yojana.

(viii) Chapter VIII is about time series data on exports and imports, with particular reference to manufacturing.

(ix) Chapter IX is about data on employment and industrial relations.

(x) Chapter X provides macro data on GDP, Capital Formation, Consumption, Savings, Population etc.

(xi) Chapter XI gives the Tenth Plan (2002-07) targets, plan outlays/ expenditures.

(xii) Chapter XII presents trends in prices along with basic information on Wholesale Price Index (WPI).

(xiii) Chapter XIII reproduces data on technical manpower and R&D furnished by Department of Science & Technology.

(xiv) Chapter XIV is an exercise on basic industrial scenario of the States presented along with some parameters bearing percentage share to all-India total.

(xv) Chapter XV presents data on a historical perspective on WPI, IIP at different base years, trade etc.

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CHAPTER I

INDUSTRIAL POLICY HIGHLIGHTS

STATEMENT ON INDUSTRIAL POLICY, JULY 24, 1991

POLICY OBJECTIVES

Pandit Jawaharlal Nehru laid the foundations of modern India. His vision and determination have left a lasting impression on every facet of national endeavour since Independence. It is due to his initiative that India now has a strong and diversified industrial base and is a major industrial nation of the world. The goals and objectives set out for the nation by Pandit Nehru on the eve of Independence, namely, the rapid agriculture and industrial development of our country, rapid expansion of opportunities for gainful employment, progressive reduction of social and economic disparities, removal of poverty and attainment of self-reliance remain as valid today as at the time Pandit Nehru first set them out before the nation. Any industrial policy must contribute to the realisation of these goals and objectives at an accelerated pace. The present statement of industrial policy is inspired by these very concerns, and represents a renewed initiative towards consolidating the gains of national reconstruction at this crucial stage.

1.2 In 1948, immediately after Independence, Government introduced the Industrial Policy Resolution. This outlined the approach to industrial growth and development. It emphasised the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution. After the adoption of the Constitution and the socio-economic goals, the Industrial Policy was comprehensively revised and adopted in 1956. To meet the challenges, from time to time, it was modified through statements in 1973, 1977 and 1980.

1.3 The Industrial Policy Resolution 1948 was followed by the Industrial Policy Resolution of 1956 which had as its objective the acceleration of the rate of economic growth and the speeding up of industrialisation as a means of achieving a socialist pattern of society. In 1956, capital was scarce and the base of entrepreneurship was not strong enough. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development.

1.4 The Industrial Policy Statement of 1973, inter alia, identified high-priority industries where investment from large industrial houses and foreign companies would be permitted.

1.5 The Industrial Policy Statement of 1977 laid emphasis on decentralisation and on the role of small-scale, tiny and cottage industries.

1.6 The Industrial Policy Statement of 1980 focused attention on the need for promoting competition in the domestic market, technological upgradation and moderanisation. The policy laid the foundation for an increasingly competitive export base and for encouraging foreign investment in high-technology areas. This found expression in the Sixth Five Year Plan which bore the distinct stamp of Smt. Indira Gandhi. It was Smt. Indira Gandhi who emphasised the need for productivity to be the central concern in all economic and production activities.

1.7 These policies created a climate for rapid industrial growth in the country. Thus on the eve of the Seventh Five Year Plan, 1985-86 to 1989-90 a broad-based infrastructure had been built up. Basic industries had been established. A high degree of self-reliance in a large number of items – raw materials, intermediates, finished goods – had been achieved. New growth centres of industrial activity had emerged, as had a new generation of entrepreneurs. A large number of engineers, technicians and skilled workers had also been trained.

1.8 The Seventh Plan recognised the need to consolidate on these strengths and to take initiatives to prepare Indian industry to respond effectively to the emerging challenges. A number of policy and procedural changes were introduced in 1985 and 1986 under the leadership of Shri Rajiv Gandhi aimed at increasing productivity, reducing costs and improving quality. The accent was on opening the domestic market to increased competition and readying our industry to stand on its own in the face of international competition. The public sector was freed from a number of constraints and given a larger measure of autonomy. The technological and managerial modernisation of industry was pursued as the key instrument for increasing productivity and improving our competitiveness in the world. The net result of all these changes was that Indian industry grew by an impressive average annual growth rate of 8.5% in the Seventh Plan period.

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1.9 Government is pledged to launching a reinvigorated struggle for social and economic justice, to end poverty and unemployment and to build a modern, democratic, socialist, prosperous and forward-looking India. Such a society can be built if India grows as part of the world economy and not in isolation.

1.10 While Government will continue to follow the policy of self-reliance, there would be greater emphasis placed on building up our ability to pay for imports through our own foreign exchange earnings. Government is also committed to development and utilisation of indigenous capabilities in technology and manufacturing as well as its upgradation to world standards.

1.11 Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit of the common man. The spread of industrialisation to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments.

1.12 Government will provide enhanced support to the small-scale sector so that it flourishes in an environment of economic efficiency and continuous technological upgradation.

1.13 Foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase exports and to expand the production base.

1.14 Government will endeavour to abolish the monopoly of any sector or any individual enterprise in any field of manufacture, except on strategic or military considerations and open all manufacturing activity to competition.

1.15 The Government will ensure that the public sector plays its rightful role in the evolving socio-economic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance. In the 1950s and 1960s, the principal instrument for controlling the commanding heights of the economy was investment in the capital of key industries. Today, the State has other instruments of intervention, particularly fiscal and monetary instruments. The State also commands the bulk of the nation's savings. Banks and financial institutions are under State control. Where State intervention is necessary, these instruments will prove more effective and decisive.

1.16 Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth, leaving workers to bear its pains. Labour will be made an equal partner in progress and prosperity. Worker's participation in management will be promoted. Workers cooperation will be encouraged to participate in packages designed to turn around sick companies. Intensive training, skill development and upgradation programmes will be launched.

1.17 Government will continue to visualise new horizons. The major objectives of the new industrial policy package will be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness. The pursuit of these objectives will be tempered by the need to preserve the environment and ensure the efficient use of available resources. All sectors of industry whether small, medium or large, belonging to the public, private sector or cooperative sector will be encouraged to grow and improve on their past performance.

1.18 Government's policy will be continuity with change.

1.19 In pursuit of the above objectives, Government have decided to take a series of initiatives in respect of the policies relating to the following areas.

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A. Industrial Licensing Policy

1.20 Industrial Licensing is governed by the Industries (Development & Regulation) Act, 1951. The Industrial Policy Resolution of 1956 identified the following three categories of industries : those that would be reserved for development in the public sector, those that would be permitted for development through private enterprise with or without State participation, and those in which investment initiatives would ordinarily emanate from private entrepreneurs. Over the years, keeping in view the changing industrial scene in the country, the policy has undergone modifications. Industrial licensing policies and procedures have also been liberalised from time to time. A full realisation of the industrial potential of the country calls for a continuation of this process of change.

1.21 In order to achieve the objectives of the strategy for the industrial sector for the 1990s and beyond it is necessary to make a number of changes in the system of industrial approvals. Major policy initiatives and procedural reforms are called for in order to actively encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges. The bedrock of any such package of measures must be to let the entrepreneurs make investment decisions on the basis of their own commercial judgement. The attainment of technological dynamism and international competitiveness requires that enterprises must be enabled to swiftly respond to fast changing external conditions that have become characteristic of today's industrial world. Government policy and procedures must be geared to assisting entrepreneurs in their efforts. This can be done only if the role played by the Government were to be changed from that of only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays.

1.22 The winds of change have been with us for some time. The industrial licensing system has been gradually moving away from the concept of capacity licensing. The system of reservations for public sector undertakings has been evolving towards an ethos of greater flexibility and private sector enterprise has been gradually allowed to enter into may of these areas on a case by case basis. Further impetus must be provided to these changes which alone can push this country towards the attainment of its entrepreneurial and industrial potential. This calls for bold and imaginative decisions designed to remove restraints on capacity creation, while at the same time, ensuring that over-riding national interests are not jeopardised.

1.23 In the above context, industrial licensing will henceforth be abolished for all industries, except those specified, irrespective of level of investment. These specified industries (Annex-II), will continue to be subject to compulsory licensing for reasons related to security and strategic concerns, social reasons, problems related to safety and over-riding environmental issues, manufacture of products of hazardous nature and articles of elitist consumption. The exemption from licensing will be particularly helpful to the many dynamic small and medium entrepreneurs who have been unnecessarily hampered by the licensing system. As a whole the Indian economy will benefit by becoming more competitive, more efficient and modern and will take its rightful place in the world of industrial progress.

B. Foreign Investment

1.24 While freeing Indian industry from official controls, opportunities for promoting foreign investments in India should also be fully exploited. In view of the significant development of India's industrial economy in the last 40 years, the general resilience, size and level of sophistication achieved, and the significant changes that have also taken place in the world industrial economy, the relationship between domestic and foreign industry needs to be much more dynamic than it has been in the past in terms of both technology and investment. Foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. This is particularly necessary in the changing global scenario of industrial and economic cooperation marked by mobility of capital. The government will therefore welcome foreign investment which is in the interest of the country's industrial development.

1.25 In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment upto 51% foreign equity in such industries. There shall be no bottlenecks of any kind in this process. This group of industries has generally been known as the "Appendix I industries" and are areas in which FERA companies have already been allowed to invest on a discretionary basis. This change will go a long way in making Indian policy on foreign investment transparent. Such a framework will make it attractive for companies abroad to invest in India.

1.26 Promotion of exports of Indian products calls for a systematic exploration of world markets possible only through intensive and highly professional marketing activities. To the extent that expertise of this nature is not well developed so far in India, Government will encourage foreign trading companies to assist us in our export activities. Attraction of substantial investment and access to high technology, often closely held, and to world markets, involves interaction with some of the world's largest international manufacturing and marketing firms. The Government will appoint a special board to negotiate with such firms so that we can engage in purposive negotiation with such large firms, and provide the avenues for large investments in the development of industries and technology in the national interest.

C. Foreign Technology Agreements

1.27 There is a great need for promoting an industrial environment where the acquisition of technological capability receives priority. In the fast changing world of technology the relationship between the suppliers and users of technology must be a continuous one. Such a relationship becomes difficult to achieve when the approval process includes unnecessary governmental interference on a case to case basis involving endemic delays and fostering uncertainty. The Indian entrepreneur has now come of age so that he no longer needs such bureaucratic clearances of his commercial technology relationships with foreign technology suppliers. Indian industry can scarcely be competitive with the rest of the world if it is to operate within such a regulatory environment.

1.28 With a view to injecting the desired level of technological dynamism in Indian industry, Government will provide automatic approval for technology agreements related to high priority industries within specified parameters. Similar facilities will be available for other industries as well if such agreements do not require the expenditure of free foreign exchange. Indian companies will be free to negotiate the terms of technology transfer with their foreign counterparts according to their own commercial judgement. The predictability and independence of action that this measure is providing to Indian industry will induce them to develop indigenous competence for the efficient absorption of foreign technology. Greater competitive pressure will also induce our industry to invest much more in research and development than they have been doing in the past. In order to help this process, the hiring of foreign technicians and foreign testing of indigenously developed technologies, will also not require prior clearance as prescribed so far, individually or as a part of industrial or investment approvals.

D. Public Sector Policy

1.29 The public sector has been central to our philosophy of development. In the pursuit of our development objectives, public ownership and control in critical sectors of the economy has played an important role in preventing the concentration of economic power, reducing regional disparities and ensuring that planned development serves the common good.

1.30 The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a public sector which has a commanding role in the economy. Today key sectors of the economy are dominated by mature public enterprises that have successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.

1.31 After the initial exuberance of the public sector entering new areas of industrial and technical competence, a number of problems have begun to manifest themselves in many of the public enterprises. Serious problems are observed in the insufficient growth in productivity, poor project management, over-manning, lack of continuous technological upgradation, and inadequate attention to R&D and human resource development. In addition, public enterprises have shown a very low rate of return on the capital investment. This has inhibited their ability to re-generate themselves in terms of new investments as well as in technology development. The result is that many of the public enterprises have become a burden rather than being an asset to the government. The original concept of the public sector has also undergone considerable dilution. The most striking example is the take over of sick units from the private sector. This category of public sector units accounts for almost one third of the total losses of central public enterprises. Another category of public enterprises, which does not fit into the original idea of the public sector being at the commanding heights of the economy, is the plethora of public enterprises which are in the consumer goods and services sectors.

1.32 It is time therefore that the Government adopt a new approach to public enterprises. There must be a greater commitment to the support of public enterprises which are essential for the operation of the industrial economy. Measures must be taken to make these enterprises more growth oriented and technically dynamic. Units which may be faltering at present but are potentially viable must be restructured and given a new lease of life. The priority areas for growth of public enterprises in the future will be the followong :

- Essential infrastructure goods and services.
- Exploration and exploitation of oil and mineral resources.
- Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate.
- Manufacture of products where strategic considerations predominate such as defence equipment.

At the same time the public sector will not be barred from entering areas not specifically reserved for it.

1.33 In view of these considerations, Government will review the existing portfolio of public investment with greater realism. This review will be respect of industries based on low technology, small scale and not-strategic areas, inefficient and unproductive areas, areas with low or nil social considerations or public purpose, and areas where the private sector has developed sufficient expertise and resources.

1.34 Government will strengthen those public enterprises, which fall in the reserved areas of operation or are in high priority areas or are generating good or reasonable profits. Such enterprises will be provided a much greater degree of management autonomy through the system of memoranda of understanding. Competition will also be introduced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serve little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest.

E. Monopolies and Restrictive Trade Practices Act (MRTP Act)

1.35 The principle objectives sought to be achieved through the MRTP Act are as follows:

(i) Prevention of concentration of economic power to the common detriment, control of monopolies, and

(ii) Prohibition of monopolistic and restrictive and unfair trade practices.

1.36 The MRTP Act became effective in June, 1970. With the emphasis placed on productivity in the Sixth Plan, major amendments to the MRTP Act were carried out in 1982 and 1984 in order to remove impediments to industrial growth and expansion. This process of change was given a new momentum in 1985 by an increase of threshold limit of assets.

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1.37 With the growing complexity of industrial structure and the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the international market, the interference of the Government through the MRTP Act in investment decisions of large companies has become deleterious in its effects on Indian Industrial growth. The pre-entry scrutiny of investment decisions by so called MRTP companies will no longer be required. Instead, emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices rather than making it necessary for the monopoly houses to obtain prior approval of Central Government for expansion, establishment of new undertakings, merger, amalgamation and takeover and appointment of certain directors. The thrust of policy will be more on controlling unfair or restrictive business practices. The MRTP Act will be restructures by eliminating the legal requirement for prior governmental approval for expansion of present undertakings and establishment of new undertakings. The provisions relating to merger, amalgamation, and takeover will also be repealed. Similarly, the provisions regarding restrictions on acquisition of and transfer of shares will be appropriately incorporated in Companies Act.

1.38 Simultaneously, provisions of the MRTP Act will be strengthened in order to enable MRTP Commission to take appropriate action in respect of the monopolistic, restrictive and unfair trade practices. The newly empowered MRTP Commission will be encouraged to require investigation suo moto or on complaints received from individual consumers or classes of consumers.

F. Decisions of Government

1.39 In view of the consideration outlined above Government have decided to take a series of measures to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control. These measures complement the other series of measures being taken by Government in the areas of trade policy, exchange rate management, fiscal policy, financial sector reform and overall macro economic management.

A. Industrial Licensing Policy

i) Industrial Licensing will be abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons, and items of elitist consumption (list attached as Annex II). Industries reserved for the small scale sector will continue to be so reserved.

ii) Areas where security and strategic concern predominate, will continue to be reserved for the public sector. (List attached as Annex I).

iii) In projects where imported capital goods are required, automatic clearance will be given

a) in cases where foreign exchange availability is ensured through foreign equity.

Or

b) if the CIF value of imported capital goods required is less than 25% of total value (net of taxes) of plant and equipment, upto a maximum value of Rs. 2 crore. In view of the current difficult foreign exchange situation, this scheme (i.e (iii) b) will come into force from April, 1992

In other cases, imports of capital goods will require clearance from the Secretariat of Industrial Approvals (SIA) in the Department of Industrial Development according to availability of foreign exchange resources.

iv) In locations other than cities of more than 1 million population, there will be no requirement of obtaining industrial approvals from the Central Government except for industries subject to compulsory licensing. In respect of cities with population greater than 1 million, industries other than those of a non polluting nature such as electronics, computer software and printing will be located outside 25 Kms. of

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the periphery, except in prior designated industrial areas. A flexible location policy would be adopted in respect of such cities (with population greater than 1 million) which require industrial re-generation.

Zoning and Land Use Regulation and Environmental Legislation will continue to regulate industrial locations.

Appropriate incentives and the design of investments in infrastructure development will be used to promote the dispersal of industry particularly to rural and backward areas and to reduce congestion in cities.

v) The system of phased manufacturing programmes run on an administrative case by case basis will not be applicable to new projects. Existing projects with such programmes will continue to be governed by them.

vi) Existing units will be provided a new broad banding facility to enable them to produce any article without additional investment.

vii) The exemption from licensing will apply to all substantial expansions of existing units.

viii) The mandatory convertibility clause will no longer be applicable for term loans from the financial institutions for new projects.

Procedural consequences

ix) All existing registration schemes (Delicenced Registration, Exempted Industries Registration, DGTD registration) will be abolished.

x) Entrepreneurs will henceforth only be required to file an information memorandum on new projects and substantial expansions.

xi) The lists at Annex II and Annex III will be notified in the Indian Trade Classification (Harmonised System).

B. Foreign Investment

i) Approval will be given for direct foreign investment upto 51 percent foreign equity in high priority industries (Annex III). There shall be no bottlenecks of any kind in this process. Such clearance will be available if foreign equity covers the foreign exchange requirement for imported capital goods. Consequential amendments to the Foreign Exchange Regulation Act (1973) shall be carried out.

ii) While the import of components, raw materials and intermediate goods, and payment of knowhow fees and royalties will be governed by the general policy applicable to other domestic units, the payment of dividends would be monitored through the Reserve Bank of India so as to ensure that outflow on account of dividend payment are balanced by export earnings over a period of time.

iii) Other foreign equity proposals, including proposals involving 51% foreign equity which do not meet the criteria under (i) above, will continue to need prior clearance. Foreign equity proposals need not necessarily be accompanied by foreign technology agreements.

iv) To provide access to international markets, majority foreign equity holding upto 51% equity will be allowed for trading companies primarily engaged in export activities. While the thrust would be on export activities, such trading houses shall be at par with domestic trading and export houses in accordance with Import-Export Policy.

v) A special Empowered Board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in select areas. This would be a special programme to

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attract substantial investment in substantial investment that would provide access to high technology and world markets. The investment programmes of such firms would be considered in totality, free from pre-determined parameters or procedures.

C. Foreign Technology Agreements

i) Automatic permission will be given for foreign technology agreements in high priority industries (Annex III) upto a lumpsum payment of Rs. 1 crore, 5% royalty for domestic sales and 8% for exports, subject to total payment of 8% of sales over a 10 years period from date of agreement of 7 years from commencement of production.

The prescribed royalty rates are net of taxes and will be calculated according to standard procedures.

ii) In respect of industries other than those in Annex III, automatic permission will be given subject to the same guidelines as above if no free foreign exchange is required for any payments.

iii) All other proposals will need specific approval under the general procedures in force.

iv) No permission will be necessary for hiring of foreign technicians, foreign testing of indigenously developed technologies. Payment may be made from blanket permits or free foreign exchange according to RBI guidelines.

D. Public Sector

i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained there would be no bar for areas of exclusivity to be opened up to the private sector selectively. Similarly the public sector will also be allowed entry in areas not reserved for it.

ii) Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

iii) In order to raise resources and encourage wider public participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers.

iv) Boards of public sector companies would be made more professional and given greater powers.

v) There will be greater thrust on performance improvement through the Memoranda of Understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective.

vi) To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprise would be placed in Parliament. While focussing on major management issues, this would also help place matters on day to day operations of public enterprises in their correct perspective.

E. MRTP Act

i) The MRTP Act will be amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of Central

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Government for establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover and appointment of Directors under certain circumstances.

ii) Emphasis will be placed on controlling and regulating monopolistic, restrictive and unfair trade practices. Simultaneously, the newly empowered MRTP Commission will be authorised to initiate investigations *suo moto* or on complaints received from individual consumers or classes of consumers in regard to monopolistic, restrictive and unfair trade practices.

iii) Necessary comprehensive amendments will be made in the MRTP Act in this regard for enabling the MRTP Commission to exercise punitive and compensatory powers.

Source: Ministry of Commerce & Industry, Department of Industrial Policy and Promotion.

ENVIRONMENTAL CLEARANCE FOR PROJECTS

1.40 Any person who desires to undertake any new project in any part of India or the expansion or modernization of any existing industry or project specified in Schedule 1 of the Environment Impact Assessment Notification S.O. 60(E), dated 27.01.1994, has to submit an application to the Ministry of Environment & Forest for seeking environmental clearance of projects. The number of industries listed in Schedule 1 is 32 (30 originally notified on 27.01.1994 and 2 added vide notification S.O. 801(E) dated 07.07.2004) and are mostly chemical based, raw skin and hides, pulp paper and newsprint, cement, power projects etc, new industrial estates and new construction projects.

As per this Notification, environmental clearance is needed for new projects to be set up/expanded/modernised in any part of India. It does not distinguish between backward district or otherwise

SCHEDULE-I

LIST OF PROJECTS REQUIRING ENVIRONMENTAL CLEARANCE FROM THE CENTRAL GOVERNMENT

1. Nuclear Power and related projects such as Heavy Water Plants, nuclear fuel complex, Rare Earths.
2. River Valley projects including hydel power, major Irrigation and their combination including flood control.
3. Ports, Harbours, Airports (except minor ports and harbours).
4. Petroleum Refineries including crude and product pipelines.
5. Chemical Fertilizers (Nitrogenous and Phosphatic other than single superphosphate).
6. Pesticides (Technical).
7. Petrochemical complexes (Both Olefinic and Aromatic) and Petro-chemical intermediates such as DMT, Caprolactam, LAB etc.and production of basic plastics such as LLDPE, HDPE, PP, PVC.
8. Bulk drugs and pharmaceuticals.
9. Exploration for oil and gas and their production, transportation and storage.
10. Synthetic Rubber.
11. Asbestos and Asbestos products.
12. Hydrocyanic acid and its derivatives.
13. (a) Primary metallurgical industries (such as production of Iron and Steel, Aluminium, Copper, Zinc, Lead and Ferro Alloys).
    (b) Electric arc furnaces (Mini Steel Plants).
14. Chlor alkali industry.
15. Integrated paint complex including manufacture of resins and basic raw materials required in the manufacture of paints.
16. Viscose Staple fibre and filament yarn.
17. Storage batteries integrated with manufacture of oxides of lead and lead antimony alloys.
18. All tourism projects between 200m—500 metres of High Water Line and at locations with an elevation of more than 1000 metres with investment of more than Rs.5 crores.
19. Thermal Power Plants.
20. Mining projects *(major minerals)* with leases more than 5 hectares.
21. Highway Projects **except projects relating to improvement work including widening and strengthening of roads with marginal land acquisition along the existing alignments provided it does not pass through ecologically sensitive areas such as National Parks, Sanctuaries, Tiger Reserves, Reserve Forests**
22. Tarred Roads in the Himalayas and or Forest areas.

ENVIRONMENTAL CLEARANCE FOR PROJECTS

23. Distilleries.
24. Raw Skins and Hides
25. Pulp, paper and newsprint.
26. Dyes.
27. Cement.
28. Foundries (individual)
29. Electroplating
30. Meta amino phenol
31. New Construction projects
32. New industrial estates.

Source : Ministry of Environment & Forest's website www.envfor.nic.in accessed on 12th August 2005