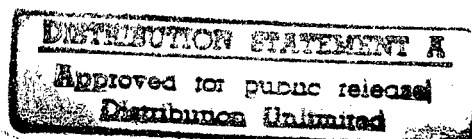




JPRS Report



Near East & South Asia

INDIA

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Near East & South Asia

INDIA

JPRS-NEA-91-055

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4 September 1991

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International Affairs

U.S. Activities on Bangladeshi Border Noted

91AS1240 New Delhi PATRIOT in English 2 Jul 91 p 1

[Article by Dulal Bora]

[Text] Guwahati, July 1—The American task force, still engaged in the "Operation Sea Angel" relief mission in Bangladesh is showing undue interest on the Indo-Bangla border. They have already surveyed the border areas, strategically important from the security point of view.

Reports from Agartala in a leading English daily from Guwahati THE SENTINEL, on July 1 said that the American troops, along with the Bangladesh army officials had already visited all sensitive points along the Tripura-Bangladesh border.

Intelligence sources said that the American troops had surveyed the areas like Ramgarh, Kasba, Chaudagram, Chagalnaya and Narsinggarh and had also taken photographs of the Indian security installations along the border, according to the report.

It may be mentioned that those areas were least affected by the devastating cyclonic storm of April last.

The report also said, quoting newspapers and other sources from across the border, that nearly 500 members of the American joint task force decided to stay back in Bangladesh for an indefinite period. The list includes also some high officials who have free access to all the areas inside Bangladesh. Moreover, the foreign troops will take charge of the security of Bangladesh premier Begum Khaleda Zia and will train the Bangladesh military.

U.S. President George Bush had diverted the American troops from Iraq and Okinawa to Bangladesh ostensibly for relief works immediately after the cyclone. The task force was commanded by U.S. major general Henry C. Stackpole. The forces landed in Bangladesh on May 12 and comprise mainly engineers and communicating experts in uniform who were engaged in the Gulf war earlier.

U.S. general Mr Stackpole had reportedly said earlier that the American troops were coming only to provide relief to millions in the coastal areas and offshore islands. But recent surveying of the strategic points along the Indo-Bangla border indicates that they have other interests in the subcontinent which is witnessing the presence of U.S. Army for the first time since independence.

A few oilfields and gas reserves dot the Indian side of the Indo-Bangla border. Moreover, the bordering areas inside Bangladesh, of late have become sanctuaries for the secessionist guerrillas operating in the entire North-East region. Intelligence sources here are aware that Pola and NSCN [National Socialist Council of Nagaland]

guerrillas were getting arms training in those areas earlier during Ziaur Rahman's regime. Reports then indicated of frequent visit of Bangla Army officials and even of the Pakistan army officials.

The operations of the U.S. army men in Bangladesh have been monitored, according to reports, by the U.S. embassy at Dhaka.

However, the opposition and the student community in Bangladesh are protesting against the free movement of U.S. army men here.

Papers Report Washington Conference on Kashmir

EXPRESS Correspondent Balu

91AS1367A Madras INDIAN EXPRESS in English
15 Jul 91 p 1

[Article by A. Balu: "Pak-Blessed Move To Internationalise Kashmir Issue Under Way"]

[Text] Washington, July 14—With the blessings and support of Pakistan, a concerted effort is under way by Kashmiris abroad to internationalise the Kashmir issue and to bring moral pressure on India to agree to give the people of the Valley the right of self-determination.

The effort was launched here on Saturday at a day-long conference that turned into a bitter and scathing attack on the Indian government and its security forces for what several speakers called "the inhuman brutality and campaign of terror" against the Kashmiri people.

Lord Avebury, chairman of the British Parliamentary Human Rights Group, and Republican Congressman Dan Burton, noted for his frequent shipping [as published] at India, joined in issuing a call for taking the Kashmir issue back to the UN Security Council. Lord Avebury went to the extent of suggesting that the international community raise the Kashmir question as one of "colonialism."

Labelled as an international conference on the Kashmir freedom struggle under the auspices of the World Kashmir Freedom Movement, the panel discussions dealt with the history of Kashmir. "Indian occupation and its consequences," UN involvement, the "uprising", and the international community's role and responsibility. The Kashmiri-American Council hosted the conference at a luxury hotel in Arlington.

Out to embarrass: The organisers made what can only be described as a "deliberate and mischievous attempt" to embarrass the Indian ambassador at the United Nations, C.R. Gharekhan, by including his name in the printed programme of the conference listing the participants.

Dr. Khalid Qasi, moderator of the panel discussion on "Indian occupation and its consequences" gave the audience the impression that Mr. Gharekhan was expected to speak at the conference. Dr. Qasi said the

Indian mission at the United Nations did not think it "appropriate or necessary to let us know whether the ambassador will be available." He did not stop at that, but went on to present, by proxy as it were, the Indian representative's explanation of his government's stand on Kashmir.

Mr. Gharekhan told INDIAN EXPRESS that there had been no correspondence between his mission and the organisers of the conference, and there was no question of his participating in the conference.

The Indian missions in both Washington and at the United Nations have all along taken the stand that their representatives will not share any platform with separatist elements from Punjab or Kashmir.

Pakistan deputed a junior diplomat at the United Nations to present its views on the Kashmir issue during the panel discussions, although the ambassador at the United Nations. Mr. Jamsheed Markar, spoke at a luncheon meeting as part of the conference.

Mr. Ashraf Qureshi, first secretary, Pakistan mission to the United Nations, while declaring his government's determination to raise the Kashmir issue at the world forum "till a solution is found on the basis of relevant resolutions of UN Security Council and the spirit of the Simla agreement", made it clear that the options of the Kashmiris were limited to either remaining with India or seeking "fulfilment" with Pakistan. In other words, he ruled out the third option of independence for Kashmir. But the apparent differences over this point between Pakistan and the Kashmiris were glossed over during the deliberations of the conference.

Dr. Philip Jones, a consultant on south Asian affairs, who had visited Kashmir in November 1990, described the human rights situation in Kashmir as "catastrophic" and said Indian security forces were "out of control". He quoted an official of the American embassy as telling him that Kashmir "is providing a My Lai a day"—a reference to the American destruction of a village during the Vietnam war.

Dr. Jones said the uprising in Kashmir was an indigenous movement and not something that was set up from outside, although obviously Pakistan was "participant" and was active in providing some assistance to the agitation in Kashmir.

Lord Avebury took the U.S. state department to task for its perceptions about Kashmir. "We have a major job to educate them on what happens in Kashmir. If the U.S. has a distorted picture of the situation in Kashmir, this is going to influence the perceptions of many others who are prepared to believe anything that is put to them by Washington," he said.

Pungent remarks: Lord Avebury was particularly pungent in his broadside against the Indian authorities. No words or pictures could adequately describe the sufferings of the people in Kashmir "under the jackboot

Indian imperialism", he said. The Indian government had done its best to "hide the atrocities" committed by the security forces in Kashmir. "It is not only dictators, but also elected representatives who can sometimes preside over repeated acts of brutality", Lord Avebury said.

In his presentation, the Pakistani diplomat claimed that his country has always been "consistent in stand, conciliatory in mood, and intent on settlement". India, on the other hand, had been "brusque in manner, arrogant in effrontery, firm in denial and negative in approach".

Hindu chauvinism: Mr. Mushahid Hussain, a Pakistani journalist, said no government in Pakistan could "renege" on its commitment to Kashmir. "If it does, it will not survive for more than one day. It is a commitment not just of the government of Pakistan, but of the people of Pakistan, and it is stronger than on any other issue of concern to Pakistan," Mr. Hussain said.

The Indian state, he said, had become "more militarised and more Hinduised", and its secular character had been diluted by Hindu chauvinism. Mr. Hussain recalled that 20 years ago India intervened in Bangladesh, and said "the chickens have come home to roost, Kashmir is India's Bangladesh, and India is refusing to accept reality."

TELEGRAPH Correspondent Sirohi

91AS1367B Calcutta THE TELEGRAPH in English
15 Jul 91 p 4

[Article by Seema Sirohi: "India-Bashing at U.S. Meet for 'New World Order'"]

[Text] Washington, July 14: Kashmiri extremists, officials of the Pakistani government, U.S. rightwingers and a British lord indulged in virulent attacks on India and vowed to firmly plant the issue of Kashmir on the international agenda.

It was old-style bashing, but wrapped in the rhetoric of the "new world order." Kashmiri rights were equated with those of Kuwait and the international community was accused of having double standards for not addressing the problems of the Kashmiris. The so-called "International Conference on the Kashmir Freedom Struggle" yesterday, was supposed to be an academic exercise, according to Mr Ghulam Nabi Fai, executive director of the Kashmiri American Council (KAC). But it deteriorated into a disorganised, podium-pounding attack on India, where even serving Pakistani government officials indulged in taking cheap shots. Amid contradictions and confusion in the various factions the question of independence for Kashmir, as opposed to accession to Pakistan, was never really addressed clearly. Gruesome photographs, enlarged by the KAC's lobbying firm—Black, Manafort, Stone and Kelley, greeted the little children who ran around aimlessly as their mothers talked outside the conference room.

The conference, attended by about 300 people, was organised by the "World Kashmir Freedom Movement"—apparently an umbrella organisation controlling groups in the United States and Britain. A resolution was adopted, urging the world community to stop India's "flagrant human rights abuses" and organise a dialogue between all parties concerned, to address the issue of human rights. The resolution also called upon the United Nations to establish the necessary conditions for holding of a free and impartial plebiscite.

Among the prominent speakers were Congressman Dan Burton of Indiana, who regularly seeks to cut U.S. aid to India, Lord Eric Avebury, chairman of British parliamentary human rights group, who besides calling India "imperialist," also took the occasion to preach to the U.S. state department on how to do its business, Mr Mushahid Hussain, a Pakistani journalist who spoke with the passion of a politician in shrill tones similar to Benazir Bhutto's, when she screamed "azadi, azadi, azadi" and Mr Ashraf Qureshi, first secretary of the Pakistani mission to the United Nations, who droned on for 11 pages on the many proposals on Kashmir rejected by India. Of course, he "forgot" to address the issue of independence, as demanded by the Jammu and Kashmir Liberation Front (JKLF) and proceeded to moralise about Pakistani "consistencies" and Indian "arbitrariness."

Congressman Burton, after his weekly quota of India-bashing, revealed the ill-kept secret that the KAC's Mr Fai was introduced to him by his "good friend", Dr Gurmit Singh Aulakh, self-styled general of Khalistan. The two lobbies have been working together for the past two years with the blessing of the Pakistani government. Mr Burton ridiculed the Indian ambassador (without specifying the name) for not sending him a visa to visit Kashmir and Punjab. He advised the Kashmiris and Khalistanis on how to turn the U.S. Congress around to their side. He said they should force the media to address the issue by regularly keeping in touch with newsmen. "We care about human rights violations only if we know about them," he said. Of course, Mr Burton abhors these violations selectively, choosing to ignore them in El Salvador and South Africa. He did not vote for the U.S. sanctions imposed by the Congress in 1986 and has consistently argued in favour of the Salvador government which is widely accused of operating death squads.

Lord Avebury said the issue of Kashmir should be raised through the UN committee on decolonisation to free the region from "under the jackboot of Indian imperialism." Indian moves in Kashmir constitute colonisation, he said. The subject should also be raised at the meeting of the UN subcommittee on minorities in Geneva next month and efforts should be made to get Kashmir back on the agenda of Security Council, Lord Avebury said. He criticised the U.S. state department for using the "pejorative term, militant" for Kashmiri fighters and said the "distorted picture" presented by the U.S. administration is likely to be followed by others. He also chastised U.S. officials for using elections as a "be all and

end all" test for a government's dedication to minority rights. Sri Lanka and El Salvador have had elections but human rights violations abound there, he said. Congressman Burton moved uncomfortably in his seat when El Salvador was mentioned.

The Pakistani government's representative, Mr Ashraf Qureshi, listed a series of proposals by various countries, which he claimed India had rejected though Pakistan had been willing to go along. "Whether India likes it or not, the Security Council resolutions on Kashmir are just as valid today as when they were adopted," he said. He and various other speakers on the panel repeatedly said the Indian ambassador to the United Nations, Mr C. Gharekhan, was not there to present, India's side of the story. The ambassador's name had been listed on the programme in a mischievous bid to draw attention to his absence; although he had never accepted the invitation. Mr Qureshi went on to say that it was "for the people of Jammu and Kashmir to decide whether they would prefer to seek their fulfilment with Pakistan or with India." The absence of a choice for complete freedom—the ostensible reason for calling the conference—was sidestepped by the diplomat in typical manner of Pakistani diplomacy.

But a person representing the "provisional government of the independent state of Jammu and Kashmir," took Mr Qureshi to task loudly and openly during the lunch break for his failure to address the independence issue. Mr Iftekar Chaudhary also questioned the diplomat about the arrest of Mr Mumtaz Rathore in the Pakistan-occupied Kashmir after the election there. The diplomat shuffled his feet and said he was only an employee of his government. The confrontation showed the deep divisions and contradictions of the movement to which the Pakistani government is trying hard to give a concrete shape. Mr Chaudhary was at variance with Mr Fai but pretended to keep the appearance of togetherness for the day. There was also a random sprinkling of African Muslims, including women, at the conference.

A newsman, Mr Mushahid Hussain, lashed out at India and condemned the "Hiduisation" [as published] of the country. He said the "myth of Indian invincibility" had been shattered and its secular, liberal and progressive image was being corroded daily. He went to the extent of saying that Indian brutality "far outweighed" the Iraqi brutality in Kuwait. Equating the Indian role in Kashmir with that of Israel in the occupied territories, Mr Hussain said the Army was committing crimes against humanity. He quoted the Indian analyst, Mr Bhabani Sengupta, as saying that only one Muslim supported the Indian government, and that was Mr Farooq Abdullah. He also quoted from Mr M.J. Akbar's new book, *Kashmir—Behind the Vale*, and said Sheikh Abdullah was arrested on trumped-up charges. The book has been banned in Pakistan. Speaking as a loud politician, he seemed to have shed his journalistic robe for the day.

Effects of Soviet Changes on Bilateral Trade

91AS1363A Bombay THE TIMES OF INDIA
in English 25 Jun 91 p 10

[Article by Alop Mittal: "Indo-Soviet Trade: Death and Rebirth"]

[Text] Indo-Soviet economic cooperation is governed within the overall ambit of the Indo-Soviet treaty of peace, friendship and cooperation first signed in 1971, which incidentally expires in 1991.

The annual trade plans are formulated at the beginning of each year and in spite of radical changes in Indian rupee [Rs.] trade agreements with several other countries, the Indo-Soviet trade agreement in special bilateral currency has been extended in principle, by both sides for another five years i.e. up to 1994-95. The annual agreement for the current period envisages an overall trade of approximately Rs 10,000 crores by 1992.

Founding Principle

The founding principle of the bilateral trade formulation between India and the Soviet Union was based on the balancing of the two-way trade. The trade plan for 1990-91 envisages a turnover of over Rs 9,411 crores.

In 1989-90, exports from India to the Soviet Union were to the tune of Rs 4,463 crores against imports for the same period of Rs 2,038 crores. In 1990-91, the figures were Rs 4,902 crores and Rs 2,350 crores respectively.

Thus with the Indian exports consistently outstripping imports from the Soviet Union, the balance of trade favours India and has led to a pressing shortage of rupee funds in the Soviet Union. To check this imbalance in Indo-Soviet trade, foreign trade organisations in the Soviet Union have been asked to secure import licences for all Indian imports even if it is covered under the bilateral trade agreement.

There are several reasons for these trends.

(1) The overall chaotic conditions in the Soviet Union due to its transformation from a centrally planned to a market economy. Thus, radical Soviet foreign trade reform has introduced a very severe element of uncertainty in Indo-Soviet trade as well.

(2) The transition of most of the buying organisations from central to self-control with the resulting delays in the present transition period due to lack of organisational infrastructure, inexperience and near-total lack of exposure to the Indian market in the newly-created operation level of bureaucrats and technocrats.

(3) A fancy in the newly liberated system for dealing in hard currency areas only.

(4) The extreme constraints on choice of purchaseable products from the Soviet Union due to obsolete technology, lack of information, uncertain deliveries and non-commercial approach thus restricting rupee funds with the Soviets.

(5) The non-availability of spares and balancing machinery due to strikes and closing down of factories in the Soviet Union for state-aided industries and projects and even defence requirements of India.

(6) The stringent new controls by the Indian government on value-addition norms for export of products to the Soviet Union having high import content financed in hard currency.

(7) The reluctance of the Soviet Union to supply the committed quantities of crude oil and petroleum products since it is readily saleable in hard currency the world over and also due to overall fall in production of this item in the Soviet Union. (The target of 4.5 million tonnes of petroleum products for this year may not be met.)

(8) The perennial problem of the rupee-rouble exchange rate adjustments between the two countries.

(9) The severe stunting of the total Soviet requirement of Indian products in view of the near-stoppage in diversion of Indian goods by the Soviet Union to its East European allies and other countries.

(10) The partial non-utilisation of Soviet credit of over Rs 15,000 crores for economic assistance in various projects in India.

Thus, over these years, deep-rooted distortions in bilateral trade have set in causing severe constraints in achieving the targets of such trade which was basically founded on balancing of import and export turnover between the two countries. It is in spite of the relatively unknown fact that whatever the Soviet Union buys from India, 30 per cent of its rupee requirement is met out of the repayments by India of various loans taken from the Soviet Union.

The crucial question, therefore, is whether this bilateral currency agreement will function in practice up to 1995 as envisaged originally in view of the sweeping radical changes taking place the world over. The indications from both sides are that the agreement in its present form may come to an end much earlier and may be in 1991-92 itself due to the compulsive desire of both sides to switch over to hard currency as soon as possible.

A lot depends on the new directions being given by the political leadership, specially in the Soviet Union and also on the Indian initiative at this critical juncture. The Soviet economic reforms offer considerable opportunities for Indian joint ventures. Many companies have already taken the lead in the areas of industry and tourism. There is tremendous scope for increasing joint

ventures in several other areas where there is an abundance of cheap natural resources in the Soviet Union with the rider of umpteen incentives and free trade zone for export worldwide.

Lack of Exposure

Due to insufficient knowledge and lack of exposure on the part of newly-formed organisations in the Soviet Republics, Indian companies which take the lead in selling Soviet products internationally which have so far either been consumed locally or were allowed to be wasted, will also have successful business on a long-term basis for export of Indian products to the Soviet Union.

Though this is a period of transition, Indian exporting companies cannot ignore the potential of the Soviet market which has been importing 15 per cent to 18 percent of the total Indian exports. It would be to the business community's advantage to quickly adjust to the new relations and to make inroads in the newly-created organisations to go into joint ventures and to think of a long-term business relationship, based on mutual trust and cooperation rather than short-term gains. It would call for quite a change in attitude on the part of Indian businessmen who have looked to this market for short-term gains under the overall protective umbrella of the bilateral trade agreement which is bound to die sooner than expected.

(The author is a bank executive with considerable experience in rupee trade).

Report on Soviet Letter to Assam Government

91AS1316A Calcutta THE STATEMENT in English
12 Jul 91 p 1

[Text] Guwahati; July 11.—In a strongly worded letter, the Soviet Government demanded from the Assam Government today either information about the kidnapped Soviet engineer, Sergei Gretchenko, or his body. The letter, delivered through the Consulate-General of the USSR in Calcutta sought the intervention of the Assam Government in this regard "in accordance with international law" and in the interest of "the friendly relation between the two countries".

According to PTI [Press Trust of India], the center tonight asked the Assam Government to take "firm action" against the kidnappers, highly placed sources said. The Army had been placed at the disposal of the State Government.

The Soviet Government letter, which was read out to the Press by a Government spokesman, said that media reports stated that Gretchenko had been killed by ULFA [United Liberation Front of Assam] militants. The Soviet Government wanted "to be given" the official note prepared by the Assam Government in this regard. "In case of confirmation by the Government of Assam of the fact of this terrible crime against Mr S. Gretchenko we expect that official information concerning the place

and circumstances of the death of the Soviet specialist" should be given to the Soviet Government and his body "should be handed over by the authority of Assam to the representatives of the USSR Consulate-General who are in Guwahati now", the letter stated.

"The Government views this with great concern and asks for the release of Mr Gretchenko or the handing over of his body to the administration forthwith", the spokesman said. "The Government would also ask the ULFA immediately to release all the abducted officials", he added.

Four Russian nationals—a mining expert, an interpreter and his wife and child—posted at the Coal India project at Margherita in Upper Assam were airlifted in a special aircraft to New Delhi yesterday for security reasons, adds PTI.

Latest official reports reaching here tonight said that the interpreter, his wife and the child resisted when armed ULFA militants stormed into their residence in a bid to kidnap them. The ULFA militants failed to abduct the interpreter owing to resistance and in the scuffle they sustained minor injuries. One of the ULFA militants was also injured in the scuffle.

PRC Prime Minister Invited to New Delhi

91AS1314A Calcutta THE TELEGRAPH in English
3 Jul 91 p 4

[Text] New Delhi, July 2: The Chinese Premier, Mr Li Peng, may visit New Delhi later this year, according to indications available here. A spokesman for the external affairs ministry said today that the new Prime Minister, Mr P.V. Narasimha Rao, had reiterated India's invitation to Mr Li Peng and his visit could "possibly" take place later this year. He clarified, though, that no dates had yet been fixed.

Mr Li Peng was to have visited India last December but the trip was postponed in view of the political instability prevailing at that time. The original invitation to Mr Li Peng had been extended during the China visit to the late Rajiv Gandhi in December 1988. Two Sino-Indian committees had then been set up, one a joint working group to ensure peace on the border, and another, to further economic ties.

There has been a recent exchange of letters between the two Prime Ministers with Mr Li Peng congratulating Mr Narasimha Rao on assuming office and reiterating the hope that "good Sino-Indian relations based on the principles of Panchsheel" will continue.

Regional Affairs

Kashmir Inspection Bid Rejected

91AS1239A New Delhi PATRIOT in English
2 Jul 91 p 6

[Text] The Central Government has rejected militants' demand for UN or Amnesty International representative

to visit Jammu and Kashmir as it would mean succumbing to pressures of criminals, according to well placed sources.

The question of negotiating with any international agency did not arise, they said. Today it was Kashmir, tomorrow it would be Punjab. The UN has no locus-standi in Jammu and Kashmir as its role ended in 1971 when the UN mission remained a mute spectator to the Pakistani aggression, sources pointed out.

Meanwhile, the Ministry of External Affairs said that no such request had been received from those organizations to visit India. "We are dealing with state-sponsored international terrorism", he said adding that "Indian state will not bargain with criminals".

Director in the Israeli foreign office Moshe Yegar on Monday met officials of the External Affairs and Home Ministry to discuss the attack on Israeli tourists in Jammu and Kashmir. The Indian officials apprised him of the steps taken to trace the kidnapped Israeli tourists and reiterated the country's willingness to assist Israel in getting all possible information about the incident.

The spokesman described as "unfounded and baseless" the allegations appearing in certain section of the Pakistani press that these tourists were agents of the Israeli Secret Service Organization "Mossad".

The spokesman also clarified that Indian Tourism operations were carried out without any prejudice or bias towards race, color or creed. He said that the allegation in the Pakistani press were without any foundation whatsoever.

The allegations were an "attempt to draw away the focus of attention away from the activities of some groups operating from Pakistan controlled territory, the spokesman said [quotation marks as published]. Earlier also, these groups were directly involved in kidnapping and other crimes against innocent civilians in Jammu and Kashmir.

Embassy in London Campaigns on Kashmir Issue

91AS1366A Madras *INDIAN EXPRESS* in English
14 Jul 91 p 1

[Text] London, July 13 (PTI)—India has mounted a counter-offensive to neutralise the anti-India tirade of the pro-Pakistan lobby here on the Kashmir issue.

Indian High Commissioner L.M. Singhvi has been consistently briefing British MPs [members of Parliament] individually and in groups to put the records straight on Kashmir and human rights issues.

He invited a group of British MPs at a lunch at India House on July 10 to put across the Indian view point on Kashmir and answered their queries on various issues including the human rights aspect.

Dr. Singhvi told Mr. David Young, MP, that India unlike Pakistan was a signatory to the convention on civil and political rights and that the United Nations Human Rights Committee had looked into the question of human rights in India more than once.

Moreover, there is an elaborate complaints procedure in the UN system and anyone can invoke it for human rights violations, Dr. Singhvi said, adding that the UN machinery was adequate and efficacious.

Mr. Max Madden, a Labour MP from Bradford West with a sizeable population of Asian Muslims, who invariably takes a pro-Pakistan stand on Kashmir, was also present. Also present were Mr. Terry Davis, MP from Birmingham, Mr. Stan Crowther, MP, Mr. Brian Davis, Secretary, Parliamentary Labour Party and Mr. Keith Vaz, MP Leicester East.

Some MPs belonging to the ruling Conservative as well as the opposition Labour Party appear to be trying to placate the one million strong Asian Muslim community in Britain with an eye on the next general elections. The Muslims are a deciding factor in a number of parliamentary constituencies in the Midlands and Yorkshire.

Terrorism: Dr. Singhvi voiced India's concern over the dastardly acts of terrorism some militants in Kashmir had indulged in and recalled the kidnapping of the daughter of then Home Minister Mufti Mohammed Sayeed, the cold-blooded murder of an editor of a newspaper in Srinagar who had dared to criticise some of the activities of the extremists, and very recently, the kidnapping of two Swedish engineers, the killing of one and kidnapping of other Israeli tourists.

He also pointed out to the recent kidnapping of Indian Oil Corporation official Mr. Doraiswamy and said that the media in Britain often was misled by the version of the terrorists.

In this context, he cited the recent news report that one of the Swedish engineers had been injured in cross-fire by the Indian security force. The fact of the matter was that the militants fired and injured them to intimidate them and to torture them.

The terrorist version did, however prove the point often made in the past by Indian government that there are occasions when innocent bystanders or prisoners are killed or injured in crossfire between security personnel and the terrorists and those are not cases of fake encounters or deliberate liquidation of human beings, Dr. Singhvi said.

Dr. Singhvi pointed out to the British MPs that bilateral consultations had been and continued to be an effective means of resolving a broad range of problems between India and Pakistan and that a series of discussions took place periodically at foreign secretary level between the two countries and the two foreign ministers have also met from time to time.

These had resulted in a number of agreements and confidence building measures as envisaged under the Shimla agreement.

He said Pakistan was obliged to discuss all problems, including the Kashmir issue, bilaterally with India under the Shimla agreement.

In fact, the government of Pakistan itself had accepted the principle of bilateralism and has not disavowed and cannot disavow the Shimla agreement which is a binding treaty, the high commissioner said.

Pakistan Seen Playing Nefarious Game in Kashmir

BK2707141791 Delhi All India Radio General Overseas Service in English 1010 GMT 27 Jul 91

[Commentary by Harbhajan Singh, the editor of INDIAN OBSERVER: "Nefarious Pak Game in Kashmir"]

[Text] India will have to evolve, rather soon, a clear-cut policy to deal with firmly the situation in Kashmir. The union home minister has, of course, already started a political dialogue to resolve the problem created by Pak-sponsored militancy in the Kashmir Valley. The dialogue has been combined with stringent measures to ensure that the Pak-trained militants do not cross the border at will. Along with the deployment of the paramilitary forces to raid hideouts and flush out the militants, efforts are also being made to combat militants by creating a public opinion against them. But, there is a need to do a lot more, keeping in view the two-pronged Pakistan strategy to take over Kashmir through proxy war.

Pakistan's approach or the events in the border state speak of the nefarious designs and the evil eye that Pakistan has on Kashmir. Pak has already made three abortive attempts to annex Kashmir from India. Therefore, India should not take events in Kashmir in their isolated happenings. Pakistan has adopted a twin strategy of pushing in trained militants in the state and encroaching upon the no-man's land to keep Indian and Pakistani forces at safe distances from each other. Intermittent firing has been flaring up between Pakistani and Indian troops along the line of actual control, especially in 50-km stretch in Rajaori, Punch, Keran Sector in Kashmir Valley, and the Siachen Glacier. In the past two years, Pakistan has succeeded in pushing into Jammu and Kashmir several thousand militants in small and big groups along with arms and ammunition after giving them weapons and training in several camps in Pakistan-occupied Kashmir. In fact, Pakistani strategists are convinced that the Kashmiri Muslims' alienation from India is complete and they are trying to convert (it) into a pro-Pakistani sentiment by using their traditional Islamic card. While support to the JKLF [Jammu and Kashmir Liberation Front] has gradually been reduced, new Islamic militant outfits—like the Hizbul Mojaheedin—have been sponsored.

In the past two years, the Indian troops have intercepted and arrested about 2,000 militants along the line of actual control and border villages and seized arms and ammunition following stepped up vigil. Yet, the thrust by Pakistan to send more and more militants inside the state is continuing. Over 700 militants on the five-km border belt have been killed by the security forces during the last two years. The arms and ammunition recovered from militants in the border areas include 1,500 AK-47 rifles, 120 machine guns, 150 rocket launchers, 400 rockets, 800 antipersonnel mines, 100 antitank mines, 900 pistols, 2.25 lakh rounds, 2 tons explosives and other materials.

The Indian defense minister has already told Pakistan that India's military was capable of giving a befitting reply to any offensive from Pakistan. But Pakistan continues to follow a dangerous course of sending infiltrators from across the Indo-Pak border. Pakistan's thrust is becoming two-pronged. First, they have decided to use terrorism to achieve what they have so far failed to do politically. Secondly, they have developed a strategy of destabilizing India and pushing it into the vortex of unpredictable developments that would weaken its dedication to the democratic ideals of secularism and social justice. But that is not all. There are internal factors in Pakistan at work—a ground swell of ethnic dissensions and hostile cultural incompatibilities, crossing the point of reconciliation. The possibility of disintegration of Pakistan as a federated state is sending a chill on the spine of the Pakistani ruling elite.

The inverse logic which makes Kashmir and Punjab the focus of Pakistani plotting [is] largely a measure of diversion. Moreover, the post-Zia democratization has not been able to restrict the forces of Islamic fundamentalism. America has already warned Pakistan to desist from its dangerous path and adhere to the spirit of the Simla Agreement for sorting out its problems with India, if any. Pakistan's efforts to acquire the latest war machines and nuclear capability from China and other sources has even made America stop aid to Pakistan. But that does not seem to be having the desired impact on the greedy eyes of Pakistan that are looking forward to grab Kashmir by force. Pakistan has also asked its diplomatic missions abroad to intensify its anti-India tirade on the Kashmir issue. A top aide of Prime Minister Nawaz Sharif said the missions had been told to highlight the Kashmir problem more effectively at the international level. Accordingly, Tariq Farooq, adviser to Mr. Sharif, is repeating allegations of human rights violations in Kashmir and claims that the liberation movement has now reached a very crucial stage, and there is a need for stepping up practical support to the Kashmiri Muslims. Similarly, Islami Jamhoori Ittehad leaders have spoken about extending all support for the secessionists in Kashmir. A concerted publicity campaign through audio, video and print media to canvass support for the cause in Kashmir and outside India has already started in a big way. It is time for India to take a firmer note of the developments.

Indo-Pakistan Talks Planned for September

91AS1237A Madras *THE HINDU* in English
5 Jul 91 p 7

[Text] Male, July 4. India and Pakistan yesterday agreed to discuss a series of bilateral issues by next month, leading to the fifth meeting at the Foreign Secretaries level in September. The Foreign Secretary, Mr Muchkund Dubey, told Indian newsmen after what he described as "good discussions" with his Pakistani counterpart, Mr Saharyar Khan, that this was the first time that Islamabad had agreed to discuss some of the frozen issues.

"After two or three years they have agreed to discuss it," he said.

Another issue that would come up for discussions between the two countries was the Sirkreek land boundary in the Kutch region, as both countries realized that unless this was done the maritime boundary between them cannot be demarcated, he said.

The demarcation of the maritime boundary between the two countries had assumed great importance because it had all-bearing structures.

Mr Dubey said the two countries also decided to resume bilateral consultations on prevention of drug trafficking. The series of discussions will culminate in the Foreign Secretaries level talks in the first week of September.

Meetings With Pakistani Officials in Male**Foreign Ministers' Talks**

91AS1310A Madras *INDIAN EXPRESS* in English
5 Jul 91 p 19

[Text] New Delhi, July 4—The Indian Foreign Secretary, Mr Muchkund Dubey, has protested to his Pakistani counterpart, Mr Shahryar Khan, against Pakistan's "unabated assistance and abetment" to terrorists in India.

He is understood to have told Mr Khan that this continuing aid to terrorists and the large scale propaganda offensive launched by Pakistan on the Kashmir issue could not be reconciled with that country's publicly declared objective of normalization ties with India.

Mr Dubey dwelt at length on the kind of propaganda Pakistan has been carrying on about Kashmir, its efforts to internalize what is essentially a bilateral matter and the fact that the Kashmir issue is being sought to be raked up in every forum.

India's protest formed part of the hour-long discussions the two Foreign Secretaries had during the SAARC [South Asian Association for Regional Cooperation] meet in Male on Wednesday.

Giving details of the talks, a Foreign Office spokesman said the schedule of bilateral meetings between the two

countries for the next two months was also discussed. Among the meetings on the anvil is the fifth round of Foreign Secretary level talks, slated to be held sometime in July or August.

As a result of the informal talks at Male, which were a sort of run-up to the formal talks to be held later, Pakistan has agreed for the first time in two years to discuss the controversial Tulbul navigation project.

Pakistan had complained to the rivers commission that the barrage being built by India on the Wuller lake violated the Indus Waters Treaty of 1960 because it would hold back more than the quantum of water allowed to India under the treaty. Following the Pakistani complaint, India had stopped work on the barrage over two years ago and since then Pakistan has consistently refused to discuss the issue.

Pakistan has also agreed to a meeting on the land and maritime boundaries. All these issues will be brought up at different meetings before the first week of September.

Although Pakistan had agreed to further talks on the existing treaty for non-attack on nuclear facilities, the spokesman said, the discussion on this was not very meaningful because Pakistan had yet to give India a list of its nuclear facilities. The treaty could not be effective without this list although both the countries had ratified it, the spokesman pointed out.

Foreign Secretaries Meet

91AS1310B Madras *INDIAN EXPRESS* in English
5 Jul 91 p 19

[Text] Male, July 4 (ANI [Asean News International])—India and Pakistan have decided to hold the fifth round of Foreign Secretary level talks in September of this year. This was agreed upon on Thursday during a one-to-one meeting between External Affairs Minister Mr Mahavsinh Solanki and the Pakistani Planning Minister Mr Hamid Nasir Chattha.

Speaking with ANI Mr Solanki said that the fifth round of Foreign Secretary level talks in September would concentrate on the outstanding issues such as demarcation of the maritime boundaries between India and Pakistan. The two also agreed to resume the stalled talks on the Wular barrage in Kashmir to whose construction Pakistan has objected. Pakistan had contended that the barrage was intended to deprive Pakistan of water while India has maintained that her concern is only of ensuring navigation. Drug trafficking is another issue which the two countries will take up during the foreign secretary level talks in September.

Even as the Indian External Affairs Minister Mr Mahavsinh Solanki had a formal meeting with the Pakistani Planning Minister Mr Hamid Nasir Chattha and the Foreign Ministers of Bangladesh and Sri Lanka the Indian Foreign Secretary, Mr Muchkund Dubey urged his Pakistani counterpart, Mr Shaharyar Khan to set up

bilateral dialogue with India on various issues and set the stage for the next round of Foreign Secretary level talks.

While discussing larger issues of Indo-Pakistan relations, Mr Dubey pointed out to Mr Khan the incongruity of a situation in which Pakistan felt to train and equip militants in Kashmir and to carry on an intense anti-India propaganda in world forums and simultaneously professing to be a friendly neighbor. He also drew attention to Pakistan's well-orchestrated but asymmetrical propaganda drive on the nuclear issue. India had never acquired nuclear weapons and likewise; it was committed to oppose the idea of nuclear free zones.

Prisoners Exchanged With Pakistan

91AS1230A Bombay THE TIMES OF INDIA
in English 16 Jul 91 p 9

[Text] Wagah, (Amritsar), July 15 (UNI): India and Pakistan exchanged 76 prisoners at the joint border check-post here today.

Officials involved in the repatriation exercise, said the Indian authorities handed over 39 prisoners to Pakistan while their Pakistani counterparts handed over 37 Indians all of whom have been languishing in various jails across the border for the last two to three years. All the Pakistani prisoners had been transported to Amritsar a few days ago from jails in Gujarat, Rajasthan and Punjab and subsequently brought to the check-post this morning.

Among the senior officials present to oversee the repatriation were Mr Sudarshan Sharma, second secretary at the Indian embassy at Islamabad and Mr Naseer-ud-Din Sahel, officer on special duty with the Pakistan home department at Lahore.

The prisoners stood in blistering heat without water waiting for their names to be called. Mohiuddin (75), and Indian national, virtually collapsed as he crossed over to the Indian territory at the check-post.

All the prisoners who were handed over to the Indian authorities told journalists endless tales about the inhuman conditions in Pakistan prisons, particularly at Kot Lakhpat, near Lahore. The physical condition of the prisoners spoke of the insufficient food they were served in jail and poor medical facilities.

In fact, three of these prisoners had been tortured and had lost their mental balance.

Narrating his woes, Balkar Singh, a resident of Kaliwali in Faridkot district of Punjab, who had crossed over to Pakistan in 1988 and was subsequently arrested near Lahore, said during the past one month at least three Indian prisoners had died.

Disagreement With Pakistan on Transit Visas

Protest to Pakistani Charge

91AS1311A Calcutta THE TELEGRAPH in English
7 Jul 91 p 4

[Text] New Delhi, July 6 (PTI [Press Trust of India]): India today conveyed to Pakistan its strong displeasure and disappointment at the unilateral suspension of transit facilities for Indian nationals by Islamabad and warned that it may have to review its own policy.

According to official sources, the charge d'affaires of the Pakistan high commission here, Mr Shafqat Kakakhel, was summoned to the external affairs ministry this evening.

Mr Kakakhel was told of New Delhi's concern over the Islamabad action which had come at a time when serious efforts were being made by the new Indian government to improve bilateral ties.

The sources hoped the government of Pakistan would see reason and desist from taking any action which would mar the relations between the two countries.

The external affairs ministry spokesman earlier told newsmen that the Pakistani allegation that the transit facilities were being misused by Indian nationals was "totally false." Pakistan yesterday announced suspension of transit facilities for Indians.

The spokesman said the Pakistani statement was a red herring designed to cover up its own involvement in terrorism and subversion in India.

It was meant to divert public attention at a time when Pakistan was increasingly being recognised as a "state sponsor of terrorism," the spokesman said.

To accuse transiting Indian nationals of creating law and order problems in Pakistan was "malicious propaganda, a travesty of fact and shows a callous disregard for international norms and procedure-applicable to the transit of people through individual countries," he said.

If there was a breakdown in law and order in Pakistan, it must be attributed wholly to the "self-serving policies of the government of Pakistan," the spokesman said.

In particular it could be attributed to the "brutal suppression" of human rights and democratic aspirations of the people, especially in Sindh and Baluchistan, the spokesman said.

On reports in the Pakistani Press that there were a large number of illegal Indian immigrants in Pakistan, the spokesman said this was "a total fabrication" as Pakistan was a highly restrictive visa regime.

"Moreover, to brand innocent persons who visit Pakistan to meet relatives as intelligence agents and terrorists

is not only a distortion of fact but displays an attitude of insensitivity and indifference towards basic human considerations.

The spokesman hoped that the scheduled of bilateral talks between India and Pakistan including at the foreign secretary level would "not get derailed".

Official sources said in the past few months not only were visas being reluctantly granted by Pakistan, the police check was also not being waived for eminent persons.

The Pakistani suspension of transit facilities for Indians was a clear and unilateral violation of the bilateral visa agreement and decisions taken at the July 1989 meeting of the Indo-Pak Joint Commission here.

Chandra Shekhar critical: The former Prime Minister, Mr Chandra Shekhar, has criticized the Congress(I) government for taking major economic decisions before proving its majority in Parliament and regretted that the President, Mr R. Venkataraman, had "failed to restrain" it.

The Samajwadi Janata Party spokesman, Dr Subramanian Swamy, told newsmen here today that Mr Chandra Shekhar had expressed these views during a meeting he had here last night with party leaders to review the party's performance at the polls last month.

According to Dr Swamy, Mr Chandra Shekhar was of the view that the P. V. Narasimha Rao government was taking major decisions of "far reaching implications" on economy without consulting the Opposition or waiting till the trial of strength.

Dr Swamy said Mr Chandra Shekhar wondered "why Rashtrapati Bhawan adopted different standards" while dealing with SJP [Samajwadi Janata Party] and Congress(I) governments.

The former Prime Minister felt that Rashtrapati Bhawan was "very active" when the SJP was the caretaker government and had restrained the government from implementing some of the power projects and appointments to diplomatic posts, Dr Swamy said.

Assurance From Pakistan

91AS1311B Calcutta THE STATESMAN in English
9 Jul 91 p 7

[Text] Islamabad, July 8—Pakistan today assured India that it had no intention of unilaterally imposing visa restrictions or withdrawing existing transit facilities for Indian passengers at its airports, reports PTI.

This was conveyed by the Pakistani Foreign Secretary, Mr Shaharyar M. Khan, to the Indian High Commissioner, Mr J. D. Dixit, who called on him at the Foreign Office to seek clarifications on reports appearing in the Pakistani Press.

The reports quoting sources in the Federal Interior Ministry and the Federal Investigation Agency had stated that Pakistan had withdrawn transit facilities at its airports to Indian passengers since it had been "gravely misused" by the Indians.

Mr Dixit pointed out that if the reports regarding new restrictions were correct, it was an erosion of the visa agreement arrived at between the two countries.

Mr Khan said no new restrictions were being clamped for the Indian passengers. He also rebutted reports that existing facilities were being withdrawn.

He, however, indicated that the existing visa rules were being implemented a little more strictly.

He pointed out that the India-Pakistan visa agreement states that no visa is required for nationals of either country whose transit is [words missing] than 24 hours, but that in [words missing] cases, their stay shall be [words missing] to the area in the airport set apart for international transit passengers.

However, transit visas continue to be issued to bona fide Indian passengers for a stay up to 72 hours.

The Pakistani Foreign Secretary said if India were to review its visa policy towards Pakistan to prevent unauthorized entry, the Government of Pakistan was ready to extend its cooperation in this regard.

The Pakistani High Commissioner in New Delhi, Mr Abdul Sattar, who is in Islamabad for consultations, was present during the meeting.

Mr Dixit is leaving for New Delhi tomorrow for consultations with the Foreign Minister, Mr Madhavsingh Solanki, and other Government leaders.

Official sources here said a series of meetings between the two countries are scheduled to take place in July end and in August. Measures to tackle illicit drug trafficking, issues relating to Sir Creek and the Tulbul Navigation Project and further discussions on confidence building measures between military experts of the two countries will be discussed.

The fifth round of Indo-Pak talks at the Foreign Secretaries level is likely to be held in early September, according to Mr Shaharyar M. Khan. He said here that Pakistan had suggested the first week of September for holding the talks. "We are now waiting for confirmation in this regard from the other side".

Earlier [words missing] the SAARC [South Asian Association for Regional Cooperation] summit in Male, Mr Madhavsingh Solanki stated, "We are moving towards upgradation of talks with Pakistan".

Mr Khan said the Kashmir issue and other confidence-building measures would be taken up for discussion during the parleys.

Replying to a question, he was quoted as saying that Pakistan was ready to discuss the issue of non-proliferation of chemical weapons with India. "We would like to have a response on this from the new Government in New Delhi".

Meanwhile, the Secretary General of Foreign Affairs, Mr Akram Zaki, has stated that Pakistan would like to have the best of relations with India to establish peace in the region.

He told Dawn, the Pakistani daily, that settlement of the Kashmir issue was essential for the normalization of bilateral relations.

Replying to a question, he said if any change was being contemplated in Pakistan's policy approach towards India, it actually reflected Islamabad's desire to find a way out of the impasse and embark on a meaningful exercise to bring peace in the subcontinent. He hoped India would respond positively to Pakistan's signals in this regard.

He confirmed reports that Pakistan's High Commissioner in New Delhi, Mr Abdul Sattar, had been given a one-year extension in his present post.

A temporary visa office of the High Commission for Pakistan will be opened in Hyderabad on July 13 and 14.

Army Retirees Said To Spy for Pakistan

91AS1301A Bombay THE TIMES OF INDIA
in English 22 Jul 91 p 1

[Text] New Delhi, July 21 (UNI). Crime branch sleuths have arrested two former army officials and charged them for entering into criminal conspiracy to sell defence documents to Pakistan.

According to official sources, Hasinuddin Khan and Mohammad Israr, both belonging to Uttar Pradesh, were arrested under the Official Secrets Act by the crime branch police.

Khan was allegedly caught red-handed while passing on classified documents to one Razzaq Ahmad of the Pakistan high commission in the Karol Bagh area. The classified documents pertained to the location, strength and logistics of army units in various parts of the country.

The sources declined to give further details since the case pertained to violation of the Official Secrets Act.

Razzaq Ahmed, whose designation is yet to be known, has not been arrested.

The police chargesheet was filed in the court of Delhi's chief metropolitan magistrate early this week. The court has allowed the prosecution plea that the proceedings be held in camera.

Internal Affairs

President Said To Influence Punjab Decision

91AS1241A Madras INDIAN EXPRESS in English
2 Jul 91 p 1

[Article by Prabhu Chawla]

[Text] New Delhi, July 1—Even as the sudden postponement of the Punjab elections hours before polling continued to baffle the nation, it is now clear that the President, Mr R. Venkataraman, played a key role in the decision.

When all attempts by the Congress-I failed to force the then Chandra Shekhar government to succumb to pressure and announce the postponement, President Venkataraman himself got into action.

On the afternoon of June 19, just as it became clear that a Congress-I government was assuming office at the Center, the President spoke to the then Prime Minister, Mr Chandra Shekhar, and pleaded with him that he should order the postponement of polls in Punjab. He suggested that the former Prime Minister, while announcing the postponement, could also make it clear that he would like the new government to take a similar stand. The President told Mr Chandra Shekhar that the postponement was essential because of the adverse reports he was getting from his own sources.

Shekhar's stand: The Prime Minister then apprised the President of the government's point of view and made it known that under no circumstances he would postpone the elections in Punjab. He went to the extent of advising the President that if he was so keen on the postponement, he (the President) could invite Mr P.V. Narasimha Rao to be sworn in as Prime Minister immediately and then make him do the job.

Mr Chandra Shekhar told INDIAN EXPRESS, "When it was suggested to me that I should order the postponement, I told the President that this decision would be worse than the Operation Bluestar of 1984."

It was only after Mr Chandra Shekhar's flat refusal that things began to move fast. The first to change his colors was obviously the Chief Election Commissioner, Mr T.N. Seshan.

On June 19, seemingly unaware of the talks between Mr Chandra Shekhar and the President, the irrepressible Mr Seshan announced to the press in course of his daily briefing that the commission ad not come to the conclusion that the elections in the state should be postponed. The election arrangements were complete, he had announced.

Few hours later, Mr Seshan also assured the Punjab Governor that unless the latter threw his hands in despair in terms of security arrangements, he would not postpone the elections.

It was on Mr Seshan's assurance that Gen Malhotra went on the air appealing to the Punjab voters to turn out in large numbers without fear to cast their votes.

President gets into action: On June 20, however, when it became clear that the Congress-I government would assume office at the Center, the President went into action. Mr Seshan called on the President with a notification reconstituting the 10th Lok Sabha. After his return from this meeting, the CEC [Chief Election Commissioner] spoke a different tune. In place of his earlier firm and categorical stand about holding elections in Punjab, he became ambiguous. When questioned by newsmen he replied, "The announced schedule for Punjab elections stays until it is changed."

But while Mr Seshan was still dithering on the issue, the newly elected Congress-I Parliamentary Party leader, Mr P.V. Narasimha Rao, was calling on the President for staking his claim to form the government. Surprisingly, instead of consulting other Opposition leaders about the stability of the government, the President extended his heartiest and on-the-spot invitation to Mr Narasimha Rao.

Armed with the invitation, the Prime Minister-designate held a detailed meeting at his 9 Motilal Nehru Marg residence with political leaders and some government officials. The officials had gone to him for a briefing.

Rao's subtle hints: Mr Rao, without giving the officials any direction, dropped subtle hints that he and his party would like the Punjab elections to be postponed. Mr Rao even spoke to the then Law Minister, Mr Swamy, and requested him to use his good offices for getting the Punjab election postponed. Mr Swamy, however, refused to oblige the incoming PM on the plea that Mr Chandra Shekhar was opposed to the idea.

At midnight, however, Mr Seshan, after consultations with the powers that be, announced the postponement without informing the Central government or the state government.

When Mr Chandra Shekhar spoke to Mr Seshan about the decision after reading a newspaper report about poll postponement the following morning, the CEC did not give him any reason, but promised that he would call on him personally to explain the circumstances under which the decision was taken. Mr Seshan never went to see Mr Chandra Shekhar, however.

Mr Seshan even refused to discuss this matter with his benefactor and protector, Mr Subramaniam Swamy, the then Law Minister, in violation of all rules and procedures of the government. Mr Seshan, it may be recalled, had stated in a televised interview that he was constantly communicating with the government through the Law Minister. But when it came to Punjab, this communication channel was ignored.

Mr Chandra Shekhar was quite upset when he admitted that "The President's office was, unfortunately, taking

keen interest in the daily affairs of the government and letters written to me were finding their way into the press."

Even in April, the President had mounted pressure on Mr Chandra Shekhar for not insisting on holding the polls in Punjab even in April. In fact, the President held back the Cabinet decision recommending simultaneous elections in Punjab and returned the notification to the government for reconsideration.

'Only caretaker PM': Mr Chandra Shekhar, however, refused to give in to the Presidential pressure and deputed his Law Minister, Mr Subramaniam Swamy, to discuss the matter with him. When Mr Swamy met Mr Venkataraman, he was told that the elections in Punjab were not in the interests of the country. The President, it is learnt, further told Mr Swamy that Mr Chandra Shekhar was only a caretaker Prime Minister and that his resignation had been accepted. In an indirect reference, the President told the then Law Minister that he could also think in terms of an alternative arrangement (of a new government).

When Mr Swamy recounted his conversations with the President to Mr Chandra Shekhar, the latter became furious. He immediately convened an emergency meeting of the Cabinet early next morning and reiterated his government's earlier decision. The President had then no choice but to accept the Cabinet recommendation.

Venkataraman Addresses Parliament Joint Session

91AS1225 Madras *THE HINDU* in English
12 Jul 91 p 6

[New Delhi, July 11: The following are excerpts from the address by the President, Mr R. Venkataraman to the joint session of Parliament today]

[Text] Honorable Members,

It gives me great pleasure to welcome you to this joint session of Parliament. I felicitate the Members of the New Lok Sabha.

May 21, 1991 was a nightmare. The heinous assassination of Rajiv Gandhi plunged the country into gloom. His assassination was an inhuman act of the worst kind. He had provided leadership at a moment of grave crisis in the history of our nation. In his death the country has lost a promising leader. Rajiv Gandhi's vision of the future, the optimism which he exuded, his great patriotism, his commitment to the poor, his striving for world peace will continue to inspire the people of India as well as peace loving people the world over.

The previous Government constituted a Commission of Inquiry consisting of Mr Justice J.S. Verma, a sitting Judge of the Supreme Court of India, to inquire into the assassination of Shri Rajiv Gandhi. Government is of

the opinion that the terms of reference of the Commission should be enlarged and made comprehensive.

The people of India have faced this crisis with fortitude and maturity. Forces which tried to subvert democracy and destabilize the country stand frustrated. The recently concluded General Election has once again demonstrated the strength and vitality of the democratic process in India.

The assassination of Rajiv Gandhi has brought into sharp focus the need to arrest the growing cult of violence in the country. The law and order situation in the country has been a cause of great concern of some time now. Violence has continued in Punjab and Jammu and Kashmir. The situation in Assam, Nagaland and Manipur has continued to cause concern. Extremist activity in some States has also put the law and order machinery under severe pressure.

Terrorism unabated: Violence and terrorism in Punjab continue unabated. It is, however, heartening that the people of Punjab have maintained communal harmony in spite of the nefarious tactics of the terrorists who constitute a small fraction of the population. Assisted by the Army in the border areas, security forces have been relentlessly fighting to contain the senseless killings, extortions and kidnappings by the terrorists.

To check infiltration from across the border, the work on border fencing and flood lighting in Punjab was expedited and has been completed as planned. Elections to the Legislative Assembly and the Parliamentary constituencies in Punjab were to be held on 22nd June 1991. However, the large scale killing of candidates and the atmosphere of fear and terror created by militants rendered it impossible to ensure a free and fair poll. Polling has, therefore, been postponed to 25th September 1991.

Government will continue to deal firmly with terrorism and secessionism. Government is committed to restore normalcy and to start the democratic process in Punjab at the earliest. However, militants and secessionists will not be allowed to misuse the elections for their ends. Government stands by the Rajiv-Longowal Accord. Negotiations are always possible with those who eschew violence and accept the framework of our Constitution. Government is prepared to take whatever new initiatives are required and will continue to strive for a comprehensive settlement of all outstanding issues in order to have a permanent and peaceful solution in Punjab.

The law and order and security situation in Jammu and Kashmir deteriorated fast during the past year and a half. Secessionists and certain fundamentalist elements, aided and abetted from across the border, are carrying out terrorist and subversive activities. The security forces are taking necessary and effective measures to combat secessionism and terrorism. Lately, encouraging signals have been received in the form of surrender of many militants.

Communal riots: It is a matter of serious concern that the forces of communalism have been able to vitiate the atmosphere in the country leading to the out-break of serious riots in the last two years. Government is determined to combat such forces and uphold the values of secularism. Government will not allow the rights and interests of religious, linguistic and ethnic minorities to be compromised. A composite Rapid Action Force will be formed and appropriately equipped and trained to deal with riots and will be made available to the State Governments at very short notice. More Special Courts will be set up as necessary to try offenses relating to communal riots.

Government will make every effort to find a negotiated settlement to the Ram Janma Bhoomi-Babri Masjid issue with due regard to the sentiments of both communities involved. In case of all other places of worship, a Bill will be introduced to maintain the status quo as on 15th August 1947, in order to foreclose any new controversy. The special cell established in 1988 to gather intelligence in communally sensitive districts will be strengthened with a view to preventing riots. The next-of-kin of those whose lives are lost in communal riots will be rehabilitated by providing suitable employment to them.

Economic crisis: Government recognizes that the country is in the midst of an economic crisis of unprecedented magnitude. It has been living beyond its means and adopting soft options. We have been overtaken by events. We must act now. No sacrifice is too great to safeguard our economic independence and the country must prepare itself to take hard and unpleasant economic decisions.

Government is committed to the macro-economic stabilization and structural reforms which will unleash the nation's latent energy to bring about accelerated development. The Reserve Bank of India has brought about an adjustment in the exchange rate in order to strengthen competitiveness of our exports, to reduce expenditure on inessential imports, to reduce the incentive for capital flight and stabilize the capital account.

We intend to take concerted measures in the areas of trade policy and industrial policy reform further to enhance the competitiveness of our exports. We are committed to ensure that the poor and the underprivileged do not have to bear a disproportionate burden of the adjustment process.

Of particular concern is the rise in prices of essential commodities which hurts the weaker sections the most. Government attaches the highest priority to reducing inflation and will adopt necessary measures towards this end. The interest of the weaker sections of society will be kept uppermost in mind, while framing strategies for this purpose. Measures to restrain growth in money supply; economies in Government expenditure; encouragement to small savings; better supply and demand management

of sensitive commodities; and provision of incentives for higher production in the medium term will receive priority.

Fiscal imbalances continue to be a major concern for the Government. Despite attempts at controlling expenditure and raising additional revenues, the revised estimate of budget deficit for 1990-91 is Rs 10,772 crores against the budget estimate of Rs 7,206 crores. Government is committed to observing strict fiscal discipline. The generation of black money will be checked. Government expenditure will be controlled. While making necessary adjustments, Government would ensure that the burden does not fall on the poor.

BoP position critical: The balance of payments position, already under severe strain, was further exacerbated by the Gulf crisis, the direct adverse impact of which is estimated at \$2.7 billion (over Rs 4,900 crores). Of this, the additional cost of oil imports alone accounted for \$2 billion while the rest was, among others, owing to the loss of exports, evacuation of Indian nationals and reduced inflow of capital.

The balance of payments situation has become more critical as the flow of funds from international capital markets did not materialize as anticipated, though several countries did offer help. Significant bilateral assistance has come particularly from Japan as also from Germany, U.K., the Netherlands and Denmark. The management of balance of payments is one of the most crucial tasks before us and Government will not hesitate to take the hard decisions necessary in this behalf.

Exports have a vital role in solving the balance of payments problem. During 1990-91, our exports were affected adversely, resulting in a slowdown in the rate of growth. Government has recently announced major structural reforms in trade policy. It is hoped that export trade will get out of the circle of low growth, high costs and stifling controls and once again get on to a high trajectory of growth. Government's ultimate goal is to eliminate all licensing control on the import of capital goods and raw materials except for a small negative list.

The Uruguay Round of multilateral negotiations is underway in Geneva. While attaching importance to strengthening the multilateral trading system, Government will endeavour to see that the outcome of the negotiations would be a favorable trading environment for developing countries.

Efforts will be made to step up industrial growth. In 1990-91, the average industrial growth was 8.4 percent compared to 8.5 percent during the 7th Plan period. Government is determined to work towards making India internationally competitive. For this purpose, fullest use will be made of modern science and technology.

Disinvestment policy coming: Reforms in the functioning of the public sector are being formulated to improve its performance. The management of the public

sector will be strengthened through selection of the best talent available. Public Sector managers will be allowed greater autonomy without diluting accountability. A policy is being evolved for disinvestment, including workers' participation in equity and for vacating areas of activity where public sector involvement is not essential and where private and joint sectors have developed capabilities.

To provide a boost to the electronics industry and to promote software exports, a number of measures are being initiated. These would include setting up of technology parks and attracting international leaders in semi-conductors technology to set up facilities in India. High priority will be accorded to expanding the production of crude oil and refining capacity. Government will take special measures to tackle sickness in the textile industry and improve the price competitiveness of Indian textile exports.

Science and technology must be brought to the center stage in economic planning. It is to the credit of our scientists that we have been able to establish internationally acclaimed competence in several areas. During the current year, two major space events have been scheduled—the launch of the Indian National Satellite. These represent our commitment to provide services in areas like communications, telecasting, broadcasting and meteorology and relevant data in the areas of ground water availability, forestry, agriculture, and mineral resources.

Significant progress has also been made in the development of various Satellite Launch Vehicles. Our efforts at using atomic energy for our development needs have yielded encouraging results. Members will be happy to learn that in the next few months Narora-2 power reactor and Kakrapar-1 power station will go critical. Government will take all possible steps to accelerate the pace of progress in science and technology.

Food output: The total production of foodgrains in 1990-91 is expected to be 177.2 million tonnes. This will be the third successive year of increased foodgrains production and this has happened for the first time since Independence. This is due to the untiring efforts of our farmers and more effective adoption of scientific farm management practices. We will ensure that our farmers get a fair and remunerative price for their produce. Conditions will be created for further increase in agricultural yields. Agricultural research will receive the Government's close attention. Extension services will be strengthened and modern technology will be made available to our farmers in a usable manner.

Technology for increasing productivity in rainfed agriculture would be further developed and efforts would be made to ensure that a package of supportive measures to increase the income levels of small and marginal farmers in these areas reaches them. The development of water resources will receive high priority. Government will

make every effort to maximize indigenous production of fertilizers and ensure its timely availability to the farmers.

At least 90 percent self sufficiency in nitrogenous fertilizers will be ensured by commissioning the gas based plants at Babrala, Shahjahanpur, Gadepan and Kakinada and doubling the capacities of the plants at Vijaipur, Aonla and Jagdishpur during the 8th Five Year Plan. Animal husbandry will be further developed with emphasis on genetic improvement, animal health and cost effective feed. Particular attention will be paid to remote areas.

Plan finalization: Given the difficult economic situation facing the country, the formulation of the 8th Five Year Plan assumes added importance. The Planning Commission began formulating the Plan in 1988. However, due to frequent changes in Government, the Plan document could not be finalized. Government will take necessary steps for the early finalization of the 8th Plan.

India has had a deep commitment to environmental conservation drawn from the ethos. India shares the emerging global concerns in the context of the environmental changes induced by economic and technological activities. We shall take the required initiatives to ensure that our commitment to sustainable development crystallizes.

Wasteland and water resource development have enormous potential for employment and productivity. A new policy on abatement of pollution is under preparation which aims at promoting environmentally sound and clean technologies to minimize waste and control pollution. A National Forestry Action Programme is being prepared with the involvement of all State Governments. The role of citizen groups will be encouraged.

ICDS [Integrated Child Development Services] to be expanded: Women and children, particularly those belonging to poor households, are the two most vulnerable groups of our population that need special attention. ICDS, the largest child development programme in the world, has completed fifteen years of successful implementation. Government is committed to expand this programme during the 8th Plan to cover all the backward and drought and food-prone areas as well as areas where there are large concentrations of Scheduled Castes and Tribes.

The development of the child will be an integral part of this programme. We will take measures to enforce all the legislation for women already on the statute book. As a first step, we will appoint a Commissioner for women's Rights with powers for taking action required for the effective enforcement of their rights.

The national Scheduled Castes and Scheduled Tribes Finance and Development Corporation will be strengthened. Government is committed to special measures in favor of socially and educationally backward classes. In

implementing these, preference will be given to the poorer sections among them.

Where poorer candidates are not available, the benefit will go to other members of the backward classes. The Government will also ensure that the benefits of reservation are provided to other economically backward sections who are not covered by the existing schemes. A Backward Classes Development Corporation will be set up.

Steps will be initiated for the effective implementation of the 15-Point Programme for the welfare of minorities which seeks to ensure that the minorities are protected and that they are not discriminated against in the matter of employment in public services and benefits from development schemes. All possible assistance will be extended for the educational development of the minorities. The Minorities Commission will be accorded statutory status.

Crash water scheme: Improving the quality of life of the rural poor will receive the Government's closest attention. Efforts will be made to ease the pressure on land by providing alternative avenues of employment. To this end appropriate economic linkages will be established and non-farm employment stepped up. Small, medium and large-scale agro-based and food processing industries will also be established.

The Integrated Rural Development Programme (IRDP) continues to be a major instrument for creation of self-employment opportunities and will be strengthened. The Jawahar Rozgar Yojana will be continued to generate more employment in rural areas. A special crash programme, to be named after Rajiv Gandhi, will be drawn up to provide drinking water to rural areas within five years. Improvements will be made in the primary health care infrastructure in rural areas.

Institute of Biologicals: Health is an essential element in the development process and a crucial input for improving the quality of life. While there has been steady expansion in health care facilities, a great deal still requires to be done. All possible measures will be taken to reduce mortality and morbidity rates which are still high, particularly among children.

With a view to further strengthening the health care system, a national Institute of Biologicals is being established to ensure safety of vaccines, kits and reagents. To draw upon the strengths of various systems of medicine, Government are taking measures to promote and develop indigenous systems. Assistance is also being provided to further encourage the study of homeopathy.

NPE [National Policy on Education] being revived: India's greatest resource is its people. The full potential of our human resource has yet to be effectively utilized. High priority will, therefore, be accorded to education. The National Policy on Education formulated in 1986 on the basis of a national consensus contains the framework for our advancement towards a secular, modern,

self-reliant and just social order. The uncertainty created in the last one and a half years about the Policy has caused much harm. We shall now revive the spirit required to implement the Policy with renewed vigour.

We must move with confidence and determination, towards the goal of universal literacy and provision of good quality primary education for all children, especially those belonging to the disadvantaged sections. Government believes that equal opportunity in education is crucial to social harmony and progress. This emphasis of the New Education Policy will remain Government's main plank. Particular attention will be paid to the education of women and girls. We shall simultaneously improve the quality of education and bridge the chasm that now exists between the world of work and the world of learning.

The highest priority of the Government will be to provide for adequate availability of essential commodities at reasonable prices. As an important part of this effort, the Public Distribution System will be streamlined and more sharply targeted to reach the poorest of the poor, especially those in the rural areas. It will be an integral part of our strategy to fight rural poverty and give the rural poor a better quality of life. This effort would include measures like ensuring timely and adequate deliveries of foodgrains used in wage employment and supplementary nutrition programmes.

The Essential Commodities act will be strictly enforced to fight anti-social activities like hoarding, profiteering and blackmarketing of essential commodities. The provisions of the Consumer Protection Act will be used more effectively to provide simple, inexpensive and quick redressal of consumer grievances against sub-standard goods, services and unfair trade practices. An effective machinery will be set up to monitor the entire gamut of these efforts.

Administration to be toned up: Government attaches great importance to making administration more efficient and responsive to the needs of the people. Particular attention will be paid to those areas of administration where it interfaces closely and directly with the people. The grievances redressal machinery will also come in for close scrutiny with a view to enhancing its effectiveness. Government will complete the drive for filling the backlog of vacancies meant for Scheduled Castes and Tribes in various Ministries and Departments of the Government of India in a time-bound manner.

In foreign policy, we accord the highest priority to strengthening our relations with our neighbors in South Asia on a bilateral basis as well as through the South Asian Association for Regional Cooperation.

We welcome the establishment of a democratically elected Government in Bangladesh and look forward to working with them in resolving outstanding issues through dialogue and further strengthening our cooperation. We are deeply grieved over the unprecedented

devastation caused by the cyclone which recently struck Bangladesh and are contributing to relief operations in a spirit of friendship and good neighborliness.

Ties with Pakistan: Government will continue the endeavour to reduce tensions with Pakistan. Agreements have been reached on several confidence building measures, including on providing advance notification of military exercises and prevention of air-space violation by military aircraft.

We believe that all differences with Pakistan should be resolved bilaterally and peacefully on the basis of the Simla Agreement. However, Pakistan's support to terrorism in Punjab and Jammu & Kashmir is a matter of serious concern and stands in the way of a genuine and sustained improvement in our relationship.

We are concerned at the continuing violence in Sri Lanka which has caused unending human suffering and led to nearly two lakh Sri Lankan nationals taking refuge on our soil. It is important that efforts for a lasting and durable solution to the ethnic issue are intensified and conditions created for the return of these refugees at the earliest. The India-Sri Lanka Agreement continues to provide a viable framework for this objective.

Sino-Indian relations: Since the visit of Shri Rajiv Gandhi to China in 1988, there has been a marked improvement in India-China relations and we will seek to strengthen this process. The two countries have reached agreement on re-opening their Consulates in Bombay and Shanghai respectively and also to resume border trade.

The scale of scientific and technical exchanges as well as cultural exchanges has been steadily expanded. The outstanding question of the boundary between the two countries should be settled in a fair and reasonable manner. Better understanding and cooperation between India and China will have a positive impact on peace and stability in our region and the world.

The Soviet Union is a major partner with whom we have friendly relations and wide-ranging, mutually beneficial cooperation. We wish the people of the Soviet Union success in their efforts to bring about a transformation in their country. We are confident that our bilateral relations with that great country will continue to develop in an atmosphere of traditional warmth and understanding.

We look forward to the further development of our relations with the United States of America. We believe that building a mutually beneficial and mature relationship is a goal shared by both countries. Indo-U.S. cooperation in the commercial, scientific, technical and cultural fields has been steadily intensified.

Palestine issue: There can be no durable or stable peace in West Asia without a comprehensive settlement of the Palestinian problem. India has consistently supported the just struggle of the Palestinian people and has recognised Palestine as an independent state. We remain

committed to supporting a settlement based on the Palestinian right to self-determination, the vacation of all Arab territories occupied since 1967 and the security of all the States in the region.

We welcome the measures taken by the South African Government to remove the statutory pillars of apartheid. We fully support the demand of the African National Congress to implement further measures, which will lead to the irreversible elimination of apartheid in South Africa.

In the short period of our current membership of the United Nations Security Council, since January this year, we have endeavoured to project not only our own national policies and aspirations but also serve the cause of maintaining international peace and security, in consonance with our faith in multilateralism.

Commitment to Nonalignment: Our foreign policy will take into account the far reaching changes taking place in the international situation while adhering firmly to the principles of Nonalignment. We will continue to work for peace and disarmament and for global cooperation to reduce poverty and improve living standards in the developing nations.

Honorable Members, the main task before you will be the adoption of the Budget for 1991-92 and several measures of grave national importance. I am sure that your deliberations will be marked by maturity and wisdom and guided by patriotic and selfless devotion to the cause of the nation.

Congress-I Working Committee Meets

Rao Criticized

91AS1242A Calcutta THE TELEGRAPH in English
2 Jul 91 p 4

[Text] New Delhi, July 1: The Congress-I president and Prime Minister, Mr P.V. Narashima Rao, today came under sharp criticism at a three-hour meeting of the Congress Working Committee (CWC), where a senior party leader accused him of betraying people's mandate by holding dual posts without facing elections.

Mr Ram Chandra Vikal, a septuagenarian party leader, questioned Mr Rao's decision of including Dr Manmohan Singh and Mr Sharad Pawar into his Cabinet as neither of them belonged to any House. His earlier letter demanding holding of organizational elections was read out at the meeting.

The CWC decided to constitute a five-member committee to analyze the results of the recently concluded parliamentary elections. It decided to hold the organizational election by the end of the year. An open session of the All-India Congress Committee (AICC) would be called soon after the Budget session of Parliament where the schedule of the organizational elections would be finalized.

The five-member committee will conduct an "in-depth" study of the electoral results of Lok Sabha and the Assembly election results, particularly the rout in Bihar and Uttar Pradesh. The committee has been asked to submit its report in a month's time. The CWC has authorized Mr Narasimha Rao to nominate the members of the committee.

The leaders of Pradesh Congress Committees and the Congress Legislature Parties will meet in July-end or early August to review the political situation in their respective states with the Congress-I president. Later, the AICC in its open session, will determine and announce the schedule for organizational elections.

The party's official spokesman, Mr C.P. Thakur, said: "The session has been called with a definite agenda including ratification of the current president's election by the Congress Working Committee." Mr Ram Chandra Vikal, however, seemed to contradict this version. He said the delegates at the AICC session would decide what to do next, signalling that an opposition would emerge during the ratification of Mr Rao's election as party president. "The AICC session would be conducted as per the wishes of the delegates," Mr Vikal told THE TELEGRAPH.

Party sources said the organizational election process, planned after the AICC session, would end by December. The sources said as Mr Rao was an interim president and he could continue in the post till the election. Mr Rao at his first press conference had however said that there was nothing as an interim president and his election was final.

The serious economic situation facing the nation was discussed at today's meeting and the CWC members advised the government that decisions should not be detrimental to national interests. Mr Rao, put on the defensive, argued with Mr Vikal that he belonged to his generation of politicians and that "he was fully with the members."

The Congress president later met heads of frontal organizations and chiefs of different cells. He said he would have detailed discussions with them and had "resolved to implement the promises made in the election manifesto." He sought the cooperation of all the partymen and the people at large in this endeavor.

Two prominent CWC members who backed Mr Rao during his election as CLP [expansion not given] leader did not attend the meeting today. While the human resources minister, Mr Arjun Singh, was away on a tour, the Kerala chief minister, Mr K. Karnakaran, was in his state giving shape to his new council of ministers. Mr G.K. Moopanar was also absent.

Those who did attend the meeting included Mr J.P. Patnaik, Mr R.C. Vikal, Mr V.N. Gadgil, Mr J.N. Pahadia, Mr Lokpati Tripathi, Mr Gulam Nabi Azad, Mr Janardhan Poojary, Mr Sitaram Kesri, Mr Balram Jakhar, Mr H.K.L. Bhagat, and Mrs Meera Kumar. The

special invitees included the party chief ministers—Mr S. Bangarappa (Karnataka), Mr Sudhakarao Naik (Maharashtra), Mr S.R. Majumdar (Tripura), Mr Bhajan Lal (Haryana), Mr Ravi Naik (Goa) and Mr Vaidyal-ingam of Pondicherry.

The Congress-I, which has so far refrained from formally approaching the Left parties seeking support on crucial issues inside and outside the Parliament, however, expects their backing. Mr Narasimha Rao briefed the CWC members about the contacts he had established with the Left and the national Front. The Congress-I feels nobody wants election at this juncture and therefore any effort to topple the government on the issue of election of the new Speaker or the passage of important economic policies is unlikely.

A party sources said: "We are putting up our own candidate for the speakership and if he is defeated then the government falls. Can anybody afford to allow that.

"On the one side there are 250 members and on the other side 253, somebody should abstain from somewhere" and the party expects the Left to exactly to do that, he said.

Further Details

9IAS1242B Madras *INDIAN EXPRESS in English*
2 Jul 91 p 5

[Quotation marks as published]

[Text] New Delhi, July 1—The Congress-I Working Committee [CWC-I] decided on Monday to hold a session of the AICC-I [All-India Congress Committee] in September, immediately after the budget session of Parliament.

The decision comes in the wake of a letter written by senior Congress-I leader, Mr Ram Chander Vikal, to party president P.V. Narasimha Rao, seeking a special session of the AICC-I to, among other things, ratify Mr Rao's election as the party president.

Piqued by Finance Minister Manmohan Singh's assertion that the government would not be able to implement the time-bound promises made in the party's election manifesto, Mr Vikal had stated that he would "be forced to express his views openly" if the session was not held. Mr H.K.L. Bhagat, AICC-I general secretary in charge of the CWC-I, read out Mr Vikal's letter at the meeting. Mr Vikal too spoke for a while. Before the other members could join him in pressing for acceptance of his demand, Mr Narasimha Rao said the session would be held immediately after Parliament adjourned.

It is learnt that Mr Lokpati Tripathi, another CWC-I member, and some other leaders had discussed (with Mr Vikal) the issue of calling an AICC-I session a few days ago, and had supported his demand.

The CWC-I decided to authorize Mr Rao to appoint a five-member committee to analyze the party's performance in the recent elections. It also felt that the party's organizational elections should be completed before the end of the year.

A fresh controversy is likely to erupt in September with a section of the party, including Defence Minister Sharad Pawar, insisting that the party adhere to the one-man-one-post principle. But for the time being, things appear to have quietened. "I am satisfied. I am happy that my demand has been met." Mr Vikal told Express New Service.

Briefing the press, Congress-I spokesman, Prof C.P. Thakur, was hard put to it to explain whether the CWC-I had agreed to let Mr Rao continue as the party president as it had agreed for the special session with a specific item on the agenda being ratification of Mr Rao's election. It was for the AICC-I to decide at that time, he averred.

He said the CWC decided to take steps to revive the organizational election process, which had been disrupted due to the general elections.

A meeting of Pradesh committee presidents and leaders of Congress-I legislature parties would also be held soon to review the 'ground realities'.

Report on Rao's 7 Jul Hyderabad Press Conference

9IAS1317A Calcutta *THE TELEGRAPH in English*
8 Jul 91 p 1

[Article by G. S. Radhakrishna]

[Text] Hyderabad, July 7: The Prime Minister, Mr P. V. Narasimha Rao, today said the Congress(I) government could not have waited till it won the confidence vote to bring about economic measures like the rupee devaluation and liberalization of exim policy.

Addressing a press conference at Raj Bhavan here, Mr Rao said if he had waited, the country would have been in the red and been declared "defaulter" by the foreign lending agencies.

Defending the measures, the Prime Minister said, "Whatever I did was a part of the save scenario and the well-considered exim policy has satisfied all sections of industry and trade." Replying to another question, he said, "I don't think that any conditions are being imposed by the IMF and the rupee devaluation is a measure taken against our own requirement." Mr Rao said the government was preparing a comprehensive programme which would set right the apple-cart of the country's economy but sacrifices had to be made by the poor and the well to do. He said these were inevitable in view of the need to continue the anti-poverty programme and to bring down the non-plan expenditure and mop up resources.

Mr Rao said India had to approach the IMF for a loan as the two previous governments had left a huge debt. "There was a time when the IMF used to offer loans to the country without any condition but we used to refuse," he said, adding that the situation had changed now and the IMF was also putting certain conditions to extend the loan.

Mr Rao said though the Congress(I) could not win a majority at the Center, people expected it to lift the country from out of the present crisis and provide stability. Unlike earlier times, when charisma played a great role, the Congress(I) would hereafter be budged by the performance of its government and therefore a great responsibility lay on Congressmen, he said.

Commenting on Pakistan's affairs, the Prime Minister said he had two complaints against the neighboring country—its nuclear programme and its training of terrorists and secessionists. "Our relations will be better only when we will find a satisfactory solution for these problems," he said.

Asked about the non-aligned policy in the changed circumstances, Mr Rao said there was no going back on the policy but that it would be more activated than in the last one-and-a-half years. "It will have its priorities in the new situation," he added.

Referring to the Ram Mandir issue, Mr Rao said his government was in favor of the temple's construction at Ayodhya but without dismantling the mosque. On Punjab he said the government was likely to take a major decision in a few days. The Prime Minister refused to comment when asked whether there would be more subsidies and said he would not make any statement in view of the forthcoming Budget.

When asked about the dissidents' game in Andhra Pradesh, "aya Reddy, gaya Reddy", Mr Rao retorted, "I entirely disagree with the observation." He also refused to answer questions on the factionalism in the state Congress(I).

Commenting on the finance minister, Mr Manmohan Singh's statements on the Congress(I)'s election promise to bring down prices in 100 days, the Prime Minister said the minister's statement was not a reflection of the government's decisions. "We will fulfill all the decisions made during the election campaign," he said.

Referring to the Karnataka government's refusal to share Cauvery waters with Tamil Nadu, Mr Rao said the Union irrigation minister had received communication from both the states and the Center would hold discussions to find a solution.

On the Congressmen's demand for the dismissal of the BJP [Bharatiya Janata Party] government in Madhya Pradesh, he said the Center had received complaints against the government, but added, "I cannot say anything now".

On the progress made in the Rajiv assassination case, Mr Rao said the government was now in the process of widening the terms of the reference of the judicial inquiry for which the judge had already been appointed. "Investigations are on full speed, we shall not lose any time."

Excerpts of Interview With Prime Minister Rao

91AS1296A Madras INDIAN EXPRESS in English
8 Jul 91 pp 1, 10

[Article by Prabhu Chawla]

[Text] The Prime Minister, Mr P.V. Narasimha Rao, does not see any threat to his leadership even though there were tremors within his own party not long ago over this issue. He exudes confidence that he would be able to surmount the problems confronting him, his party and the government.

Nor does Mr Rao favor impeachment of the controversial Chief Election Commissioner [CEC], Mr T.N. Seshan, much to the chagrin of most Opposition leaders who have vociferously demanded resignation of the CEC for his role in the just-concluded elections.

While firmly opposing demolition of the Babri Masjid, Mr Rao does not foresee any obstacle to the construction of the Ram temple in Ayodhya.

In an interview to INDIAN EXPRESS, the 71-year-old Prime Minister, who is comparatively colorless and yet very quick on the uptake, replied to question on Bofors, St Kitts as also godman Chandraswamy with effortless ease. He also made it clear that he would not contest from Amethi Lok Sabha constituency, which seat is now vacant following the assassination of Rajiv Gandhi.

Mr Rao made it clear that as External Affairs Minister in 1989, he had received orders from the highest level for getting certain documents relating to V.P. Singh's son, Ajeya Singh's foreign bank accounts attested in the U.S.

He also said that the Bofors and other investigations would continue unhindered. As for Chandraswamy, no favor would be shown to him, he added.

The following are the excerpts from the interview:

Q: Given the minority character of your government, do you feel confident as Prime Minister?

A: Yes, I do feel more confident now. Although the responsibility is very heavy, the Congress party can discharge this very effectively. And the kind of response which the Government has got from the people during the last three weeks has provided us greater confidence.

Q: Is it due to this that you have resorted to strong economic measures like steep depreciation of the rupee?

A: We mean business now. The country could not wait any longer. These decisions should have been taken long ago.

Q: But is it not improper to push through such strong measures without proving your majority on the floor of the House?

A: These steps were so urgent that I could not have waited. Both from the point of time and substance, I had to do what I did.

Q: Was it done under IMF pressure?

A: No. It was done because it was more or less in the pipeline. It was done because much time was lost in not taking these decisions earlier. I am glad that we have done it. If we had not done it, the alternatives would have been disastrous.

Q: Do you feel crippled while taking some important decisions due to the minority character of your government?

A: I agree that the minority character of the government puts us in some difficulties on some issues. But such issues have not yet come to the fore.

I can visualize a situation where our political skill and management will come into play. We have to carry out the governance of the country in such a way that, in spite of being a few votes short in Parliament, we should take all parties along with us.

Q: Do you foresee any threat to your leadership in the near future?

A: I don't see any threat. We are all working together.

Q: It is generally believed that the list of ministers to be inducted was handed over to you and that you had no role in their selection. Is it true?

A: It is not like that. I have taken people who are not known. Some of them have been chosen because they represented certain areas which need special attention.

Q: Were they not chosen because they were Rajiv loyalists?

A: The loyalty question is something on which it is difficult to comment. I don't see anyone who is disloyal to Rajiv. I flatly deny that anyone in the party can be disloyal to Rajiv Gandhi.

Q: Does it mean that you are aiming at issue-based (governance) and not numerical majority in the House?

A: That is all I can do. I certainly feel that we should avoid issues and subjects which put the Government in competition and conflict with a large number of parties. But I don't think the minority character will prevent us from taking decisions in the national interest. On this, we will have the support of some of the parties, if not all of them. For instance, if I were to bring a Constitutional amendment, it is obvious that I cannot pass it on my own strength. Since our strength is less than 50 percent, there will be some handicaps, there will be some inhibitions in taking decisions freely.

Q: But how will you prove your majority on the floor of the House so that you can get an endorsement of your economic measures and even the budget?

A: There will not be any problem in getting a confidence vote from the House.

Q: But are you confident of securing the majority support of the total membership of the Lok Sabha?

A: A confidence vote requires a majority of the members present and voting, I am sure of securing that.

Q: Does it mean that you are still not confident of securing an absolute majority?

A: You see, I am 14 or 15 short of the present strength of the House. How do I get the number immediately? I get a majority on whatever I wish to do.

Q: But how do you propose to end the uncertainty caused by the minority status?

A: It can be possible in the near future through by-elections and elections to those seats which have been countermanded. By winning these seats, it may be possible for me to approach the 50 percent mark.

Q: Does it mean the Punjab poll is likely to be cancelled so that the Congress-I also gets a chance to add a few seats in the House?

A: We kept out Punjab even before the elections were announced. Punjab is a separate issue and I would not mix these issues.

On Seshan's Role

Q: But was it proper on the part of the CEC to postpone Punjab elections during a period when one government was to be replaced with another?

A: I think, we have to now live with that decision. We are in the process of examining the Punjab issue, including elections.

Q: But will you support the move for the impeachment of the Chief Election Commissioner?

A: I feel he has not done anything to deserve impeachment. He did whatever was permissible under the law. There is no question of my approval or disapproval of his decisions. He is a Constitutional authority.

Q: Will the Congress support his impeachment or not?

A: Let the situation come. I am saying that his decision on Punjab does not merit impeachment.

Q: According to the former Prime Minister, Mr Chandra Shekhar, the President was opposed to Punjab elections. Do you think that the President should address himself to day-to-day affairs of the government?

A: I do not know why he made the statement. I do not wish to really comment on the relationship between the

President and his Prime Minister at that time. I don't think it is proper for me to get into this controversy.

Q: You have resorted to massive rupee depreciation, but have not taken any specific measures for reducing the massive government expenditure. Why?

A: Cutting the massive government spending is one of the priorities made in our manifesto. We are going to do it. It will be reflected in the budget.

Ayodhya Dispute

Q: On the political front, will your government prevent the BJP [Bharatiya Janata Party]-run Uttar Pradesh [UP] government from either demolishing the disputed Babri masjid or relocating it?

A: Our position has been made very clear. We are in favor of the construction of the temple without demolishing the mosque. We will follow this line of direction. I am not clear what the BJP wants to do at this stage.

Q: The BJP has made it very clear that it will relocate the mosque at an alternative site. If they decide to implement their commitment to their voters, what will your government do?

A: We stand for our manifesto. Whatever they actually do, we have to wait and see. If there is something which is being done contrary to our manifesto, naturally we will oppose that step. We will stand by our manifesto—that the temple should be constructed without demolishing the mosque.

Q: How do you explain your role in the St. Kitts forgery case relating to former Prime Minister V. P. Singh's son, Ajeya Singh? Your name is mentioned in the FIR [First Information Report] as well.

A: I had made my position clear in my earlier statement. It is like this. When I was in New York, I got a phone call from quarters from where such a call would mean a direction to me saying that an officer of the Enforcement Directorate was in New York. He was investigating a case and he had certain documents which were to be authenticated urgently because they were needed for Parliament purposes. I was told to please see to it that there was no delay. This was what I told the officer who was leaving the town the next day.

Q: How come your phones were used for making calls to controversial people like Adnan Khashoggi in New York?

A: No. My phones were used only by my private secretary and no objectionable calls were made to anybody. I am not aware of the person you are talking about.

Chandra Swamy's Links

Q: But you seem to have a friendly relationship with Chandraswamy against whom there are many cases pending in India?

A: I know the gentleman. He belongs to Hyderabad from where I also come. That's about all. But if that is going to be made an issue, I have nothing to add to it.

Q: What about action against him? Some of your own MPs [Members of Parliament] have demanded action against him.

A: I would not either ask someone to do it immediately or ask others to delay it. I am sure the law would take its own course.

Q: Does the same apply to other cases like Bofors, Airbus, HDW [Howaldtswerke Deutsche Werft] submarines?

A: Yes, I will not interfere in any of the cases. Investigations are continuing.

Q: But in Bofors, the government has to take a stand in the Supreme Court. Will you expedite it?

A: If it is needed, we will. I have not seen the case. We will take a decision in the CCPA [Cabinet Committee on Political Affairs] whenever it is warranted.

Q: You are talking about your manifesto. But don't you think your party's failure to secure a majority in two successive Lok Sabha elections reflects a major erosion in the Congress-I's base and growing disenchantment with the leadership?

A: It is not proper to mention only one reason for the poor performance of the Congress party. There are many other reasons for the results in the elections.

Support for Mulayam

Q: Do you think that the party suffered because of its association with people like Mulayam Singh Yadav and Chimanbhai Patel? Do you feel now that it was a mistake to support them?

A: Many Congressmen from UP were opposed to Mulayam Singh Yadav at that time. But if we had not supported him at that time, the Chandra Shekhar government would not have relented here. That was the reason why this bitter pill of supporting Yadav had to be swallowed by the party against the wishes of the Congressmen in UP. The other reason was that if we had not saved the Yadav government, we would have had to go to polls immediately. Generally there was a disinclination to go for elections at that time.

Q: Do you feel that propping up Chandra Shekhar was a right step?

A: Yes, it was

Q: Then why did you pull him down?

A: We didn't withdraw support. He did not respond to whatever Rajivji wanted him to do. Perhaps there was some communication gap. But it is not proper for me to sit in judgement on this subject.

Amethi By-Election

Q: You are not a member of the Lok Sabha now. Will you represent Amethi since it is meant for a Prime Minister from the Congress party?

A: It is very difficult for me to answer this question. I have never thought of Amethi even in my dreams. There are many constituencies, including the ones where elections have been countermanded, which I can represent. I have not yet chosen a constituency. About Amethi, I have never had even the slightest intention. Amethi is something which was represented by Rajivji.

Q: In that case, will you approach Sonia Gandhi to contest from Amethi?

A: This decision can be taken only by the Congress Working Committee.

Q: There is lot of speculation about your health. Your government has been described as the one which sleeps the most. You appear to be quite fit. Any comment?

A: To be frank with you, I had a by-pass surgery last year. I am not getting as much sleep as the doctors want me to have. They have advised me six to seven hours' sleep but where is the time?

Meeting of Congress-I MPs Addressed by Rao

91AS1224A Madras THE HINDU in English
10 Jul 91 p 4

[Text] New Delhi, July 9. The Prime Minister, Mr P.V. Narasimha Rao, today declared that his Government would in the "next few days" announce a comprehensive and coordinated package of industrial reforms which would include "drastic measures" to deal with the question of industrial sickness and the economic running of industries.

Addressing the first meeting of the general body of Congress(I) MPs [members of Parliament] just before Parliament session began today, the Prime Minister and Congress(I) president also promised his colleagues that the Government would act in conformity with the social and economic philosophy enunciated by the late Indira Gandhi and Rajiv Gandhi. Mr Rao said the Government would implement with determination the party's election manifesto.

"Economic revival of the country" was the first item on the Government's agenda, the Prime Minister said. The budget to be presented in a few days "would show the world" that there was no deviation from the social and economic philosophy of Indira and Rajiv, he said "This is my first comment on the Congress(I) budget."

The situation in Punjab and Jammu and Kashmir would immediately engage his Government's attention on the political front, Mr Rao said. He would attempt to resolve these in consultation with other parties and through debates and discussions.

The unity of the country, the sanctity of the Constitution, and "unflinching faith in the people", the party and the Government, would constitute the basis for tackling the problems in Punjab and Jammu and Kashmir, Mr Rao said.

Confident of issue-based support: The Prime Minister said he was confident of receiving "issue-based support" from other parties. He said the people had given the Congress(I) the mandate to rule, but it was not strong enough. Hence, the governance of the country had to be conducted on the basis of consensus. His government would seek only issue-based support from other parties, not blanket support.

Significant session: Mr Rao said the present budget session of Parliament was of special significance because it would mean "the difference between stability and instability, between quick economic recovery and permanent stagnation and even ruination, between India of Rajiv Gandhi's dreams and India of a total drift which was threatening the country."

The package announced for economic revival was not new and formed part of the party's election manifesto, Mr Rao said. "Economic recovery would mean lot of changes in the Government on the expenditure side, on the side of tightening the belt, and on the side of creating conditions which gave a boost to creativity."

Mr Rao said it was necessary to nip secessionist tendencies in the bud. Secessionism should not be allowed to raise its head and should not be made an election issue. The Union Home and Law Ministries were working on solutions to tackle the Punjab and Kashmir problems. These issues, he said, were not a party affair but that of the entire country. His Government had taken a deliberate decision to hold debates and discussions on these issues inside the party and outside.

Mr Rao was the only one to take the floor at the meeting. The Finance Minister, Dr Manmohan Singh, was present but no one reportedly questioned him on his initial statement that it might be difficult to bring prices down within the time stipulated in the party manifesto.

The Prime Minister was welcomed by the CPR [expansion not given] secretary, Mr T. Chandrasekhara Reddy, who said Mr Rao's enlightened leadership would be able to fill the void created by the sudden departure of Rajiv Gandhi. Mr Reddy, who had initially backed Mr Sharad Pawar's candidature for Prime Ministership, felicitated Mr Rao and said that with his wealth of experience of "democratic functioning", he would be able to guide the destiny of the Congress(I).

Emphasizing that the sanctity of the Constitution needed to be preserved while tackling separatism, Mr Rao said "nobody can go one millimeter outside the Constitution and there is no question of India parting with one millimeter of land of the country. There can be no negotiations on this aspects."

Rao Directs Policy on Mandal Implementation

91AS1362A Madras *INDIAN EXPRESS* in English
15 Jul 91 p 1

[Text] New Delhi, July 14—The Prime Minister, Mr. P. V. Narasimha Rao, has directed the Welfare Ministry to formulate a policy on the implementation of the Mandal Commission report strictly on the basis of the Congress (I)'s election manifesto.

The directive was given at a special meeting the Prime Minister called here on Sunday to discuss the implementation of the Mandal Commission report and other related issues. Apart from the minister for Welfare, Mr. Sitaram Kesri, and the Law and Justice Minister, Mr. Vijay Bhaskar Reddy, senior officials of both the ministries were present.

While the Welfare Ministry officials briefed the Prime Minister on the implication of its implementation in general, the Law Ministry officials explained the legal aspect of it, especially in the context of a pending Supreme Court case. The Supreme Court case follows a writ pleading against implementation of the Mandal Commission report.

At the meeting, various options on the implementation of the Mandal report were discussed. One of the suggestions that came up prominently was that those who paid income tax or owned landholdings should not be entitled to any reservation.

This was the first meeting of the new government to discuss the Mandal report. On Friday the Prime Minister had called a special meeting of the Cabinet Committee on Political Affairs (CCPA) to formulate the new government's stand on its implementation. Saturday's meeting was a sequel to that.

It may be recalled that the Welfare Minister, Mr. Sitaram Kesri, had, within a week of joining office, directed his officials to evolve a policy on the Mandal report implementation.

While the new development appears eager to find a way out for implementation of the report, the Congress (I) in its election manifesto had diluted its stand on the issue.

Prime Minister Speaks in Debate on President's Speech

Eighty-Five Minute Speech Summarized

91AS1295A Bombay *THE TIMES OF INDIA*
in English 20 Jul 91 pp 1, 10

[Text] New Delhi, July 19. The Prime Minister, Mr P. V. Narasimha Rao, today ruled out de-nationalization of banks, but declared his intention to bring about several changes in the working of the banking system.

Mr Rao, who was replying to the debate in the Lok Sabha on the motion of thanks to the President for his address to the joint meeting of both houses, said the government

proposed to come forward with a whole package of economic reforms covering spheres like industry and trade within the next few days. He emphasized that it sought to bring about change with continuity. There would be no abrupt changes.

The motion was later passed by a voice vote.

In his 85-minute speech, the Prime Minister announced that the Eighth Plan, which had already been delayed, would positively start next April. He explained that some time was needed to finalize it.

In an apparent reference to fears expressed by some left party members that the new government might abandon the Nehru-Gandhi development model, Mr Rao commended the role played by the concept of mixed economy propounded by Panditji in the country's progress.

He said agriculture, the single largest economic activity, was and would always be in private hands. The farmer had risen to the occasion, while there might have been failure in other spheres.

The Prime Minister denied the charge by his predecessor, Mr Chandra Shekhar, that most of the economic decisions taken by the new government were based on the recommendations contained in a World Bank report which was reportedly not shown to him. Mr Rao maintained that he had come across similar reports, including a voluminous one submitted to the finance minister by officials containing more or less the same suggestions. Similar ideas had also been put forward by various experts.

Mr Chandra Shekhar challenged Mr Rao to place before the house the report prepared by the ministry officials and the World Bank report. His plea was backed by Mr Somnath Chatterjee (CPM [Communist party of India-Marxist]) and some other members, Mr Rao responded by declaring that he was speaking with a sense of responsibility.

The Prime Minister said he had inquired into Mr Chandra Shekhar's complaint that the World Bank report had not been shown to him. Such reports were received daily from various sources but were not necessarily shown to the minister concerned or the Prime Minister. He had issued instructions that reports from bodies like the World Bank should be brought to the Prime Minister's attention—whether he actually read them or not, he added amidst laughter.

Referring to a remark made by Mr Basudev Acharya (CPM), Mr Rao said, "I am a pro-changer you are a no-changer... I am amenable to reason. I have an open mind, I also want to open your mind a little." He said he would be willing to modify the proposed changes if considered necessary.

Referring to the package of industrial policy, Mr Rao said, "It will be a whole package of fiscal, trade and

economic sides and will bring about change with continuity. Nothing is being abruptly changed, nothing is being taken out or removed. Something is being put in."

Mr Rao said he shuddered to imagine what would have happened if there had been no mixed economy in the country and added that he was also against the rigidity associated with some countries which were finding it difficult to change.

"We have been able to change more or less smoothly, of course, with a little criticism," he said.

The Prime Minister's fairly long speech, heard in rapt silence but for a couple of interventions, covered the serious situation in Punjab and Jammu and Kashmir, the need for national consensus on foreign policy and the need to prevent religious controversies from creating tensions.

Referring to the postponement of elections in Punjab, Mr Rao stressed the need for creating the "right atmosphere" for the poll. He had already had discussions with some leaders of political parties on the subject and would be meeting others shortly. He was exploring ways of tackling the problem. "I feel there is a way out... I would not stand on any formality or (go by) gain or loss for my party".

Referring to the killing of many candidates, he said what was at stake was not merely the loss of deposit, but of life.

Deploping the declaration by one or two parties that they would treat any election in the state as a referendum on the question of self-determination, he said this was a serious matter involving secessionism and unity of India. Elections had to be held within the constitutional framework.

The Congress, he stated, would be willing to "lose, win or draw". The party had been out of power in states like Tamil Nadu, but "heavens have not fallen".

He referred to the international aspect of the problem and said there were forces at work which wanted to create conditions for dismembering the country.

Referring to Jammu and Kashmir, he said the people of the state were patriotic. But there was "big chasm" between them and the administration which had to be bridged. The government had decided to set up people's committees with this end in view. More such steps might be needed.

He said anti-national activities were being fuelled from across the border. Repeated pleas to Pakistan in this regard had been of no avail.

About the kidnapping of Mr Doraiswami, he said the government itself did not have precise information and because of the "fluctuating situation", it could not take the house into confidence.

The Prime Minister expressed the government's determination to prevent religious "bickerings" from vitiating the atmosphere of harmony. All parties should cooperate in achieving this end. He hoped they would support the legislation proposed to be enacted to maintain the status quo in respect of all places of religious worship other than Babri Masjid as on August 15, 1947.

At the outset, the Prime Minister said though his was a minority government, it had to take decisions which the former minority regimes did not or could not take. Amid thumping of desks from the treasury benches, he said the Congress was not only the single largest party but also one with an almost near-majority. The difference between the strength of the Congress and the next largest party was so obvious. It only required a dozen or so for a majority, but he did not attach much importance to numbers.

Mr Rao reiterated his government's determination to make conscious efforts to achieve a consensus on major issues, including foreign policy, though the decisions would be of the Congress.

Congressmen thumped their desks as the Prime Minister commended the Rajiv line in tackling major problems like drinking water shortage in villages. This was one of the most serious problems and had to be tackled on a continuous basis, especially in view of the falling water table. The programme to be launched to tackle this problem had been named after the slain former prime minister.

He also referred to the priority attached by the government to the promotion of women's welfare and said the Indira Mahila Yojana aimed at ensuring that women got the benefit of their due rights. The initiative for formulating and implementing women's development programmes had to come from women themselves.

The remark led to a verbal clash between Ms Geeta Mukherjee (CPI [Communist Party of India]) and Ms Malini Bhattacharya (CPM) on the one hand and Ms Mamta Banerjee, minister of state for youth affairs and welfare. Mr Rao assured the agitated left members that the programmes would not be confined to women belonging to the Congress alone. He also referred to the government's decision to appoint a commissioner for women.

Mr Rao also explained various steps proposed to be taken by the government to protect the minorities, including the establishment of a rapid action force to deal with communal riots and expressed the hope that these would instil a sense of security among them.

Remarks on Mandal

91AS1295B *Bombay THE TIMES OF INDIA*
in English 20 Jul 91 pp 1, 10

[Text] New Delhi, July 19. The Prime Minister, Mr Narasimha Rao, today called for a consensus on implementation of the Mandal Commission report and other major issues facing the nation.

Reaffirming the government's commitment to fulfill the promise contained in the Congress manifesto regarding special measures, including reservation, for the uplift of the backward classes, Mr Rao said. "Much has happened that should not have, should not have been allowed, to happen. The issue had even cost some lives. Should it not a matter for consensus?" he asked.

The Prime Minister, who was replying to the discussion in the Lok Sabha on the President's address to both houses of Parliament, referred to the manifestoes of the CPM the Janata Dal and the BJP [Bharatiya Janata Party] and pointed out that in one way or the other they referred to the economic criterion while dealing with the reservation issue. The Congress, he said, had excluded any reference to the Karpoori Thakur formula because of possible legal problems, but the party had made it clear that it wanted the benefit of reservation to go first to the poorest among the backward sections.

The BJP leader, Mr L. K. Advani, pointed out that while the Congress and CPM referred to the economic criterion only in their 1991 manifestoes, his party had mentioned it in the 1989 manifestoes. "So, you are the pioneers!" remarked Mr Rao with a touch of sarcasm.

When Mr V. P. Singh, former prime minister, pointed out that the Mandal commission did refer to the economic criterion, Mr Rao shot back, "Why didn't you include it in the first order? It was only later that the National Front government came out with five to 10 per cent reservation for the economically backward sections." "Let us forget it. Let us start with a clean slate," Mr Rao said.

He said though the Mandal commission contained many non-controversial recommendations, the parties had zeroed in on the most controversial one. If there was agreement on these recommendations—not as a substitute for reservation—there would be a big change in the lot of the backward sections. The question of social backwardness could be tackled, possibly in our lifetime, if concerted efforts were made by all.

Pawar Comments on Relations With Pakistan

Visit to Siachen Area

91AS1312A *Calcutta THE STATESMAN* in English
4 Jul 91 p 9

[Text] Jammu, July 3.—Mr Sharad Pawar, Union Defence Minister, has sounded a note of warning that "our armed forces are well equipped and well prepared

to give a befitting reply in the event of any attack from any quarter on any part of our Indian territory".

Addressing officers and Jawans of the Indian defence forces in the border areas of the State, particularly in a forward formation in the strategic Siachen glacier area of Ladakh at an altitude about 16,000 ft, Mr Pawar said: "We wanted peace in the region but if war is again thrust on us, our defence forces are well prepared to face it to maintain the integrity, solidarity and sovereignty of our country".

According to senior officers of the Northern Command who accompanied the Defence Minister during his three-day extensive tour of the border areas of the State here today, Mr Pawar criticized the Pakistani Government for aiding and abetting Kashmiri Muslim and Sikh militants in Jammu and Kashmir and Punjab, respectively, to destabilize India at a time when it is passing through a difficult situation.

Mr Pawar regretted that "Pakistan's response to India's efforts to have peace in the India-Pakistan region is not up to the desired level, because of which confrontation between the two countries in the near future cannot be completely ruled out. This will be very unfortunate at a time when all-out efforts are needed to have peace in the region". Mr Pawar also directed senior officers of the Defence forces that they should rush more troops to forward areas to plug all routes used by Kashmiri Muslim militants to infiltrate into the State from the occupied areas of Kashmir.

Meeting With Newsmen

91AS1312B *Madras INDIAN EXPRESS* in English
5 Jul 91 p 9

[Text] New Delhi, July 4 (PTI)—Defence Minister, Sharad Pawar has said there was "no war like situation" in the sub-continent, but described the actions of Pakistan abetting terrorist activities in the two border states as a "different type of war".

In an informal chat on Wednesday with newsmen who accompanied him on his visit to forward areas in siachen Glacier, Mr Pawar Said the manner in which Pakistan was instigating terrorist elements in Punjab and Jammu and Kashmir was creating problems on the law and order front.

There was also an adverse impact on the economy of the two states due to terrorist activities, he said.

"India is not averse to a political dialogue with Pakistan on the Siachen issue," he said.

"There is a thinking that the Siachen issue should be discussed at the political level and we will certainly respond to any such proposal," he said.

Mr Pawar, however, said there had been no official communication between India and Pakistan on resolving the Siachen issue through a political dialogue.

Asked if there was a move to declare the Siachen Glacier area a zone of peace, the Defence Minister said "some suggestions" had reportedly been made by Pakistan Premier Nawaz Sharif and India was "studying" them.

Mr Pawar, however, emphatically stated that the situation in Siachen, the world's highest battlefield for nearly the past decade, was "not war-like."

The Minister said the situation in Siachen was "far better" than it was in the early eighties when severe hostilities broke out between the two countries.

He also said that there were "no war-clouds" hovering over the Indian skies, but added, "we will have to remain alert nevertheless."

Pawar Predicted as Next Prime Minister

Sure To Seize Opportunity

91AS1218A Cochin THE WEEK in English 7 Jul 91
pp 8-9

[Article by Sachidananda Murthy: "Target Top Job: Y. B. Chavan Let Go His Chances To Become PM; Pawar, His Political Heir, Will Not"]

[Text] Sahyadrihai, Himalaya ka madat me aaya. This was the slogan that rent the air when Yeshwantrao Balwantrao Chavan set off from Bombay to Delhi in November 1962. Chavan symbolised the sturdy sahyadri mountain range of Maharashtra and he had gone to help Jawaharlal Nehru, who towered over national politics like the Himalayas.

Two years later Nehru died but Chavan stayed on. During his two decades in Delhi, the Prime Minister's post kept eluding him time and again. In 1979 he was offered the job by President Neelam Sanjiva Reddy but his own partymen sabotaged his chances. Otherwise he would have headed a coalition ministry after the fall of the Morarji Desai government.

Now 29 years after Chavan's political yatra to Delhi his protege is retracing his steps. Sharad Pawar has been given the very same portfolio—defence—which Chavan was given. But unlike Nehru, Narasimha Rao does not pose any Himalayan hurdle for the Sahyadri from Bombay. At best Rao can be compared to the Vindhya which are not as formidable as the neighbouring Sahyadris.

It was a well-entrenched Prime Minister who, following the Chinese invasion, invited Chavan to come to his rescue. But the circumstances for Pawar's invitation are different. It came after the burly Maratha failed in his attempt to storm the party citadel. Now it is only a matter of time before he launches another effort to wrest Delhi.

If Y. B. Chavan had egged on Pawar to aspire for higher offices, there is another Chavan in the Union cabinet who does not see eye to eye with him. That is Shankarrao

Chavan, the home minister, with whom Pawar is likely to cross swords in a tussle for overlordship of their home state.

Like Pawar, Y. B. Chavan too had a detractor in Delhi. Chavan landed in the capital on the day the Chinese announced a unilateral cease-fire after inflicting heavy casualties and occupying thousands of square kilometres of Indian territory. The entire Indian political and military brass was demoralised. Party strongman S. K. Patil strongly resented Chavan's induction into the key defence portfolio. Once Patil's influence waned after his defeat by George Fernandes in 1967, Chavan gravitated towards Indira Gandhi.

However, the dissimilarities in the careers of Chavan and Pawar seem to be more than the similarities. If Nehru and then Indira Gandhi blocked Chavan's path to Prime Minister's chair, then Pawar has no such hurdles today. Pawar's supporters say he has the killer instinct to press home the advantage which Chavan lacked. They point to 1979 when Chavan could not rally round his partymen. If such an opportunity came Pawar's way he would have definitely made it to the top. "It is the urge for unity which has made Congressmen rally behind Rao, though they know that he is no vote puller," is the argument in Delhi's Maharashtra Sadan, which is overflowing with Pawar lobbyists.

Chavan was both confident and diffident in his approach and politics. T. V. Kunhikrishnan in his book *The Turbulent 1960s, Chavan and the Troubled Decade* observes: "His admirers think he is a man of action. He is and he is not. He acts only when he is sure of his ground. He is not rash, seldom takes risks. Whenever he is in doubt he does not act. There is in him a thin streak of Hamlet which drives him on to self-effacement, which does not permit him to be dogmatic."

Wellef Hangen in his book *After Nehru Who?* lists eight potential prime ministers—Lal Bahadur Shastri, Indira Gandhi, Morarji Desai, V. K. Krishna Menon, Y. B. Chavan, Jayaprakash Narayan, S. K. Patil and B. M. Kaul. Of them he says about Chavan: "Chavan has a more balanced combination of political attributes than any other Indian leader I have met except Nehru. All things being equal—which they rarely are in politics—I think Chavan has better chance than any other politician now in the running to become a durable and distinguished Prime Minister of India."

All things were never equal and Chavan ended up like R. A. Butler, who was "the best prime minister England never had" or Adlai Stevenson, who could never become American president in spite of his better credentials.

Opportunities came knocking thrice for Chavan. First was in 1964 after Nehru died. Chavan did not mobilise any force for his candidature as he thought the decision should be left to the party elders. Moreover he felt he was inexperienced since he had been in Delhi for only two years. He backed the consensus candidate Shastri. His

political son Sharad Pawar, on the other hand, threw his hat in the ring at the first available opportunity.

Chavan got an opportunity again in 1966 when Shastri died. But he was afraid to make known his intentions for fear of being rebuffed—he was weary of S. K. Patil's machinations. The baton then passed on to Indira Gandhi. He remained loyal to her even though he did not vote for V. V. Giri who was her candidate for the presidential elections.

The relationship soured as Indira moved towards Emergency. She encouraged a new leadership in Maharashtra which was hostile to him and in her cabinet she gave weightage to others. But Chavan never rebelled and parted company only when the organisational wing led by Brahmananda Reddy split from her on January 1, 1978.

The final opportunity came in 1979. The Congress(S) headed by Swaran Singh of which he was the leader in Parliament lacked sufficient numbers. But even as Chavan tried to cobble together an alliance his party leaders decided behind his back that they should support Charan Singh who had broken away from the Janata Party and who had the support of the Indira Congress. Chavan ended up becoming the Deputy Prime Minister.

Even as Chavan's career began to go behind the clouds, his successor was making waves in Maharashtra. After becoming the state's youngest chief minister in 1978, Pawar knew that he could not play the gentle politics of his mentor and succeed. Pawar had once told his cabinet colleagues after the marginalisation of Chavan that they should strive to achieve what Chavan could not—a Maharashtrian PM.

Pawar wants to be different from Chavan on three counts. He has asserted vocally that he wants to be Prime Minister which Chavan never did. Secondly Pawar does not want a portfolio which will tie him up with administrative matters because he wants to hold the political initiative. Finally Pawar knows that though age is on his side, time is not.

Those who believe in historical precedents say a Maratha has never succeeded in capturing and retaining Delhi. They recall the case of the Scindias who stormed Delhi to rescue the imprisoned Emperor Shah Alam (whose empire extended only up to Palam) from the Rohillas. But instead of sitting on the Delhi throne, they restored it to Shah Alam and controlled him from a distance. The modern day Maratha is already in Delhi. His job now is to prove history wrong.

Only a Heartbeat Away

91AS1218B Calcutta SUNDAY in English 13 Jul 91
pp 28-35

[Article by Namita Khanna: "Enter Pawar; How Long Will He Let Narasimha Rao Survive?"]

[Text] For a man who the press portrays as the loser of the battle of the year, Sharad Pawar seems remarkably

cheerful. Last Saturday, the burly Maratha was hard at work in his spacious, wood-panelled office in the Lutyens-designed South Block headquarters of the defence ministry. He had no time for visitors and no time to rest: his priority was to master the intricacies of his ministry.

As for the media, while stories about the taming of Pawar and the ineptitude of his strategists still used up reams of newsprint, there was an uneasy recognition of the fact that perhaps the former Maharashtra chief minister had won, despite giving the impression of losing.

A few days earlier, Sudhakar Rao Naik, Pawar's hand-picked successor, was sworn into Pawar's old job, thus ensuring that his mentor retained control of India's richest state. And in New Delhi, Sharad Pawar was now only a heartbeat away from the prime ministership—not bad going for a man who would probably have been sacked by now had Rajiv Gandhi lived!

At a press conference in Bombay, a few hours after he resigned as chief minister, he allowed himself a brief gloat. Asked by a reporter why he had risked his credibility by entering the prime ministerial race, Pawar smirked. "You don't seem to understand much about politics," he said dismissively to the bemused reporter. "Wait for a year and then you will have the answer to your question."

It was a rare moment of candour for one of India's shrewdest and most ruthless politicians. Even before Pawar preened in public, his supporters had begun telling anyone who would listen that their man was only going to Delhi so that he could make his bid for the top job from within. The last time around, they explained, he had been perceived as an outsider against whom every vested interest found reason to align. But now, as one of the Cabinet's most senior ministers, he was the logical choice to succeed Narasimha Rao.

All that remained to be worked out was the timing of the succession.

Marathas revere Shivaji as the local hero who told the court in New Delhi that Maharashtra would do as it pleased. To hear Pawar's supporters talk, you would think that he was a latter-day incarnation of the legendary Maratha chief.

Rajya Sabha MP [Member of Parliament] and Pawar loyalist N. K. P. Salve claims that Pawar's bid for the prime ministership was designed to put his detractors in New Delhi in their place. "Sharad Rao's intentions to contest for prime ministership were stated soon after the second phase of the campaign began primarily because of his very acute aversion to the people who had tried to dislodge him in January this year," says Salve. Although he does not clarify whether the "people" includes R. K. Dhawan, the line that Pawar is ranged against the

so-called coterie finds a good deal of favour in the capital, where the coterie is detested.

While Pawar continues to dodge journalists, especially those not known to favour his cause, theories abound in New Delhi as to what really happened on 19 June, the day the wily Maratha opted out of the race, and what the future now holds. These include:

Secret Deal

Proponents of this theory believe that Narasimha Rao and Pawar have entered into a secret understanding by which Rao will continue to be Prime Minister until July 1992, which is when President R. Venkataraman retires. Then, Rao—not in the best of health—will take over as President, while Pawar will heave himself into the Prime Minister's chair.

As "evidence", secret deal theorists point to the fact that of all the other serious contenders for the prime ministership—Arjun Singh, Madhavrao Scindia and N. D. Tiwari—it is Pawar who holds the most important portfolio—defence. Political sources claim that Pawar had asked Rao for any one of the following ministries: home, finance or defence. But, contrary to popular belief, had said that his own preference was defence, a ministry that will leave him with considerable free time to tour the country, build bridges within the party and project himself as a national figure. It helps also that defence ministers have access to government aircraft. Moreover, it is virtually impossible to succeed in either the home or the finance portfolio. Defence and external affairs, on the other hand, are relatively uncontroversial. And Pawar's linguistic limitation ruled out external affairs.

Plotter Pawar

Those who are ready to believe the worst of the former chief minister say that he is manipulative and will stop at nothing to get the top job. They say that Pawar and his managers knew that he could never win a secret ballot as he lacked the support of even all the Maharashtra MPs. Yet, by staking his claim, he has been successful in portraying himself as an alternative to Rao.

According to these theorists, Pawar is aware that Rao's frail health will not allow him to cope with the arduous job of running the country. When Rao steps down, Pawar—now in New Delhi—will stake his claim again.

Extremist believers of this theory feel that as defence minister, Pawar will utilise the military intelligence unit to his advantage. In a country racked by internal problems in Kashmir, Punjab and Assam, Pawar will give his arch-rival, home minister S. B. Chavan, a run for his money, by making him dependent on his ministry to cope with the growing crises.

Rao Is Supreme

The Prime Minister will prove his mettle much in the way Indira Gandhi did in 1969. Already, Rao has

demonstrated his astuteness and his ability to contain all factions. By his allocation of portfolios, he has proved that he is nobody's man as he has not given anyone what he really wanted. Pawar's rival got home, finance went not to Pranab Mukherjee but to Manmohan Singh and the coterie was given relatively obscure ministries.

By bringing Pawar to Delhi, Rao has not only ensured that the Maharashtra strongman will be literally under his nose, but now as a key minister of his Cabinet, Pawar will not be able to go about making irresponsible statements against the party leadership. In effect, Rao has seen to it that Pawar does not become a rallying point for dissident activity in the party.

Rao's other advantages are well known—he has a clean reputation and experience both as an administrator and a party organiser. By the time his health no longer permits him to continue as Prime Minister, Rao will have strengthened the party, stamped out dissidence and paved the way for a smooth succession.

Pawar Adieu

This theory is really an extension of the "Rao is supreme" line. Taking the argument further, Pawar's detractors feel that he has lost his big chance. By accepting the defence ministry, Pawar has got himself into a position where he has to be lucky every day. The army has begun to play a bigger and bigger role in containing civil strife in the country. One mishap—a riot in Ayodhya, for instance—could mean bye-bye Pawar.

Worse still, Pawar's lobbyists are inept and continue to make statements that sharply contradict their boss' public stance. A. G. Kulkarni, for instance, told the INDIAN EXPRESS that the decision to project Pawar as a possible Prime Minister was taken a few days after Rajiv Gandhi's funeral, although Pawar has all along maintained that he was not a candidate.

Yet, by the time Pawar realises that he will never be Prime Minister, he will have lost Maharashtra too. Already, dissident activity is again on the boil in the state as Sudhakar Naik has refused to create the post of deputy chief minister, apparently reneging on a deal struck by Pawar and such dissidents as Ramrao Adik and Vilasrao Deshmukh.

In fact, Narasimha Rao seems to be no mean tactician. As things stand, the Pawar lobby will find it hard to dislodge him or even covertly carry out a smear campaign.

Two eventualities could clear the way for Pawar. One, Rao's frail health, which is a matter of serious concern in the capital. Two, President Venkataraman's retirement in July next year. Political sources say that the Pawar men are bound to build up pressure on Rao to take up a job more suitable to his age and health. And Rao himself may not be disinclined to opt for Rashtrapati Bhavan, thus leaving Indian politics in a blaze of glory as the man

who restored stability to the country and held the party together in its worst hour of crisis following the assassination of Rajiv Gandhi.

If Pawar is to succeed in projecting himself as a better alternative to Rao, he will have to bone up on four fronts:

- To start with, he has to win acceptability not only among the opposition parties without whose support the minority Congress government cannot function, but also within the rank and file of his own party. That the southern lobby refused to back his candidature is now well known. In the north, the Congress received a severe drubbing and, in any case, Pawar is distrusted by several northern MPs. Even the Maharashtra MPs are wary about Pawar.
- Secondly, to be the Prime Minister of India, Pawar will have to successfully portray himself as a statesman who is above groupism and factional politics. Unfortunately, he is not only seen as a parochial satrap, but one who is not averse to promoting his own men. The induction of his brother's son, Ajit Pawar, into Naik's Cabinet has done much to damage his credentials as an impartial leader.
- As a Union minister, Pawar will have to prove his mettle as a clean administrator. Rightly or wrongly, the former Maharashtra chief minister is seen as an embodiment of political graft. His detractors joke openly that as defence minister, Pawar will have no shortage of opportunities for enlarging his allegedly ill-gotten wealth. Such jokes could seriously hamper his chances, unless he works hard and swift to dispel the notion that he is corrupt.
- But, most important of all, Pawar will do well to consider the credentials of his lobbyists in Delhi. If they continue to make statements that contradict his public stance, no amount of off-the-record briefings will repair the damage to his credibility. The ham-handed manner in which Operation Install Pawar was conducted has proved to be detrimental to not only the chief minister, but his lobbyists as well.

The much-maligned Suresh Kalmadi has borne the brunt of the debacle and, while some of the opprobrium may be well deserved, he is somewhat unjustly seen as the sole villain of the piece—surely, Pawar was aware of his *modus operandi*. But as things stand, Kalmadi is an extremely unpopular figure among the rank and file of the party. Whether he will be able to rise to the task of mobilising support for Pawar is yet to be seen.

Pawar loyalists privately believe that their boss was saved by the skin of his teeth from landing himself in a job he is right now ill-equipped to execute. The country's problems, politically and economically, are enormous. Only some sort of superman will be able to cope with, let alone solve, them, they say. Rao's reputation is bound to take a beating a year from now, which is when Pawar

hopes to take over since he has been projecting himself as the second in command (a contention denied by Rao).

By creating a Cabinet of no less than 58 ministers, Rao has left himself very little room to manoeuvre around in or calm dissident sentiments with the reward of a Cabinet post. But, on the other hand, he has probably quelled ministerial visions of grandeur in the bud. The rumblings of discontent now being heard will gradually die down, rather than simmer to boiling point later.

P. Shiv Shankar's resignation as leader of the Opposition in the Rajya Sabha on the ground that he has not been included in Rao's Cabinet is one such example. Rather than let Shiv Shankar wait in the wings, getting angrier by the day, it was politically more expedient for Rao to deal with his thwarted ambition once and for all and get down to the more tricky problem of running the country.

And this is where Pawar could have made a grave miscalculation by accepting a ministerial post. As a part of the government, it will certainly be more difficult for him to work against it. To start with, one would imagine that he will be constrained by ministerial propriety and unable to go around making irresponsible statements against Rao's leadership. Publicly, at least, he will have to convince people that he is a member of the team. Further, the other dissidents in the party have lost a possible rallying point. Now that Pawar is in power, he is part of the system, they are likely to believe.

There is, however, one factor that could turn the tide in Pawar's favour. Should Sonia Gandhi decide to contest the Amethi by-election, the anti-Rajiv faction in the Congress will once again rear its head. So far, Pawar has failed to get pledges of support from the Opposition—the left parties he has assiduously been wooing seem quite content to remain sitting on the fence. But if Sonia Gandhi should enter politics, all the old hysteria about dynastic succession will resurface. In such a scenario, it is not unlikely that Pawar could group together break-away factions from the National Front and the BJP and together with the left parties and Congressmen fashion a coalition on the lines of his Progressive Democratic Front in 1978 in Maharashtra.

In 1977, when Mrs. Gandhi lost the elections, the Congress sought to marginalise her. In Maharashtra, the Marathas who had always run the party preferred to back one of their own, Yashwantrao Chavan, who became leader of the Congress in Parliament. Mrs. Gandhi's answer was to split the Congress and set up the Congress(I). The Marathas treated the Congress(I) with derision and Nasik Rao Tirpude became leader of Mrs. Gandhi's party in the state.

Unfortunately for the Marathas, the 1978 Assembly elections resulted in a hung Assembly. The only way to form a government was for the two Congress factions to join hands in a coalition. Vasantdada Patil, the outgoing

chief minister, agreed to take Congress(I) MLAs [Members of Legislative Assembly] into his Cabinet (Tirpude became deputy chief minister) and life continued as usual.

Pawar had been part of the Maratha lobby and shared its contempt for the Congress(I). Now, he found the ideal means for his own advancement. If he split the Congress and formed a coalition government with the Janata Party, he could become the youngest ever chief minister of the state.

This is precisely what he did. The Marathas screamed betrayal and Y. G. Chavan, who Pawar regarded as his mentor, expelled him from the Congress. But Pawar didn't care. He was chief minister and nobody could touch him.

Of course, Pawar's calculations hadn't taken Mrs. Gandhi's comeback into account. In 1980, when she returned to power, she dismissed his ministry and called fresh elections in which the Congress(I) defeated Pawar and his Janata allies.

Pawar was admitted into the Congress(I) after six years in Opposition by Rajiv Gandhi, but by then, he had made friends with politicians on both sides of the fence. Recalls Madhu Limaye, "He was able to establish such a rapport with the opposition groups that even when he joined the Congress party, the bond of affection was as strong as when he was in the Opposition."

Pawar is, in fact, that rare Congressman who has worked with a number of political parties, including even the BJP and the Shin Sena. He has held joint public meetings with George Fernandes and Bal Thackeray (in 1983 during a Dussehra rally), with Sharad Joshi of the Shetkari Sanghatana (who is now fiercely opposed to him), with Rajni Patel and Datta Samant, with Chhagga Bhujbal. "He completely emasculated the Opposition, leaving it with no will to fight and displace him."

Pawar's political brief centres around a weak Centre that has no will or power to interfere with the states. This perhaps explains why he has got along so famously with both V. P. Singh and Chandra Shekhar. It is popularly believed that before Rajiv Gandhi's assassination, Pawar was hoping that the Congress would get no more than 200 seats, thus establishing a weak central rule. But, of course, when he himself was in the running for a central position, and even the prime ministership, the equations changed, with Pawar determined to deliver as many seats as possible from Maharashtra.

Pawar has been sent to the Centre once before. This was in 1984, when he was elected Member of Parliament. But a few months later, he saw the Assembly election as an opportunity to return to Maharashtra. His associates say that he sees himself as the architect of a modern state, a latter-day V. B. Chavan figure. But to take Pawar at his word when he says that he wants to concentrate on developmental activities in the state would be naive. A

great deal of Pawar's backing comes from industry. Even if Pawar genuinely wanted to immerse himself in developmental work, it is unlikely that his financiers would let go of their golden goose without a fight.

Pawar's wheeling-dealing reputation has always preceded him. And it is this that will once again come in the way of his ambition. Although former law minister Subramaniam Swamy denies having a file on Pawar's alleged land scams which are supposed to have earned him close to Rs [rupees] 1,000 crores, he admits that N. K. Tirpude had sought permission to prosecute Pawar under the Prevention of Corruption Act. The matter was referred to Swamy who was then the law minister, but the file was sent back to the President after the attorney-general recommended that sanction should be withheld pending the Bombay High Court decision.

"I certainly did not play any role in assembling the evidence," says Swamy. "Someone is trying to create mischief." Nevertheless, rumours persist that the former law minister had threatened to expose the contents of the file—which apparently contains details about the dereservation of various plots of land—if Pawar went ahead with his efforts to become Prime Minister.

While most political observers believe that Sharad Pawar is certainly a person to be closely watched, there are few who imagine that he will prematurely rock P. V. Narasimha Rao's boat. One of the reasons cited for his backing out from a demand for a secret ballot (in addition to the knowledge that he would be terribly humiliated since there was almost no chance of his managing to win) is his feat of whipping up an intrigue that would split the party at this critical juncture.

He has not yet had an opportunity to show off his administrative skills, re-establish his links with the Opposition and the party and restore some of his badly mauled credibility in New Delhi. Six months to a year from now, Sharadchandra Govindrao Pawar will have become a more familiar face and name.

Besides his own performance, Pawar could also turn his attention to strengthening the grassroots organisation of the Congress in the months ahead, worry his detractors. Should he choose to rise above factionalism and work for the party, as he claims he would like to, Pawar will be regarded as a Congressman, rather than an opportunist who leaves and enters the party to suit his ambition.

When V. P. Singh became Prime Minister in 1989, his close political allies were Arif Mohammad Khan and Arun Nehru. Two years later, the duo don't figure anywhere on the scene and Singh relies instead on former foes Laloo Yadav and Sharad Yadav. Political equations in India have been changing with frightening speed and no possibility can be ruled out—not even one of Pawar joining hands with Rajiv's coterie (with the exception of R. K. Dhawan, his personal relations with M. L. Fotedar, Satish Sharma and Ghulam Nabi Azad are cordial even today). The ire against Pawar is not so much against him as his managers, Kalmadi and Salve,

who went around promoting his cause in a ham-handed manner through dinner diplomacy rather than by building genuine links, with the rank and file of the party.

Parallels between the Maratha leader and his mentor, Y. B. Chavan, are inevitable. Like Chavan, Pawar has gone to New Delhi as the defence minister. However, unlike Chavan, who had been invited by Nehru, Pawar has come to Delhi uninvited and unwanted. But at a time when the Congress is still desperately scrambling for a leader, Pawar has a significant role to play. He cannot be ignored.

Whether, however, he can wheedle his way into the number one position will depend largely on his legendary manipulative skills and even more so on just plain luck. But this is one Maratha who still has a lot of fire in him.

Pawar's Trail to Fame—How He Made It

Comes to Bombay in 1967 at 27. Is known as "Baby MLA". Is entranced by glamour of the big city.

Is mentored by Y. B. Chavan, leader of the Maratha lobby. Marked for big things.

Like Chavan, sides with Mrs. Gandhi during the Congress split. Becomes minister of state for home in 1972. He is only 32.

During the Emergency is home minister in S. B. Chavan's Cabinet. Despite the many arrests, the stigma does not touch him.

The Congress splits again. Pawar sides with the anti-Mrs. Gandhi faction. Both factions come together to form a coalition with Vasantdada Patil as CM [Chief Minister].

Defects from the Congress to ally with Janata. Brings down Vasantdada and becomes CM in 1978 at 38. Marathas feel betrayed. Y. B. Chavan says he is hurt.

In 1980, Mrs. Gandhi dismisses Pawar and orders fresh elections which his coalition loses. Both Congress factions merge, A. R. Antulay becomes CM.

Pawar links up with Devraj Urs' Congress(S). Then dethrones Urs, becomes party president and makes his first bid for national prominence. It is too early and he fails.

In 1980, Pawar and his new mentor, Rajni Patel, begin negotiating with Vijay Dhar (then close to Rajiv) to return to the Congress(I). Mrs. Gandhi says no.

The Congress wins the 1985 Assembly election. Pawar is defeated once again. By now Patel has died and Pawar resumes attempts to join the Congress.

In late 1986, Rajiv relents and Pawar merges his Congress(S)—minus K. P. Unnikrishnan—into the Congress(I). Expects to be made CM, but is then ignored by Rajiv.

In 1988 is finally made chief minister on the grounds that he alone can control the rise of Bal Thackeray's Shiv Sena.

In fact, Pawar becomes pals with Thackeray and the Shiv Sena grows in strength. Meanwhile, he finds a way to conquer Bombay: critics allege that he has made hundreds of crores in land scams.

In the 1990 Assembly elections, the Congress comes a cropper. For the first time in history, the undivided Congress fails to get a majority in the Assembly. Pawar hangs on as head of a minority government.

Rajiv Gandhi suspects that Pawar is negotiating with Chandra Shekhar to split the party. He tries to fire him, but Pawar hangs on.

Pawar is certain to be fired if the Congress wins the election. Then Rajiv dies. The sympathy wave gives the Congress a clean sweep in the later rounds of polling in Maharashtra.

According to A. G. Kulkarni, a Pawar loyalist, they begin plotting to install Pawar as PM [Prime Minister] shortly after Rajiv's funeral. But Narasimha Rao gets the job. And Pawar moves to Delhi as defence minister.

Rules Maharashtra 'By Proxy'

*91AS1218C Cochin THE WEEK in English 7 Jul 91
pp 6-8*

[Article by Ajit Pillai: "Tenuous Truce"; first paragraph is THE WEEK introduction]

[Text] Sharad Pawar anoints Sudhakar Rao Naik as Maharashtra chief minister [CM], but dissidents sharpen their hatchets.

It has been hectic time for Maratha strongman Sharad Pawar who had to wage too many political battles in the last two months. The first was the Lok Sabha election in which he led the Congress(I) to a spectacular 37-seat victory. Then he scuba-dived into the depths of Delhi politics staking his claim for prime ministership with a force that no succession struggle in the Congress(I) ever had seen. Though compelled to concede the top post to Narasimha Rao, he wrested the number-two slot in the Central cabinet as defence minister—a martial job that befits a fighter like him—and then was in the thick of a battle in Maharashtra. And here he bulldozed through the road blocks erected by his opponents in the party to anoint his own man, Sudhakar Rao Naik, as his successor chief minister.

The succession war in Bombay was no less intense than the closely fought battle in Delhi and it was just a "temporary truce" when the dissidents were brought around to accept Naik's leadership. Obviously Pawar was unwilling to loosen his hold on Maharashtra even after moving over to Delhi. The pains he took to pass the mantle on to a pliable confidant by rallying support for Naik sent no other message.

But the dissidents have merely made a tactical retreat. After scheming and lobbying and canvassing support, they threw in the towel in the hope that they could resume the battle once Pawar was away in distant Delhi. In fact, the Pawar camp anticipates destabilising action from the dissidents within a few months. Said an adviser of Pawar: "The coterie in Delhi (he meant Sitaram Kesari, R. K. Dhawan, M. L. Fotedar & Co.) doesn't seem to be very keen on interfering in Maharashtra right now but it may change its mind in a month or two."

The dissidents are presently a chap-fallen lot since at one time they had high hopes of wresting the chief ministership. There were five of them in the race—Ramrao Adik, Sushilkumar Shinde, Vilasrao Deshmukh, N. M. Kamble and Jawaharlal Darda. Besides, there was the former chief minister Shivajirao Patil-Nilangekar, who had the blessings of Union Home Minister S. B. Chavan. It was quite a vast field mined with surprises.

Taking no chances, Pawar made two more of his supporters, Shivajirao Deshmukh and Vijaysingh Mohite-Patil, enter the fray as Vilasrao and Shinde appeared to be stronger personalities than his nominee, Naik. After two full days of hectic activity, Nilangekar could only muster the support of 32 MLAs [Members of Legislative Assembly] and he made a surprise announcement on June 23 that he was withdrawing from the race; yet he tried to show his strength when the high command's observers arrived from Delhi.

Meanwhile, Pawar had the majority of MLAs in his pocket and the Adik-Shinde-Vilasrao trio settled for a compromise: that they would not oppose Naik provided that one of them was made deputy chief minister. Pawar accepted to this condition subject to its being approved by the Prime Minister. By the evening of June 24 it was agreed that Naik would be chief minister. The legislature party meeting the next morning was only a formality; it spent more time showering glowing praise on Pawar than discussing the leadership issue.

It was soon clear to all that Pawar had once again outwitted his opponents. One of the first observations of Naik after the swearing-in soured the compromise: he ruled out appointment of a deputy chief minister saying that the Prime Minister was against a two-tier leadership at the top. That brought out the buried hatchets.

According to the grapevine, Naik had indicated to the high command's observers that he might not be able to induct Nilangekar into the cabinet as it would be embarrassing to ask a former chief minister to work under him. But Nilangekar is likely to be accommodated in the 35-member cabinet that Naik proposes to have, but the chief minister would be keeping the key home portfolio.

And Naik has sharpened his axe which might fall on at least three members of the last ministry—Swarup Singh Nayak, Ramesh Dube and Saeed Ahmed. The idea apparently is to have a clean and efficient pack. All these indications have demoralised the dissident camp which

feels that it has been cheated out of deputy chief ministership. Said a dissident leader: "We were assured of the deputy CM's post. Now the CM has gone back on his word."

That post having gone out of their reach, the dissident leaders are demanding important portfolios; Shinde is angling for finance and Adik industry. In all likelihood, Naik would give in to a few of the demands as he has to hold the party together.

But even an allocation of some important portfolios to the dissident leaders is unlikely to make them abandon their intention to topple Naik. They are harking up to Delhi for the go-ahead signal which seems to be slow in coming. Said a Pawar camp-follower: "The guiding force in Delhi is not as strong as it was in the past. But this is politics and things can change any moment."

It is an unhealthy truce no doubt, with Adik & Co. having been forced to accept Pawar's terms. Though they are eager to strike back none of them can drum up enough support in the party and they sorely miss the manipulative powers of A. R. Antulay, who has steered clear of them. And V N. Gadgil is a spent-force having lost the election from Pune. The only source of comfort for them is that Shinde, Adik and Vilasrao were among the seven ministers who were sworn in along with Naik.

The composition of the ministry was ample evidence that Pawar is determined to rule Maharashtra by proxy. The four other ministers are his trusted confidants—Dr. Padamsingh Patil who touched his feet after the swearing-in, Shivajirao Deshmukh, Vijaysingh Mohite-Patil and Republican Party leader Ramdas Althavale. The rest of the 27 members, yet to be named, would also be dominated by Pawar men. As an adviser of the Maratha strongman said, "Pawar's base is in Maharashtra and he cannot afford to ignore the state. He will be keeping a close watch." And Pawar has to protect the interests of the industrial and sugar lobby in the state.

Is there an outside chance of Naik breaking out and acting on his own? Considering his record of loyalty he would never let Pawar down, as he himself said after his election as legislature party leader. The man had fumbled miserably while thanking the MLAs: "I am sorry for me...this is the first time." And he must be knowing that he would make a sorrier spectacle without Pawar's help.

Featherweight Flies High

A mild-mannered pipe-smoking gentleman in khadi jacket buttoned up to the neck even in sweltering heat, Sudhakar Naik has always been a political featherweight even though he was revenue minister before he took over as the tenth Maharashtra chief minister on June 25. He was rarely in the limelight and was better known as the nephew of the legendary V. P. Naik, who had the longest uninterrupted tenure as chief minister in the state. But then he has always been firm in his

loyalties which were first proffered unreservedly to Vasantdada Patil, and after his death, to Sharad Pawar. In fact, Naik is known in political circles as an ardent Pawar bhakt.

However, it was not just his devotion to Pawar that pitchforked Naik, 57, into chief ministership the day Pawar completed three years in office. His low-profile counted much in his elevation since Pawar would not have passed the mantle to a more independent politician. Pawar wanted a close confidant as his successor, a non-controversial figure and one who would carry out his orders from Delhi without demur. Naik fitted the bill perfectly.

Naik had other plus points: though from a rich family, he belongs to the nomadic Banjara community which would make him acceptable to the weaker sections. Besides, he comes from the Vidarbha region which has long been complaining of step-motherly treatment by the leadership in Bombay.

But not everyone is convinced that Naik is the right man for the job. The old loyalist gang, which reluctantly gave in to Pawar's wishes, is none too happy and is only waiting for an opportune moment to pull Naik down. In fact the loyalists, who caviled that Naik was nothing more than a sycophant, had pointed out to the high command that he had made an open appeal to all partymen, within 10 days of Rajiv Gandhi's assassination, to support Pawar's bid for prime ministership. Naik was the first to make such an exhortation.

Little is known about the new chief minister's administrative abilities or political guile; even Pawar's advisers describe him as lacking in shrewdness or strength that is required to weather the inner-party storms that are bound to buffet him. Said a Pawar camp-follower: "If the party stands united, Naik would make an ideal chief minister. He would not step on anyone's toes; he is very amiable. But now there are people not only waiting for a chance to step on his toes but all over him."

It is very much possible that Naik might prove the doomsayers wrong. After all, he had learnt his first political lessons from his illustrious uncle and had risen from the ranks. He was a sarpanch and a panchayat chairman for 10 years and he worked his way up to become an MLA and minister in 1978. When A. R. Antulay came to power, he rejected earnest efforts to woo him into the cabinet since his mentor Vasantdada Patil was one who could not tolerate the "upstart".

Interestingly, it was Pawar's mentor Y. B. Chavan, the then defence minister, who had anointed V. P. Naik as chief minister in 1963. And now Pawar, a day before he took over as defence minister, has installed Sudhakar Naik as chief minister. If the old Naik could rule for long, the nephew, too, can hope to survive the onslaught of the dissident brigade.

CPI-M Plans Told, New Leader Predicted

91AS1222A Madras *INDIAN EXPRESS* in English
30 Jun 91 p 9

[Text] New Delhi, June 29—CPI-M [Communist Party of India-Marxist] leader Mr E.M.S. [EMS] Namboodiripad's 'retirement' marks the closure of yet another chapter in the party's struggle in national politics.

The party is likely to elect a new general secretary to replace EMS at its Congress in Madras in January next year.

According to present indications, the choice will be from among the senior most politburo members. There are only three members of the original politburo, formed after the split, besides EMS. They are Mr Basavapunniah, Mr Harkishan Singh Surjeet and Mr Jyoti Basu.

It appears that the choice will narrow down to Mr Surjeet in view of the indifferent health of Mr Basavapunniah, and Mr Jyoti Basu's reluctance to leave his citadel in West Bengal. One argument being advanced in favor of Mr Surjeet is that he has been looking after the functions of the general secretary for more than a year. He has also been acting as the main spokesman of the party and representing the CPM [Marxist Communist Party] at all political interactions with other parties.

The other possibility—of throwing up someone younger—can exist only if the central committee [CC] favors this. There is no such proposal at present, but there is still time, as one of the party functionaries said.

The central committee is elected by the party's Congress which is due to meet in Madras from Jan 3 to 9. The central committee will elect the general secretary and the politburo. At present, there are 11 members in the politburo, there is one vacancy. The number of politburo members is also fixed by the central committee and it is generally an odd number—either 11 or 13. It can be more than 13 if the CC decides.

In the present politburo, there were originally 12 members. After the death of Mr Saroj Mukherjee and R.T. Ranadive, only Mr Binoy Choudhury was inducted—in place of Mr Mukherjee. Mr Ranadive's place has remained vacant. There are five younger members of the central committee who assist the politburo. They are Mr Prakash Karat and Mr Sitaram Yachuri from Delhi, Mr Sunil Moitra from West Bengal, Mr Ramachandra Pillai from Kerala and Mr T. Ramachandran from Tamil Nadu.

After the split, EMS was one of the nine original members of the politburo, along with Mr P. Sundarayya, Mr P. Ramamurthi, Mr A. K. Gopalan, Mr R.T. Ranadive, Mr Pramod Dasgupta, Mr Basavapunniah, Mr Jyoti Basu and Mr Surjeet.

CPI-M Stand on Punjab Elections Related*91AS1308A Calcutta THE TELEGRAPH in English
11 Jul 91 p 1*

[Article by Manini Chatterjee]

[Text] New Delhi, July 10: The CPI(M) [Communist Party of India-Marxist] had decided to participate in the Punjab Lok Sabha and Assembly elections now scheduled to be held on September 25 and 30 respectively, but is willing to support the government's proposed Constitution Amendment Bill to renotify fresh elections in the state as long as the election schedule is not postponed.

The government is toying with the idea of bringing an amendment in the existing law to enable a fresh election schedule to be drawn up. In such a case, the Congress(I), which had boycotted the elections, can file nominations and participate in the polls. As per the existing law, the Election Commission can only postpone elections indefinitely but cannot cancel the poll schedule. This means that the Congress(I) will not be able to participate even if the elections are postponed beyond September.

None of the Opposition parties, including the CPI(M), want the poll process to be annulled completely and elections put off indefinitely. But the CPI-M would agree to an amendment which would enable renotification and thus participation of the Congress(I). "The participation of the Congress(I), which is an important force in the state, would make the polls more meaningful. But we want the existing schedule to be adhered to and will not agree to any postponement beyond the dates announced," a CPI-M leader said.

Well-placed CPI-M sources said there had been no change in the party's stand on the Punjab elections. Party members had filed nominations for the elections and had only decided to boycott the elections in June because the government had not agreed to their demand that the elections in Punjab be "delinked" from the general elections by at least three weeks. Now that elections were taking place in September, the CPI-M would "automatically" participate.

The BJP [Bharatiya Janata Party] will "consider" supporting the government's Bill only after studying the exact contents, party sources said. The BJP does not want the Congress(I) to participate in the elections because it hopes to corner the entire Hindu vote in the state. However, given a choice between no elections at all and elections under a renotified schedule in September, the BJP might opt for the latter.

The exact nature of the proposed Bill is still being worked out. The government can either amend the law to increase the powers of the Election Commission to denotify the polls or bring an altogether new amendment. The Bill might even ensure that terrorists and elements openly propagating secession from India are debarred from contesting the elections. However, the minority Congress(I) government will need two-thirds

majority to pass the Bill and has yet to initiate serious dialogue with the Opposition parties on the issue.

Patil Election as Speaker Reported*91AS1232A Madras THE HINDU in English
11 Jul 91 p 1*

[Article by K. K. Katyal]

[Text] New Delhi, July 10. The Congress(I) nominee, Mr Shivraj Patil, was today elected without a contest the Speaker of the Lok Sabha, giving the ruling party its first taste of victory. The sponsors of two other candidates did not press their motions—the BJP [Bharatiya Janata Party] expectedly, the National Front-Left alliance as a result of a last minute decision.

The alliance had fielded Mr Rabi Ray, the outgoing Speaker, while the BJP, Mr Jaswant Singh, a senior parliamentarian.

The contest was avoided but it was not a choice by consensus. The BJP decision to support the Congress(I) candidate ensured Mr Patil's success. Faced with the sure defeat of its candidate, the alliance saw no point in the contest.

Derisive shouts of "meeting of two hearts" greeted the Leader of the Opposition, Mr L.K. Advani, as he announced his party's decision not to move the motion for Mr Jaswant Singh. The alliance sponsors followed with a similar announcement regarding Mr Rabi Ray. They said they felt forced to take this line given the "new situation".

Later, the National Front Parliamentary Party stated that there was "a clandestine arrangement" between the Congress(I) and the BJP "which has since become open and now stands exposed as an opportunistic deal." It criticized the Congress(I) for never adhering in the past to any meaningful convention in regard to the posts of presiding officers, and took the BJP to task for showing a penchant for grabbing an office.

Janata Dal National Executive Meets 28-30 Jun**Meeting on 29 Jun***91AS1197A Madras INDIAN EXPRESS in English
30 Jun 91 p 9*

[Text] New Delhi, 29 June—The national executive of the Janata Dal [JD], which witnessed sharp and heated exchanges during the last two days on the reasons for the party's debacle at the hustings, arrived at a consensus on Saturday that the JD should broaden its appeal and try and win back sections it had alienated while in no way diluting its commitment to the Mandal issue.

This was reflected in the political resolution adopted unanimously by the party's apex body on Saturday. In a review of the post-election scene, the resolution reiterated the party's commitment to "all aspects of Mandal

Commission Report" but added that it would strive to "allay the misapprehensions" which had been created in some sections by the National Front [NF] government's decision to implement it.

The resolution also expressed the party's determination to make up for the recent electoral losses by "intensifying its organisational work" based on its commitment to social justice and secularism. It also vowed to highlight issues like growing unemployment and the need for job creation, communalisation of politics, rural development and problems of peasantry and artisans, and the grave crisis facing the country's economy.

The two day session was extended by another day as the discussion on the poll outcome took up most of the day on Saturday. As a result, the executive could not take up the questions relating to the organisation as planned. This includes the controversial recommendations of the Hegde Committee which had suggested 60 percent reservation in party posts.

The Hegde Committee's recommendations and the amendments in the party constitution they entail were circulated to all the members of the Executive on Saturday, after being introduced. They will be taken up for discussion and adoption on Sunday. Members wanted more time to study the amendments relating to party restructuring.

The second day's deliberations were also marked by sharp exchanges on one or another aspect of Mandal. The former education minister, Mr. Chimanbhai Mehta, who had circulated a paper to all members of the executive, was not allowed to continue for about ten minutes when he started his speech saying that if 1989 mandate was being interpreted to mean a mandate for Mandal, the party's defeat now could be construed to mean a mandate against Mandal. Mr. Mehta pointed to the several anomalies in the Mandal report and called for reservation with an economic criterion. He said the JD had to become a multi-class party.

Mr. Mehta's speech provoked Mr. Ram Vilas Paswan to take on the opponents of Mandal head on. He told the critics that if they disagreed with the party's policy, they could quit. He urged the Janata Dal president, Mr. S.R. Bommai, to state categorically if there was room for deviating from the JD's commitment to the Mandal report. Mr. Bommai assured the members that there was no question of reopening the question or diluting the party's commitment to it.

Countering the criticism made by several speakers on the efficacy of the Mandal card, Mr. Paswan said some speakers from karnataka had said that Mandal had alienated their vote base. They must answer, he said, why the party had also lost in the 1989 elections when corruption and other issues were the JD's main election plank.

At one stage, Mr. Paswan clashed sharply with the Orissa Chief Minister, Mr. Biju Patnaik, when he said that

while Mr. Patnaik was opposing Mandal, only those who had supported the decision had won from Orissa in the recent elections. This led to an uproar as several MPs [Members of Parliament] from the State got up to protest.

In a moderate speech, Mr. Ajit Singh talked about the BJP [Bharatiya Janata Party] having emerged as the main danger in the country today. He said he was for the Mandal decision and that for the last 20 years the Lok Dal, one strand of the JD, had espoused this cause. However, the point to ponder was why the party had now lost the support of the middle class, the intelligentsia, and the farmers.

Stressing the need for paying urgent attention to building the party organisation, Mr. Ajit Singh suggested that ad hoc committees at various levels be constituted pending regular elections.

This view was supported by Mr. Sharad Yadav who struck a somewhat different note. It is not as if the party had not espoused other issues, but it had become identified with Mandal largely because its enemies had fastened it on the JD, Mr. Yadav said. He said the party had lost a battle but not the war.

At one point during his speech, Mr. Paswan also said that it might have been better had he and Mr. Sharad Yadav not spoken so much on the JD's reservation policy and left this task more to the upper caste and other members who were as committed to it.

Mr. V.P. Singh, who attended the days' deliberations, did not speak.

Briefing press persons after the meeting, Mr. Jaipal Reddy, JD spokesman, said the speakers also included Mr. Biju Patnaik, Syed Shahbuddin, Mrs. Pramila Dandavate, Mr. R.L. Jalappa, Mr. Shanti Bhushan, Mr. Viresh Pratap Choudhury, and Mr. Chandrajit Yadav.

According to Mr. Reddy, Mr. Patnaik had clarified that he had never advocated the formation of a coalition government with the Congress(I). All that he had said was that the days of one party rule were over and the era of coalition governments had begun.

Mr. Reddy said the consensus at the meeting was that the JD must maintain an equidistance from the BJP and the Congress(I).

The JD spokesman said that while some suggestions were made by speakers to improve on the Mandal report by including the Karpoori Thakur formula, there were no differences on the party's approach to social justice and equity, as had been reported in a section of the press.

More on Resolutions

91AS1197B Madras THE HINDU in English 1 Jul 91
p 9

[Boldface words as published]

[Text] New Delhi, 30 June: The National Executive of the Janata Dal [JD] has asked the Chief Election Commissioner [CEC], Mr. T.N. Seshan to "either resign or

face the ignominy of being impeached." In a resolution adopted at its sitting here last night on the conduct of the Election Commissioner, it said the Janata Dal "had no desire to involve the august office of the Chief Election Commissioner into further controversy, but if Mr. Seshan continues to cling to his office it will be left with no option but to do so."

Describing the actions of Mr. Seshan, during the just concluded elections to the Lok Sabha and several Vidhan Sabhas, as "arbitrary and partisan," the National Executive said that from the beginning of the electoral process—the award of symbols to the contesting parties—the CEC had behaved in a manner calculated to put hurdles in their way, create uncertainty among their cadre and confuse their supporters.

The resolution said, "In what was perhaps the most uncertain and difficult elections that the country faced, the CEC compounded the uncertainty by issuing totally uncalled for statements deploring the law and order situation in States as different from each other as West Bengal, Bihar, Uttar Pradesh, Madhya Pradesh and Andhra Pradesh and holding out the threat of a postponement of the elections in them."

The National Executive said Mr. Seshan's conduct of the polls was marred by his "unholy eagerness" to give credence to motivated rumours and complaints of malpractices, not excluding anonymous phone calls, besides an open contempt for the findings of his own returning officers and observers not to mention independent public bodies and the national and international media. "Where his officers recommended repolls in a certain number of booths, the CEC's decisions ranged from ignoring them altogether to countermanding not just the polling but the entire election to that Parliamentary seat."

All these lapses paled into insignificance with the CEC's unilateral decision to postpone elections in Punjab barely 30 hours before they were scheduled to be held. The Executive said the Indian state was held to ridicule in the eyes of Punjab and the international community. The decision allowed the secessionists to claim that their writ ran in the State and it rendered infructuous the resources, time and effort that had been put into organising the elections.

The CEC had made a mockery of the sacrifice of those 22 candidates in Punjab who were killed when they dared to stand up to the threats of the militants because of their faith in democracy. By his action, the CEC had also put in danger thousands of other candidates who had come forward to defend democracy, it said. "There could not have been a greater act of betrayal." Through these actions, Mr. Seshan had forfeited the confidence of most political parties in the country. The CEC did not have the self-restraint, the judicious temperament and the necessary impartiality to discharge so responsible a function, it said.

For early Punjab polls: In yet another resolution, the Janata Dal said elections in Punjab should be held at the earliest and credible steps initiated to bring in true and genuine federalism. Decentralisation of powers and financial resources would go a long way in defusing the Punjab crisis. Arbitrary postponement of the Punjab poll had only added to the complexities of the agonising situation in the State, it said.

The Congress(I) Government had all along assigned a much higher priority to its narrow partisan interests than those of the nation's and the latest manipulation on its part (postponement of elections in Punjab) was aimed at entering the electoral arena by the back door, the National Executive said. The Janata Dal expressed its admiration for the people of Punjab all communities who valiantly faced agonies caused by the terrorists. However, genuine complaints regarding police excesses should be attended to promptly, it said.

Party Organization Considered

91AS1197C Bombay THE TIMES OF INDIA
in English 1 Jul 91 p 14

[Words in boldface as published]

[Text] New Delhi, 30 June: The national executive of the Janata Dal [JD], which ended its three-day session here today, took up for consideration the Hegde committee report on structural changes in the party organisation but deferred a final decision till July-end because of the large number of amendments moved by the members.

The national executive, however, succeeded in drawing up a schedule for the organisational elections and fixed 15 September as the last date for enrolment of members. It also decided that the process of elections would be completed by December.

Briefing presspersons on the day's deliberations, the Dal spokesman, Mr. S. Jaipal Reddy, said that the extended session of the party's national executive was unable to complete its discussion on the Hegde committee report, which envisages reservation of 60 percent party posts at all levels for backward castes, Harijans, minorities and women. It was, therefore, decided to give time till 10 July to members to send in their suggestions for incorporation in the party constitution. The national executive will again meet in the last week of July to exclusively consider the structural change in the party's organisational set-up, Mr. Reddy announced.

The Dal spokesman explained that though the party president, Mr. S.R. Bommai, was keen on adopting all the amendments today itself, members felt that considering the large number of suggestions it would not be possible to deal with them so soon. According to party sources, several members objected to rushing through

with the adoption of the Hedge committee recommendations which, they felt raised several vital and fundamental issues pertaining to the party's structure. They, therefore, wanted some more time to study these proposals in greater detail.

Since the Hegde committee report could not be adopted, the national executive instead thought it fit to endorse the proposals mooted by the former Prime Minister, Mr. V.P. Singh, at the party's Puri convention earlier this year. Mr. Singh has proposed that 60 percent representation be given to backward castes, Harijans, minorities and women in the party's various committees and that three out of four posts of office-bearers be earmarked for these sections.

Special Panel: It was after Mr. Singh mooted these proposals that the party president set up a special committee under the chairmanship of senior leader, Mr. R.K. Hegde, to suggest how these recommendations could be incorporated in the Dal's constitution. The Hegde committee report, which endorsed the 60 percent reservation formula, also suggested that the party should dispense with the present large national executive, the parliamentary board, the post of secretary-general and the political affairs committee. Instead, it said, there should be a compact 21-member national executive with a vice-president, treasurer and five general secretaries drawn from among them. The other members would also be assigned functional responsibilities, it said.

Mr. Reddy clarified that Mr. Singh's proposals and the spirit of the Hegde committee report were accepted by the members but it was now a matter of giving constitutional expression to these proposals. He also announced that whatever structural changes are effected in the party organisation, the "60 percent formula is a must."

Other party leaders pointed out that there was some confusion among the members about reconciling these suggestions with constitutional provisions. For instance, questions were raised about the application of this formula in elective posts. There was one suggestion that the President's post be elective and the remaining office-bearers be nominated by him. On the other hand, there was a suggestion that some posts be reserved for the weaker sections but then the question arose as to which posts should this reservation be applied to.

Mr. Reddy also announced that the parliamentary party meeting scheduled to be held today had been postponed and would now be held on 9 July to elect a new leader.

Replying to questions whether the party would follow the principle of reservation of top posts while electing a leader of the parliamentary party, he said the guidelines will be kept in view in making any appointment in the party.

V.P. Singh Elected JDPP Head

91AS1234A Madras THE HINDU in english
10 Jul 91 p 9

[Quotation marks as published]

[Text] New Delhi, July 9. A reluctant Mr V.P. Singh was today unanimously elected as the Leader of the Janata

Dal Parliamentary Party (JDPP) and authorized to appoint office-bearers of the party both in the Lok Sabha and the Rajya Sabha.

There was a drama of sorts for a while at the first Parliamentary Party meeting of the Dal as Mr Singh emphatically declined to shoulder the responsibility on the ground that the top posts in the party should go to those representing the 'underprivileged' but was forced by all members to accept their mandate.

It all began with Mr M.S. Gurupadaswamy, who chaired the meeting, asking the members to propose names for the post of leader of parliamentary Party. Mr Ram Sundar Dass promptly proposed the name of Mr Singh.

Immediately Mr Singh protested that the proposal did not have his consent. Mr Gurupadaswamy then asked members if they have any other name. When no one came forward to propose any other name he declared Mr Singh elected as the leader of JDPP.

Rajya Sabha JD Leaders Elected

91AS1303A Madras THE HINDU in english
20 Jul 91 p 9

[Text] New Delhi, July 19. Mr S. Jaipal Reddy won an easy victory in the election for the Janata Dal [JD] leader in the Rajya Sabha today. By virtue of this he also becomes the Leader of the Opposition in the Upper House. Like his counterpart in the Lok Sabha, he will enjoy Cabinet status.

Mr Reddy polled 59 votes while his rival, Mr M.S. Gurupadaswamy secured only 10 votes. The Janata Dal Parliamentary Party comprising members of the two Houses has a strength of 81. Five votes were declared invalid.

Mr Reddy and Mr Gurupadaswamy did not cast their own vote, as did Mr V.P. Singh, earlier chosen by consensus as the Janata Dal Parliamentary Party leader.

Mr Gurupadaswamy has for many years led the Janata Dal in the Rajya Sabha and during the Janata Dal rule was Leader of the House. Since the fall of the V.P. Singh Government he has been Leader of the Opposition in the Upper House.

The Dal MPs also elected three of their members from the Rajya Sabha and four from the Lok Sabha to the parliamentary party executive.

Earlier several office-bearers including the deputy leaders in the Lok Sabha and the Rajya Sabha as well as the treasurer were elected without contest.

Though Mr V.P. Singh scrupulously avoided identifying himself with either of the two candidates for the leadership of the Dal in the Rajya Sabha, Mr Reddy's election is being viewed as a victory for Mr Singh's camp followers.

Tilt towards BCs [expansion not given]: The election of Mr Ram Vilas Paswan, who is known to be close to Mr Singh, as the Dal Parliamentary Party's deputy leader in the Lok Sabha confirms the tilt towards backward classes in the selection of the office-bearers.

Janata Dal Parliamentary Officers Named

9IAS1371A Madras THE HINDU in English
22 Jul 91 p 9

[Boldface words as published]

[Text] New Delhi, July 21. Mr. Ramvilas Paswan was today named vice-president, Mr. Sharad Yadav, secretary general and Mufti Mohammad Sayeed, chairman of the Parliamentary Board of the Janata Dal, completely sidelining Mr. Ajit Singh, senior party leader. Mr. Ajit Singh had virtually demanded the resignation of the party president, Mr. S. R. Bommai and the Parliamentary Party leader, Mr. V. P. Singh, for the party's debacle in the recent Lok Sabha elections.

The announcement of new office-bearers followed an emergency meeting of the Political Affairs Committee [PAC] of the Dal late tonight to take stock of the situation arising out of the letter sent by Mr. Ajit Singh to Mr. V. P. Singh on Saturday. The letter questioned the leadership on a host of issues relating to the party including reservation of 60 percent of party posts to minorities, Scheduled Castes, Scheduled Tribes and other backward classes.

The PAC adopted a one-line resolution expressing full faith in the leadership of the party president, Mr. S. R. Bommai.

The nomination of Mufti Mohammed Sayeed as the party secretary general amounts to a vertical split in the party as earlier the post was expected to go to Mr. Ajit Singh. None of the known supporters of Mr. Ajit Singh figures in the list of other office-bearers cleared by the party president.

The Janata Dal spokesman and Leader of Opposition in Rajya Sabha, Mr. S. Jaipal Reddy, told correspondents that Mr. Purushottam Kaushik, Mrs. Pramila Dandavate, Mr. Gopal Pacharwal, Mr. Nitish Kumar, Mr. K. C. Tyagi and Mumtaz Ansari would be the five new general secretaries of the party.

The party president has also decided to replace Mr. Kailash Singh Yadav, a supporter of Mr. Ajit Singh, with Mr. Ram Puja Patel as the chief of the Uttar Pradesh unit of the party. Mr. Kailash Singh Yadav is the leader of the Janata Dal Legislature Party.

Resentment: According to sources in the Janata Dal, there was a lot of resentment against Mr. Ajit Singh's letter, particularly the manner of its release to the press. However, his expulsion from the party was not favoured in the meeting on the ground that it would not serve any purpose and could only precipitate matters.

The feeling among the members at the meeting was that Mr. Ajit Singh was no longer interested in the Dal and was creating a situation whereby he could cross over to the Congress(I). Some of the leaders felt that if the party were to expel Mr. Ajit Singh it would only be playing into his hands.

Those who attended the PAC meeting today included Mr. V. P. Singh, Mr. S. R. Bommai, Prof. Madhu Dandavate, Mr. Laloo Prasad Yadav, Mr. S. Jaipal Reddy, Mufti Mohammed Sayeed, Mr. Purushottam Kaushik, Mr. I. K. Gujral, Mr. Upendra Nath Verma and Mr. Surendra Mohan.

With the break between the Ajit Singh faction and the leadership of Janata Dal nearly complete, Mr. Ajit Singh's moves, particularly in Uttar Pradesh where he commands support of some legislators, would be watched keenly.

Alliance will be affected: The National Front Chairman, Mr. N. T. Rama Rao today said Mr. Ajit Singh's hard-hitting letter to Mr. V. P. Singh and the reported offer of Mr. Bommai to resign from the presidentship of the party—would affect the Front alliance.

At a press conference in Hyderabad, Mr. Rama Rao said the Front as an institution would suffer from such indiscipline in one of its constituents. He however declined to comment further saying it was an internal affair of the Janata Dal.

Vishna Hindu Parishad on Temple Building

9IAS1228A Bombay THE TIMES OF INDIA
in English 4 Jul 91 p 11

[Text] New Delhi, July 3 (UNI & PTI). The Vishwa Hindu Parishad (VHP) today announced that Uttar Pradesh [UP] government would soon take some steps to proceed in the direction of building the Ram temple at Ayodhya.

Addressing his first press conference here after the change of governments at the Center and U.P., the VHP secretary-general, Mr. Ashok Singhal, however, refused to divulge any details about steps to be initiated by the Kalyan Singh government in U.P.

Mr. Singhal, Mr. B.P. Toshniwal and Mr. Giriraj Kishore represented the VHP while the chief minister, Mr. Kalyan Singh, and three ministers, Mr. Lalji Tandon, Mr. Rajendra Singh and Mr. Brahmanand Dwivedi, represented the U.P. government. The BJP [Bharatiya Janata Party] leader, Mr. Govindacharya, was also present in the meeting.

Mr Singhal also clarified that referring the Ayodhya dispute to the supreme court would not serve any purpose as the matter was beyond the purview of courts.

He told a news conference here that the matter had already been decided by Hindu saints as long ago as 1984 and now the electorate of Uttar Pradesh had put its seal on approval over it by installing the first-ever Bharatiya Janata Party government in that state.

Mr Singhal was reacting to a press report that senior BJP leader, Mr Atal Behari Vajpayee favored reference of the dispute to the apex court of the land for advisory opinion.

Asked whether Mr Vajpayee had made the statement with the concurrence of the VHP, Mr Singhal said: "I have not met him."

"We have never stopped the supreme court but we feel that it will not serve any useful purpose."

He also denied that the BJP was a reluctant partner in the whole agitation saying: "All of us are one. There is no difference of opinion among the BJP, the VHP, the Hindu saints and the people have given a verdict in their favor."

When asked about news reports that BJP leader Mr Atal Behari Vajpayee favored reference of Ayodhya dispute to the supreme court, Mr Singhal said that it was "Mr Vajpayee's personal opinion."

He said the recent gestures by the new central government that it would not create any hindrance was "a welcome sign".

Parrying questions if he would spell out any time frame for construction of the Ram temple, Mr Singhal said that some steps were being taken in this direction soon.

In a two-page statement issued at the press conference, Mr Singhal cautioned the central government to desist from creating hurdles. "They should realize that if they do not pay proper heed, it will be a political blunder on their part," the statement said.

It said the BJP government in U.P. was fully determined to remove all hurdles coming in the way of the renovation of Sri Ram temple at Ayodhya. We hope that the government would discharge its responsibilities successfully.

Asked for his comments as to why the BJP lagged behind in gaining majority in the Lok Sabha in the general elections although their basic issue was Ram temple, Mr Singhal said that political scenario was changing swiftly and there was an awakening among the people.

He said the VHP and BJP were easy partners and had an integrated approach towards the Ayodhya issue.

Mr Singhal said the VHP had also taken up the issue of "degeneration of politics" in the country and need to cleanse it.

Mr Singhal said the VHP had submitted all documents in its possession to prove its claim to the disputed area and it had nothing more to add.

On the shifting of the disputed structure from the site, Mr Singhal said it had been conclusively proved that a temple existed at the site before the present shrine was constructed.

"The only thing to be shifted is one stone of Mir Baqi and we are ready to do it with all respect", he said.

Mr Singhal said, "There is no need for a brick-by-brick shifting of the structure because the domes have been built by imposing punitive fines on the Hindus in 1934.

He said the recent elections had also exploded the myth of the Muslim vote bank and it had been proved that even without its governments could be installed and dislodged.

In the meantime, the All India Minorities Front (AIMF) today gave a call to Muslim organizations to boycott talks with the BJP led Uttar Pradesh government over the Ayodhya issue.

"No Muslim representative or organization should respond to the invitation of the U.P. chief minister, Mr Kalyan Singh, over Ayodhya issue unless he offers unconditional apology for his visit to the disputed shrine and showing loyalty to the "Vishwa Hindu Parishad and Bajrang Dal," the AIMF said in a statement.

Temple Deadline Set by VHP

91AS1300A Bombay THE TIMES OF INDIA
in English 22 Jul 91 p 1

[Text] Ayodhya, July 21. The Vishwa Hindu Parishad (VHP) today set November 18 as the deadline for the Uttar Pradesh [UP] government to remove hindrances in the way of the construction of the Ram temple here.

Announcing this at the end of a two-day meeting here the VHP general secretary, Mr Ashok Singhal, said that otherwise, the VHP would launch a movement like the one in October and November last year. He did not specify what "hindrances" he wanted removed.

"We will simply march to Ayodhya and start building the temple there at an auspicious time to be fixed by the dharmacharyas," Mr Singhal said.

The VHP also warned the Central government that they would launch a massive country-wide agitation if it attempted to freeze the status of all religious places as on August 15, 1947. "If such a bill is enacted it would not remain confined to August 15, 1947, but will be taken farther down in memory and the VHP would launch a movement to restore the historical sanctity of all Hindu religious places desecrated or demolished by foreign invaders."

Mr Singhal said the chief minister, Mr Kalyan Singh, who attended the meeting yesterday, had assured them

that the Bharatiya Janata Party (BJP) government would to its best to create an atmosphere conducive to building the temple.

The chief minister, he said, had agreed to the deadline and assured the VHP leaders that all impediments to the construction of the temple would be removed by November 18.

Describing the proposed move to freeze the status of all religious places as on August 15, 1947 as "anti-Hindu" and "anti-national", Mr Singhal said that even if the proposed bill excluded the disputed shrine at Ayodhya, it included others such as the Krishna Janambhoomi temple at Mathura and the Vishwanath temple in Kashi.

Panthic Document on Internecine War Published

91AS1309A Bombay *THE TIMES OF INDIA*
in English 9 Jul 91 p 9

[Text] Amritsar, July 8. The four militant outfits working under the umbrella of the Panthic Committee led by Dr Sohan Singh have criticized other militant groups and panthic forces for raising the bogey of fratricidal war without understanding the nature, dynamics and ideological thrust of the ongoing movement for their goal of "Khalistan."

The Khalistan Commando Force (Panjwar), the Khalistan Liberation Force, the Sikh Students' Federation (Baljit Bittu) and the Bhinderwale Tiger Force of Khalistan (Sangha) have been under consistent attack from other militant outfits and panthic bodies for allegedly abetting internecine war.

The Panthic Committee document on internecine conflict among militant outfits was published in the Punjabi daily, Ajit. The publication of the document has come at a time when the daily is under the surveillance of the state government which has been raiding its premises and seizing thousands of copies. The document has also brought in the fore inherent contradictions in the militants' ideology.

The Panthic Committee took strong exception to what it called the indiscriminate killing of Sikh officers by unscrupulous elements in rival militant outfits which blame the Panthic Committee for the continuing fratricidal war.

During the first six months of last year, every third militant killed had died in inter-gang rivalry, according to police statistics.

Dr Sohan Singh's Panthic Committee maintains that Sikhism eschews unnecessary violence but justifies its use against oppression, injustice and brute force of a tyrannic state. The violence can be used only for higher ideals and not for narrow vested interests and individual aspirations.

The Panthic Committee feels that some militant outfits have resorted to indiscriminate extortions and killing of

innocent Sikhs without realizing that such violence, devoid of ideology content, was counter-productive to their cause. Such elements have a distorted perception of the ongoing struggle and no ideological justification for use of violence. In fact, such elements were responsible for the fratricidal war among militants, the document said.

The documents noted that inter-gang rivalry was more intense in the Majha belt comprising the rural areas of Amritsar, Majitha, Tarn Taran, Batala and a part of the Ferozepore police district, where a number of gangs with AK-47s and other weapons resorted to looting, threats and atrocities on the villages. Even the honor of the rural people was at stake forcing them to move to safer urban areas.

To face the challenge of such "heretics" in the movement, the KCF [expansion not given] (Panjwar) claimed to have launched a struggle and liquidated a number of such gangs. But many members of those gangs joined the ranks of other militant outfits. The leaders of these outfits were eager to accommodate these elements. This was gross opportunism by the so-called champions of "Khalistan", the document noted.

The Panthic Committee has proposed a four-point code for all militant outfits to put an end to the internecine war.

First, the militant outfits should sever relations with those who resorted to looting, extortions and atrocities on Sikhs. Second, any militant indulging in such activities should be brought to the notice of his outfit and be penalized according to the gravity of his crime.

Third, if the outfit fails to take action against its errant member, the fact should be brought to the notice of the entire Sikh community, through the press and such forces should be socially boycotted. Lastly, a militant expelled from one outfit should not be absorbed by other groups till a clearance was received from the parent outfit, especially if he is accused of extortions.

The Panthic Committee maintained that the Sikh struggle was not directed against a particular community, much less against the members of the Sikh community who for pecuniary reasons are in government service. However, certain elements in the community opposed to its interests can be the targets of the militants' wrath but in no case should the decision to kill be taken without giving any reason to the person concerned and before all attempts to reform him are exhausted.

Amnesty International Report Released

91AS1233A Bombay *THE TIMES OF INDIA*
in English 11 Jul 91 p 3

[Text] Bombay, July 10. Several thousand political prisoners were held without charge or trial under special or preventive detention laws and torture and ill-treatment

were widespread resulting in cores of deaths in police custody in India according to this year's to Amnesty International report.

The report was released here today by the Indian section of the human rights organization.

It said several people had disappeared or appeared to have been extra-judicially executed in "encounters" stages by the police. Over 100 peaceful demonstrators were believed to be victims of extra-judicial execution. A small number of death sentences were also carried out, the report said.

In Punjab, at least 3,800 politically-motivated killings were reportedly committed by government forces and armed separatists during 1990. Over 10,000 political prisoners were held under the National Security Act and the Jammu and Kashmir Public Safety Act or under anti-terrorist laws like TADA [Terrorists and Disruptionist Activities Act].

TADA was used mainly in Punjab, Assam, Manipur, Andhra Pradesh and Jammu and Kashmir where 1,700 people were detained, including peaceful critics of the government.

In Gujarat, the Act was used to detain trade union leaders and landless laborers demanding fair wages and land. A 60-year-old woman, Zohrabibi, was held because she complained to the police about the killing of her husband in communal riots in 1982.

The report said hundreds of arrests were reported during 1990 and while no official figures were given about the number of people held for political reasons, unofficial sources said between 10,000 to 15,000 people had been detained since January 1990, without a trial. About 1,000 others, mostly male youths aged between 14 and 18 years were arrested in the state on the border with Pakistan.

Trials of political prisoners were rare and subject to delay and Naxalite political prisoners in West Bengal were in jail for over nine years without a trial. Torture remained widespread and in Kashmir there were well-documented reports of women being raped by members of the security forces, especially during house-to-house searches.

The released prisoners said they had been beaten, tortured with electric shocks, burned with cigarettes and suspended upside-down. In Punjab, torture was used in the form of rolling wooden bars across the thighs and inserting chilli powder in sensitive parts of the body. Relatives of alleged armed secessionists were among those arrested and tortured. Victims of torture included those with demands for greater autonomy in the states of Assam, Nagaland and Manipur.

In Bihar, people were tortured to deter them from asserting their demands for land rights and better pay, the report said. Scores of people, including those from lower castes, died in police custody allegedly as a result

of torture. In Punjab, some people disappeared after arrest which was later denied by the police and paramilitary forces. Habeas corpus applications were often ignored by the security forces.

Extra-judicial executions of suspected government opponents were reported in Kashmir, Punjab and Andhra Pradesh. In Kashmir, unarmed demonstrators were shot dead by the police and in May, 47 people in a funeral procession were shot dead for shouting anti-Indian slogans.

The report also mentions that security forces killed unarmed Hindus inside houses in early November in Uttar Pradesh when the people tried to build a temple at Ayodhya. In November and December, the Provincial Armed Constabulary killed several muslims, including women and children, not connected with communal violence which had erupted in various parts of Uttar Pradesh.

Police officers allegedly responsible for human rights violations were sometimes suspended but rarely prosecuted. When official investigations were conducted, their outcome was withheld as in the case of the enquiry into the Meerut killings in May 1987.

Meanwhile, on the situation in the rest of the world, the report said people were jailed as prisoners of conscience in half the countries in the world and more than 100 governments continued to torture or ill-treat prisoners.

The report said human rights had taken a back seat to trade or diplomatic concerns and had become the casualty of political expediency.

'Unidentified' Body Not Soviet Technician

91AS1374A Madras THE HINDU in English
23 Jul 91 p 9

[Text] Guwahati, July 22—The post mortem report on the headless body found floating in the Buri Dihing river indubitably establishes that it is not the body of the Soviet technician, Sergei Gritchenko, acknowledged by the United Liberation Front of Assam (ULFA) to have been killed while in its custody sometime between July 1 and July 7. The ULFA has not only not returned the body but has chosen to remain silent on what has happened to the body.

Every detail about the body established by the post-mortem examination—possible height, build, age, time of death, etc.—mitigates against the body being that of the Soviet technician. Officers of Coal India, to which Gritchenko was attached as well as the Soviet Consul from the Soviet Consulate in Calcutta have discounted the body as possibly being that of the Soviet technician. And yet, the Government of Assam has not been able to confirm "officially" the death of the Soviet citizen much less hand over the body, as has been formally demanded by the Soviet Government.

This was evident in today's briefing during which the official spokesman of the Government of Assam would only admit that a formal reply had been sent to the letter of the Soviet Consul seeking "official" confirmation on the two counts, but refused to divulge its contents.

Search continues: Divers of the Indian Navy meanwhile have resumed searching the stretches of the Buri Dihing river. According to the official spokesman, the searches are likely to last another two days. However, there is little reason to expect that the search will be successful.

The ULFA has chosen to remain uncommunicative regarding its demands since it sent its last communication to the newspapers on July 14. In that communication it had demanded the unconditional release of "all the members, workers and sympathisers" of the organisation by 6 p.m. of July 26, in return for the release of two hostages, Mr. B.S. Raju and Mr. Kishen Pal, both of the ONGC [Oil and Natural Gas Commission]; with the threat that if the demand was not met by the deadline set, the two hostages whose release it had promised would be killed.

Govt. modifies policy: The State Government which had yielded to ULFA's demands in respect of the first two phases of release of selected number of hostages for "specified" ULFA militants has, since the second phase was completed to ULFA's satisfaction, apparently modified its policy of "general amnesty" (which by definition has to be unconditional) and is insisting that any further releases of ULFA militants would be linked to ULFA agreeing to hold talks. Interestingly, the State Government has not linked the release of the ULFA militants still in jail—about 150, most of them of relatively low ranks—to the release of all the hostages, but only to ULFA agreeing to hold talks.

This ULFA is unlikely to agree. Indeed, ULFA has maintained that it will sit down for talks with "Indian Government" representatives only if the agenda for such talks will include the question of the transfer of sovereignty of Assam to the "people of Asom"—whose only genuine representative the organisation certainly views itself to be.

Given these uncompromising stands, the developing situation in the state is moving inexorably towards a tragic and violent denouement whose immediate and long term consequences are too frightening to contemplate.

Killing of Punjab 'Militants' Reportedly 'State-Managed'

91AS1305A Bombay THE TIMES OF INDIA
in English 18 Jul 91 p 1

[Article by Ajay Singh]

[Text] Pilibhit, July 17. The ten suspected Punjab "militants" who were shot by the police on July 13 here were

actually pilgrims on their way to Huzoor Sahi in Maharashtra.

They had been out hauled out of a tourist bus in Budaun district a day before they were "eliminated" in three fake encounters. This has been established from eyewitness accounts and information provided by intelligence and police sources.

A group of Sikhs had organized a pilgrimage to Huzoor Sahib, Atna Sahib and other religious places and engaged the bus (UP26/0245) from a local transporter, Hindustan Travels. They had paid Rs [rupees] 30,000 in advance and began their journey on July 12.

A police team led by the additional SP [Superintendent of Police] (Pilibhit), Mr Brijendra Sharma, intercepted the bus near Kachla Ghat following a tip-off that there were "dreaded militants" among the pilgrims. The police separated the men from the women and asked them to board a waiting minibus.

Three Sikh youth grappled with the additional SP, and tried to snatch away his AK-47. In the ensuing melee, they tried to flee towards the forest for cover but local villagers caught them and handed them over to the police.

Though the police records on the encounters make no mention of these events, the scuffle between the policemen and the youths left vital evidence—a constable, Shamim, was injured when his rifle went off after one of the youths attempted to snatch it.

The police later overpowered the group after beating them up. They were taken to a guest house, where the superintendent of police, Mr R.D. Tripathi, held a meeting with his officials and a detailed "encounter" plan was chalked out. The women from the bus were, however, released in the afternoon.

On July 13, at the break of dawn, two jeeps sped up a dusty track in the Phagunai forest, carrying four trussed-up men. The Marauri gurdwara priest, Mahinder Singh, was among the hundred local inhabitants who watched this drama. The jeeps were followed by two PAC [Provincial Armed Constabulary] trucks carrying armed constables.

Near Phagunai Ghat, the vehicles were stopped and the four Sikhs were taken to the Khannaut river. One of the men screamed "Baachao, Baachao" (save me, save me). The rattle of a gun, however, silenced the voice.

A similar drama was enacted with greater precision in Neuria forest, where the police claimed to have shot four suspected Punjab militants and in Pooranpur forest, where two were shot. Villagers at all these places said they saw the police jeep carrying these men. Their names have been given as "Pappu", of Khalistan Liberation Army, Jaswan Singh "Jassa", Jaswant Singh "Fauji" of the Khalistan Commando Force, Harminder Singh

Ninda, Surjan Singh alias "bittu", Vichittar Singh, Kartar Singh, Tarsem Singh, Lakhvinder Singh and Narendra Singh "ninda".

Except for "Fauji" and "Pappu", none of the other had any criminal record, local police officers and intelligence sources confirmed. It is, however, still disputed whether those identified as "Pappu" and "Fauji" among those killed are actually the persons who were involved in criminal cases.

According to Mr Tripathi, the encounter at Phagunai Ghat took place around 8 p.m. on July 12. The second encounter near Panabaghi forest in Pooranpur took place around 11.30 p.m., while the third took place around 3 a.m. the next day.

Eyewitnesses, however gave an entirely different account in all these cases. Investigations have revealed that all these encounters were stage-managed early in the morning. The diabolical manner in which the operation was carried out could be judged from the fact that the families of all those killed in the encounter were asked by the police to leave Pilibhit district.

GNLf Central Committee Defers Gorkha Protest

91AS1313A Calcutta THE TELEGRAPH in english
6 Jul 91 p 1

[Text] Darjeeling, July 5: The GNLf [Gurkha National Liberation Front], at a much publicized meeting of its central committee headed by Mr Subhas Ghising, today decided to "keep the proposed Gorkhaland movement in abeyance till the position of Darjeeling in the Indian Union is clarified by the government of India."

The meeting, originally scheduled for June 8 and postponed till today following talks with the state government leaders, was to adopt a resolution on the revival of the Gorkhaland agitation.

"We have deferred the movement as we do not know whether this region belongs to Nepal or India," declared Mr Ghising after the two-hour meeting. As per the one point resolution passed at the meeting, the GNLf supremo will soon hold talks with senior government officials, the President and the Prime Minister to seek a clarification on Darjeeling's status in India.

"Our job will be to find out whether the British left behind any formal document on the inclusion of Darjeeling at the time of independence," Mr Ghising said, describing Darjeeling as a territory ceded by Nepal following the 1815 Treaty of Segowli between Nepal and the East India Company.

Mr Ghising cautioned the government on the "unusual" interest shown by the US ambassador to Nepal, Ms Julia Chang, on Eastern Nepal bordering Darjeeling. China was also trying to increase its influence in the area.

He alleged that Nepal was preparing a case to place before international bodies to lay claim on Darjeeling and Sikkim.

Ghising Warning to Center, Motives Questioned

Report on Interview

91AS1365A Calcutta THE SUNDAY STATESMAN
in English 14 Jul 91 p 1

[Article by Manash Ghosh: "Separatist Movement Threatens Darjeeling: Ghisingh"]

[Text] New Delhi, July 13—Mr Subash Ghisingh, chairman of the Darjeeling Gorkha Hill Council, is now here to impress on Mr P. V. Narasimha Rao and the Union Home Minister, Mr S. B. Chavan, that unless the Centre "acts fast" India will lose the Darjeeling hills and the contiguous areas of the Dooars and Sikkim to the protagonists of the Greater Nepal "positively by 1994". The GNLf [Gurkha National Liberation Front] chief, in an interview here yesterday said that considerations of pure national interests had brought him here to warn the national leaders of the grave danger that was going to befall these strategically located areas if the game plan of the Greater Nepal activists was going to succeed soon.

"We, the Indian Gorkhas, are feeling helpless and threatened by the developments and want Delhi and Calcutta to act quickly and take corrective measures. I have been in politics since 1964 but never have I seen such subtle, quiet and calculating moves by separatists trying to wrest these Indian territories for merger with Nepal. The separatists are trying to set up a confederation of Himalayan Kingdoms which would also include Bhutan. The powerful initiators of this move in Nepal, India and elsewhere have set the ball rolling by creating disturbances in Bhutan. My sixth sense and political acumen have repeatedly alerted me of the grave danger that the manifestations of the Greater Nepal movement may pose to the Indian Union. Surprisingly, this danger is completely unknown to the rulers in Delhi and Calcutta. I have come here to request them to protect and look after their property so that no one could blame me later that I had not given them a timely warning. If our national leaders do not wake up, the Nepalese flag would be flying in these Indian territories in another three years time. Delhi must act and not react as it always does while dealing with problems", Mr Ghisingh said at Banga Bhavan here. Mr Inderjeet, Congress(I) M.P. from Darjeeling, who was present during the interview, said that he had already drawn the attention of Mr Eduardo Faleiro, Minister of State for External Affairs, to the "disturbing developments" in the Darjeeling [as published] hills and neighbouring areas.

Mr Ghisingh said the protagonists of the Greater Nepal and the Confederation of Himalayan Kingdoms were actively campaigning both in Nepal and India for their cause. The main plank of their campaign was that Darjeeling, the Dooars, Kalimpong and seven parts of

Bhutan had been ceded to the East India Company between 1815 and 1865 by the ruling Ranas of Nepal through "unequal treaties". Although India as a successor State had been in "occupation" of these areas since Independence, their merger with India had never been legalized. This loophole, Mr Ghisingh pointed out, was being exploited by the propounders of the Greater Nepal movement who were now even citing that for four days following partition of the country the Pakistani flag had flown in Darjeeling not knowing whether it was a part of India. These elements were now openly called the Darjeeling hills and the adjoining areas as "disputed territories".

In fact, during the recent parliamentary election campaign in Nepal, the Nepal Communist Party (United Marxist-Leninist) had demanded that all Nepalese territories "unjustly" ceded to the British be returned to Nepal. Mr Ghisingh claimed that at many of these campaign meetings of the NCP (UML) [Nepal Communist Party's United Marxist-Leninist Faction] this demand had been stridently raised in the presence of senior CPI(M) [Communist Party of India-Marxist] leaders of Darjeeling district who had intensively campaigned for the NCP (UML). "The NCP (UML) won 80 out of 224 seats in the Nepal Rashtriya Parishad. It is now the largest Opposition party in Nepal. My fear is that if it is able to win over 16 M.P.s [member of Parliament] from other parties, the Communists will come to power and this demand will then be officially raised by the Communist Government of Nepal. The Greater Nepal activists are saying that they have enough evidence in hand to get a favourable verdict from the World Court for Darjeeling's return to Nepal. That is why I am spending sleepless nights".

Mr Ghisingh said his fear about the Greater Nepal movement had been aggravated by the systematic manner in which hoardes of Nepalese from Nepal were being sent to settle in the Darjeeling hills, the Dooars, Sikkim and other north-eastern States. According to him there were elements in India like Mr Nar Bahadur Bhandari, the Sikkim Chief Minister, who openly encouraged the Nepalese exodus and were doing everything to popularize the spread and cultivation of the Nepali language and culture, especially in North-Eastern India. Mr Bhandari had as his supporters the leaders of the Samyukta Morcha of Darjeeling for upholding his "Nepal" cause. These leaders, according to him, during the recent census had pressured the Gorkhas of north Bengal to declare Nepali as their mother tongue.

"Their plan is somehow to build up a case of ethnic homogeneity so that the objective of the Greater Nepal can be achieved someday. I don't want to be personal but some of these Greater Nepal leaders, including the Sikkim Chief Minister, maintain excellent relation with Kathmandu's Singha Durabai and its influential men like Mr Balchandra Sharma. The Nepalese model has been adopted by Mr Bhandari in many respects. But what is worrying me most is that Nepal is still importing truckloads of small arms, including AK-47s from

China, through the Kathmandu-Kodari Road and thousands of disbanded Gorkha soldiers of the British Army now based in Hongkong, will be resettled in Darjeeling in the next few years. All these will have an unsettling influence in the entire region", Mr Ghisingh said.

Situation Examined

91AS1365B Calcutta *THE TELEGRAPH* in English
14 Jul 91 p 9

[Article by Keshav Pradhan: "Greater Nepal: Ghising's New Card?"]

[Text] From Sutlej to Brahmaputra. That was the Nepal durbar's dream of a kingdom before the treaty of Segowli was signed in 1815. Today, warns GNLF [Gurkha National Liberation Front] supremo Subhas Ghising, the movement for greater Nepal aspires for a boundary almost as large by merging parts of Darjeeling district, Sikkim and Bhutan with the Himayalan kingdom.

Mr Ghising has now called for New Delhi's immediate intervention to contain the movement. But this has led to widespread confusion in Darjeeling, Sikkim and eastern Nepal.

At the moment, the question uppermost in the minds of the people is whether Subhas Ghising's warning is a hoax or whether it reflects a real threat. To make matters more complicated, the maverick Gorkha leader has questioned the very status of Darjeeling—whether it is a part of the Indian Union or not: "Delhi must answer with documentary pro of whether Darjeeling belongs to it or to Nepal."

On July 5 the GNLF central committee even decided to withhold its proposed Gorkha-land movement "until the Centre clarified Darjeeling's status in India." Since Darjeeling had been "ceded" to the East India Company by Nepal, argues Mr Ghising, it is not yet known whether the British left behind any documents formalising its integration with India.

Mr Ghising's opponents, mainly the CPI(M) [Communist Party of India-Marxist] and the Samyukta Morcha, are not in the least happy about the Centre's unusual silence following the challenge to its authority over Darjeeling. They point out that like Darjeeling, Sikkim is also a ceded territory and "a distortion of history".

Besides, they are piqued by the fact that Mr Ghising branded former Marxist MP Ananda Pathak and ex-state minister for local self government Dawa Lama as "foreigners" and even questioned their right to contest elections. It is quite obvious that Mr Ghising did so because the two leaders had supported the Nepali language movement.

This is not the first time that the spectre of greater Nepal haunts Nepalis living in India. Five years ago when the turbulent Gorkhaland movement was at its peak, Mr Ghising himself was accused by his adversaries of being in league with Prince Gyanendra, King Birendra's

younger brother, and former Nepali foreign minister Sandhir Subba to form a greater Nepal. (Before migrating to Nepal last year, Mr Subba was founder secretary of the All India Gorkha League).

Eight years ago Mr Ghising was alleged to have been working on behalf of Kathmandu—after he submitted a memorandum to King Birendra in 1983. But today, he has turned out a true patriot and one of the severest critics of Nepal and its alleged sympathisers.

"Nepal is preparing a case to be presented before the United Nations to claim back Darjeeling," he cautions the government. It is indeed a mystery why Mr Ghising remains silent on the Palace and the Nepali Congress government, but accuses the Communist Party of Nepal (United Marxist Leninists) and US ambassador in Nepal Julia [as published] Chang of being the chief proponents of the pan Nepal movement. Ms Chang is often hailed as the daughter of the east by Nepal's journals because of her Chinese origin.

But Mr Ghising sees a connection between the fact that "Ms Chang camped in eastern Nepal during the election" and that the "Marxist-Leninists did remarkably well there." Nepal's communists swept all the 12 seats in Medhi Anchal where their CPI(M) colleagues from neighbouring Darjeeling campaigned for them.

The US apart, Mr Ghising believes that Britain and China also have a hand in the so-called greater Nepal movement. He talks in detail about how Nepal is acquiring arms from China, which may even find their way into the hands of pro-Nepal activists in Darjeeling and Sikkim.

Over the past one month, Mr Ghising has been carrying on a relentless public campaign against the "designs" to "merge Darjeeling, Sikkim, the Dooars and Bhutan with Nepal". He alleges that Sikkim chief minister Nar Bahadur Bhandari, the CPI(M), the Communist Party of Nepal (United Marxist-Leninist), several pro-Nepal organisations and international intelligence agencies, including the CIA, have a hand in this. And wherever Mr Ghising has called for the expulsion of pro-Nepal activists, he has received an overwhelming response.

Perhaps, encouraged by this, Mr Ghising has taken up the issue with state land and land reform minister Benoy Krishna Chowdhury, lieutenant general R. S. Brar and other visiting dignitaries. This week he is scheduled to meet the President, the Prime Minister and other Union ministers to discuss "the ongoing anti-national activity in the region." A detailed report on the pan Nepal movement in the past and the present one has been prepared by the GNLF for Delhi's perusal. Not only that, Mr Inderjit, Congress MP [member of parliament] from Darjeeling and a close associate of Mr Ghising, has also said he would raise the issue in Parliament.

Going back to the past, this former Armyman-turned-politician points out: "It was the All India

Gorkha League which first led a delegation to Kathmandu in 1946 to seek the merger of Darjeeling with Nepal." The Ranas, he adds, had even offered a handsome amount to the League for its help. "On the eve of Independence a pro-Pakistan team had contacted the Gorkha League. That was why Pakistani flags were flown in Darjeeling for four days beginning August 14, 1947. It was during this period of uncertainty that India extended its rule to Darjeeling." Several founder members of the League have denied this and have said that the 1946 delegation was on a goodwill mission.

If Ghising regards Nepal and its political parties with suspicion, Nepali journals and political activists, too, have launched a scathing attack on the Gorkha leader and his anti-Nepal tirade. They are also quite apprehensive of the "growing interference" of Bengal communists in eastern Nepal. They have described the recent visits of health minister Prasanta Sur, former Speaker, West Bengal Assembly, Hashim Abdul Halim and other leftists to Nepal as an attempt to promote Bengal's "expansionist policy in Nepal."

Clearly, Mr Ghising, with the help of GNLF's efficient publicity wing, has been successful in creating chaos and confusion in the opponent's camp. His virulent campaign against Nepal's communists has paid off well. A great number of people now believe his contention that the Nepali Marxist-Leninists have been trying to secure Darjeeling and Sikkim which were earlier sliced off by the East India Company in accordance with the 1815 treaty of Segowli. He is, however, silent on the Shimla hills, Garhwal and Kumaon regions which too were ceded by Nepal as per the pact.

The GNLF president has been living in virtual isolation ever since he started opposing the demand for the recognition of the Nepali language three years ago. Nepali organisations all over India have rallied behind his friend-turned-foe Nar Bahadur Bhandari. To counter them, Mr Ghising has floated his own All India Gorkha Bhasa Samity.

He has further angered the Nepali protagonists by calling their movement a "camouflaged move to make Darjeeling and Sikkim the 76th and 77th districts of Nepal." He says he prefers Gorkha to Nepali so as to distinguish the Nepali-speaking population in India from Nepal's citizens. "When we are Indians why should we have any attachment with Nepal," he argues. Pro-Nepal elements, he believes, under the leadership of Mr Bhandari are trying to evolve an ethnic homogeneity across Nepal, Darjeeling, Sikkim, the Dooars and Bhutan. "Once this is accomplished, it will be very easy for them to seek the annexation of these areas by Nepal."

Mr Ghising further claims that during the last census, Mr Bhandari's supporters forced Gorkhas to write Nepali as the name of their language. And as there are 95 per cent Nepalis in Darjeeling coupled with the fact that there is no evidence of it being a part of India, the future of the Gorkhas will be in jeopardy once the anti-nationals

swing into action. The fate of Arunachal Pradesh was similar, claims Mr Ghising, until Rajiv Gandhi formalised its inclusion in the Indian Union by granting statehood.

The Gorkha youth leader, Mr Dhruba Subba, finds Mr Ghising's arguments clearly "preposterous and baseless," particularly his contention that Nepali language supporters are anti-national. "It is we the Nepali-speaking people who voted for Sikkim's merger with India. How can anyone say we are going against India, our motherland?" He further adds, "We have not forgotten how Ghising met the King of Nepal." Referring to Mr Jyoti Basu, he says: "It seems even he has some kind of an understanding with Ghising otherwise he would not have remained silent on the matter."

As for the Congress(I), it is in a fix as its electoral ally, the GNLF, tries its best to prove that there is a movement for greater Nepal. "So far we have not noticed any kind of pro-Nepal movement in India," declares the general secretary of the district Congress(I), Mr Hem Rai. He also wonders how a poverty-stricken country like Nepal can afford to challenge a big country. He, however, adds: "Since Ghising has raised the matter, he must be having some idea. We cannot dismiss it."

Not aware of how local Congressmen look at the issue, Mr Inder Jit recently extended support to Mr Ghising on the alleged greater Nepal movement spearheaded by the CPI(M) and the Samyukta Morcha. Mr Inder Jit went to extent of saying, "There is no place for Nepalis in India," evoking protests from various quarters.

"What right does Inder Jit have to make such a remark? We have come here with our land," retorts Mr Buddha Tamang, general secretary of the Bharatiya Nepali Vidhyarthi Sangathan. He was referring to 1835 when Sikkim gifted Darjeeling to the British. Before that the East India Company had handed Darjeeling over to Sikkim after slicing it off from Nepal in 1815.

But now Mr Tamang's party is determined to go ahead with its padayatra programme to press for the Nepali language "regardless of what Ghising says or does."

On the other hand, the Congress, which has always supported the demand for constitutional recognition of Nepali, seems divided on Mr Inder Jit's stance on the greater Nepal question. "It is nothing but a hoax. PCC(I) chief S. S. Ray should come and see for himself what is happening here," says the general secretary of the Intuc-affiliated National Union of Plantation Workers, Mr A. N. Pradham.

The district CPI(M), which is always at loggerheads with Mr Ghising soon plans to prepare a report on the situation arising out of the GNLF president's allegations. The Marxist Rajya Sabha member, Mr R.B. Rai, terms as "unfounded and imaginary" Mr Ghising's fears about the so-called greater Nepal movement. "Wasn't it

Ghising himself who once tried to merge Darjeeling with Nepal and even called it Teesta Anchal? We have proof of this," he says.

According to him, Mr Ghising, who is also the Hill Council chairman, is being "remote-controlled by Delhi to "kill all democratic and leftist movements of the Nepali-speaking Indian citizens." Mr Rai maintains Delhi knows well that the Nepalis will be rendered voiceless if Darjeeling, their nerve centre in India, is silenced. His colleague and councillor, Mr D.S. Bomjan, comments sarcastically: "The magic of Gorkhaland is gone forever. Ghising now has to invent something new to hoodwink the people." The furore over imaginary issues like a pan Nepal agitation and Darjeeling's status, he believes, is nothing but a "ploy to cover up the Council's corrupt practices, to thwart any attempt by the government at disciplining its functioning and to black-mail Delhi and Calcutta for extra money."

The Samyukta Morcha sometime ago called Mr Ghising an agent of RAW, who has been engaged to break the unity of the Nepali-speaking people and to sabotage all their movements including the one for the language. The Nar Bahadur Bhandari-led Bharatiya Nepali Rashtriya Parishad, which since last year has been trying to unite Nepalis scattered all over the country, has also come down heavily on Mr Ghising.

Another organisation which has been rendered helpless in the crossfire is the Bhutan People's Party, which Mr Ghising accuses of collaborating with pro-Nepal forces in its bid to merge Bhutan with Nepal.

Political observers are now busy analysing the GNLF's proposed Gorkhaland movement on the basis of the greater Nepal issue. Confrontation with Calcutta also seems likely. Mr Inder Jit has openly threatened the state government of yet another partition of Bengal if it does not properly implement the Darjeeling accord. One of the likely reasons for Mr Ghising turning against Nepali communists could be their link with the CPI(M) which has made considerable inroads in the hills.

Jharkhand Students' Union Prepares for Struggle

91AS1364A Calcutta THE SUNDAY STATESMAN
in English 14 Jul 91 p 9

[Text] Jamshedpur, July 13—Following its humiliating defeat in the Lok Sabha elections, the All-Jharkhand Students' Union [AJSU] is now preparing itself for an armed struggle on the pattern of the ULFA [United Liberation Front of Assam] movement in Assam. This is aimed at "compelling" the government to create a separate Jharkhand state if the Centre fails to make an announcement in this regard on August 15.

Disclosing this to THE STATESMAN here today, Mr Surya Singh Besra, former general secretary of the organization and MLA [members of legislative assembly] from Ghatsila constituency, said that though the AJSU leaders have unanimously agreed to launch the stir, the

strategy and other issues relating to it will be finalized during the organization's two-day fourth national convention scheduled to be held at Rairangpur in Orissa from August 7.

Mr Besra said that an AJSU delegation is scheduled to meet the Prime Minister, Mr P. V. Narasimha Rao, in New Delhi on July 22 to apprise him of the decision. According to him, since the meetings held with the Centre and State Government during the past three years failed to yield any result, the AJSU has decided to intensify the agitation for a separate Jharkhand state. "We have learnt from our experiences that the Government only understands the language of violence, and

unless we launch an armed struggle, it will not take any initiative on our demands", he said.

When asked whether it was possible for the Centre to take a decision on the issue soon after assuming power, the AJSU leader said, "We simply want the Centre to announce that it agrees in principle that the creation of a separate state is the only solution to the Jharkhand problem". The modalities regarding the size and the date of formation of the new state could be finalized later, after consultations with the Chief Ministers of Bihar, West Bengal, Orissa and Madhya Pradesh and representatives of different political organizations, he said.

Prime Minister on Economy, Foreign Affairs

91AS1223A Madras *THE HINDU* in English
10 Jul 91 p 8

[Text] It was the fag end of a long day. Mr P.V. Narasimha Rao had completed a 12-hour visit to Hyderabad, the capital of his home State—the first after taking over as Prime Minister. A hectic schedule was behind him as he settled down in the cabin of his special plane. And soon after it took off, he was replying to K.K. Katyal's questions on a wide range of subjects—political and more important economic—briefly touching upon foreign affairs. It was Sunday, July 7. Three days earlier, the rupee had been devalued for the second time in 48 hours—the depreciation in the two installments adding up to nearly 20 per cent. Soon after, the trade policy underwent sweeping changes, linking imports to exports.

This provided the context for the questions on economic subjects. At the political level, there were the ticklish issues thrown up by the people's verdict, with the ruling party (along with its allies) 15 short of the majority.

For the Congress, this was the first experience of its type—to run the Government, without the backing of the majority. Yes, in 1969, after the Congress split, Mrs Gandhi was reduced to a minority and stayed in power with the support of the communists. That, however, was a mid-term phenomenon, not the result of the electoral verdict. And for the first time, the Congress Prime Minister was outside the Nehru-Gandhi family (excluding Lal Bahadur Shastri's brief tenure after Nehru's death).

The question-answer session provided a useful opportunity for a study of how he intended to manage the affairs of the nation, conduct ruling party matters, deal with the Opposition groups. He explained some points at length, chose to be brief on some others. But the brevity was eloquent. Going by his statements after the elections, Mr Rao favored principled cooperation with the Opposition. Some of his colleagues, however, conveyed the contrary impression. They would not mind splitting other parties and enlisting the support of breakaway groups. Mr Rao is against defections, but, at the same time, could he be expected, he asked, to guarantee the unity of other parties? Political tongues have been wagging on various possibilities—defections not excluded. Attention is often drawn to the Industry portfolio, kept unallotted tantalizingly. Is it meant for a potential defector from the Opposition?

What about the State Governments where the non-Congress ruling parties have not fared well? Senior Central Ministers including Mr Madhavrao Scindia and Mr V.C. Shukla, have, in so many words, made a case for a change in Madhya Pradesh. Then there is the dangerous precedent on two occasions in the past—in 1977, when the Janata Party Government dismissed as many as nine Congress-led State Governments. Three years later the Congress returned the "compliment" in kind, removing the same number of State Governments

belonging to other parties. How does Mr Rao propose to deal with the situation? He replies to this and other questions in his inimitable style—partly theoretical, partly political. Here are the excerpts.

Question: What does the agenda look like, now that you are in office?

Answer: It is quite challenging. In fact it has proved to be more challenging than we had imagined. But we are in it now. Let us see it through.

Of course, you have the party manifesto and it spells out the tasks for the Government—and the tasks are put in different categories. But could you pinpoint the core programme you will be taking up immediately, the top priorities?

A major thing we have already started, it is the economic aspect. We have started on preparing the budget. Then the other programmes which we have mentioned in the manifesto on a priority basis. So I think the agenda is laid out quite clearly and we will follow it.

How do you meet the challenge of 240? When the election results were being announced and it was clear that no party would get majority, you had spoken of the need for decisions on the form of cooperation with other parties. In that context, you mentioned omnibus cooperation as one of the possibilities. But there is no sense of urgency now. Should one expect a well-thought-out move for an omnibus arrangement—or a coalitional or participatory set-up? Certain compulsions for a coalition are inherent in the verdict. The Congress(I) has virtually no representation in two major States—U.P. [Uttar Pradesh] Bihar.

I have spoken to all leaders and I thought the response from them was satisfactory. I did not find any non-response from anyone. Naturally they will see how we go along. As we go along they will formulate their responses to each issue as it arises and that is how I expect the process of cooperation to unfold.

But are you thinking in terms of institutionalized or omnibus cooperation?

I wouldn't have the choice on that. The choice would be theirs; what kind of cooperation they would like to give but I have a feeling that even if it is issue-based, it should be possible for the Congress to run the Government and implement the programmes it has set before itself.

The words "consultation" and "cooperation" have been used loosely and lost all meaning in practical terms. These are used both by the ruling party and the Opposition—not to pinpoint the reality but to obscure it, gloss over it.

Yes, consultation will be there. I am quite sure that I will be able to consult them on all issues of importance and I am confident that I will be able to get cooperation from some of them, if not all, on some issues, all of them on some other issues. That is how it will be.

You had disapproved of the idea of augmenting the Congress(I) strength by inducing defections in other parties. But that is not the impression one gets from talks with some of your colleagues. They still think they will be able to split or break other parties.

I don't think so. We are not going to cause any defections but if you hold us responsible for the unity of other parties, then I cannot say. You should make a study of what other parties are like before you put this question to me. If they are united, if you find any integrated approach or structure in them, then you could say. It is up to you to draw your own conclusions but what I am saying is I am not interested in causing any defections.

How will you elaborate your political agenda? Of course, the party manifesto is there but the fast-changing situation throws up new problems. A brief reiteration of your priorities may not be out of order.

I think the agenda is very well laid out in the manifesto. I cannot repeat all that is contained in the manifesto because if I repeat from memory something might be left out and that would not be good. So, I think we have a clear agenda this time and there should be no confusion about it.

There are apprehensions in the bureaucracy of large-scale shuffle—of the type witnessed at the time of earlier transitions. It creates uncertainty and what it means at the high decision-taking levels could be well imagined. Would you like to spell out your ideas?

Do you find it today? Have you found it anywhere in the bureaucracy?

That feeling was there till recently, in any case.

If it was there till recently by implication you agree that it is not there now.

It has come down, may be?

Have you any suggestion to make? I don't know of any nervousness. You have been making all the surveys and you should tell me what the nervousness is about. I have not come across any report saying that people are nervous about it and I don't think there is any need for anyone to be nervous.

Shuffle of Governors

And the shuffle of Governors? They were changed in the past whenever the Governments at the Center changed. Should one expect...?

Did we do it in 1980? Did we do it in 1984? So why do you tie what others did to us? You should have asked them why they did it? I am not sure you did. Why do you ask me to answer for what they did? You see Governors can be shifted. They have been shifted and they will be shifted on a selective basis whenever it is found necessary, but a mass transfer or mass removal of Governors has not taken place under any Congress regime.

Responsible leaders in the Congress(I) want the Governments of Madhya Pradesh and Rajasthan to be dismissed and fresh Assembly elections held on the plea that the ruling parties there have not fared well in the Lok Sabha poll. Your views?

Yes, those demands are there. The allegations are there. Charges are there. Complaints are there. They are all there but I cannot say anything right now on what could be done or what would be done about this. We are seized of those matters.

Do you accept the argument based on the Lok Sabha results—that the ruling parties in the two States have lost confidence of the people?

We are examining all the aspects.

Now that the Punjab elections have been postponed just before you took over as Prime Minister, there is a controversy over how it happened, why it happened and all that.

I think it happened, that is a fact of life. There is no use in going into that. We had been asking right from the beginning. So I don't want to bring that into controversy. Now we have to see and look to the future what we have to do in view of what he (the Chief Election Commissioner) has done. He has postponed the elections. Now we have to decide on the next step for the Government to take.

Does your Government contemplate annulling the Punjab elections now postponed? This cannot be done under the existing law. Any plan to amend it?

We are going to take the decisions. We have to take the decisions in some days because now we are on other things. We will take few days to complete that.

Rupee Devaluation

Despite your denial, the impression persists—as evident from the statements of Opposition parties, a section of economists—that the rupee was devalued under pressure by the IMF. Your comments?

There was no pressure by the IMF. What we considered right we have done. Had it been done earlier, we would not have been doing all these things together. It is an accumulated inaction of the past. I am not blaming anyone for this but the accumulated inaction and the urgency of the situation which we faced immediately after taking over—these two combined to get these decisions taken very quickly. That was the only way of doing it. We could not have waited even for a few days because if we had done that we would have been in the red.

The speed with which crucial decisions were taken appears to give credence to criticism that enough thought was not given to alternative strategies to get over the economic crisis. You may like to explain.

They were adequately gone into. In fact they were gone into even before we came into Government. It is not as if, as I said, everything fell from the heavens overnight. All these matters were examined, all the alternatives were gone into. When we found that it is no longer possible to postpone the decisions and it is positively better to take the decisions immediately, we went ahead but even within those few days we examined all those things. We went into everything, all the alternatives and options available. It is not as if anything was done blindly.

Economic Reforms

The thrust now will be on economic reforms, structural adjustments, as the Finance Minister has been saying. Somehow the assurance that, in this process, the independence of judgment would be preserved is missing. Would you like to say something?

It is not missing. We have been emphasizing it time and again, in fact, he has been saying that the main request for all these reforms would be to see that we do not lose our economic independence. If we go on drifting we would certainly have lost it, if not now, after six months. In the next one week or two, we would have been defaulters. And once you become a defaulter, a country of India's size, what will happen is something that you can easily imagine. Then what happens? Can you keep your economic independence after that? Therefore what the Finance Minister said is absolutely correct and what I say is this is the only way of keeping our economic independence in the long run. We had to take hard decisions so that we don't go into a situation where it becomes irretrievable. Then you lose economic independence. So it is in order to prevent that horrendous situation that these decisions were taken.

What haunts both experts and non-experts is the experience of 1966. The rupee was devalued but exports did not pick up. Could there be an assurance that 1966 would not be repeated?

We will have to carefully weigh the steps which need to be taken hereafter and we are at it. We have not really left anything for test and I am sure that whatever might have happened at that time, I am not quite sure what to say about that because I was at least personally not fully aware of the details—so without making any comment about what happened in 1966, this time I may say that we will not leave anything to drift. We will take all the consequential actions and steps that are needed and we are already taking those steps.

There is a talk of withdrawal of subsidies—for fertilizers, foodgrains etc. How is it proposed to protect those affected by such actions?

Those matters are being considered now and, at this moment, I cannot make any comment on them. There have been suggestions. We are examining all the things.

Price Rise

And how do you propose to tackle the price rise, from which there seems no escape as a result of devaluation, etc.? (I am not taking into account the other hard options which may possibly be reflected in the budget.)

The Finance Minister has already said that in the short run there is bound to be some increase but because of the steps that are being taken, very steep increases, that would have occurred in the case of our not having taken any action, will be prevented and within a reasonable period, the whole thing will get stabilized. If the value of the rupee had gone on getting eroded, without any stabilization, without any stopping, then you can see how the prices would have risen. Today, we have done the adjustment. To the extent of the adjustment there will be a marginal increase but if we had not done it, increase would have been something the country would never have been able to endure. That is what we want to avoid and that is why I have been telling the people that this is a hardship which is inevitable in order that we avoid, avert a much greater hardship.

The trade policy is drastic not merely in the immediate context but also from a long-term standpoint. For instance, Mr Chidambaram talks of a convertible rupee. Will that not mean total opening of the economy to foreign entrepreneurs?

I don't know what he said in detail but he said it as a perspective. How soon, nobody can say at the moment. But he has just indicated a perspective as far as I can see.

How open, how liberal will be the industrial policy? Any projections of the foreign capital likely to be attracted as a result?

I can say that within the last few days the atmosphere for foreign investments and deposits and our own ability to tide over the crisis has markedly improved. The readiness of either the NRIs or others to lend us money is much more evident today than it was before the Government came into being. If within the last two weeks or one-and-a-half-weeks, the atmosphere has become positive from a totally negative point, it is encouraging and we would like to build on it.

What should one expect from the new Government, by way of initiatives, in relation to neighbors? Could we take one or two specific cases? For instance Pakistan. What is going to be India's response to Mr Nawaz Sharif's proposal for a nuclear-free zone in South Asia, including China?

We have already reacted to that. We said that it is not acceptable. This will not be acceptable. We stand by that. The reasons are clear. They have been given times without number. I don't have to recall that. We have a principled stand that this kind of thing will not work on a regional basis. It has to be total and we will never be a party to an arrangement in which no one knows what the

other country is going to do in spite of the agreement. We would not be a party to that.

During your tenure as Foreign Minister in 1989, your visit to Islamabad for the Joint Commission meeting was the last occasion when the bilateral relations had taken a positive turn—prospects of trade, easing of traffic. After that began a drift.

After that, I am not quite conversant with what happened. But I have not heard of any further improvement or further development.

About the recent decision of the Pakistan government to cancel the transit visa for Indians. Any comment?

I have no idea about it. When was it? The spokesman must have given the Government's reaction. Whatever is banned or is obstructive is a negative development.

As regards Sri Lanka: How does India get over a new dilemma? We have been calling upon Colombo not to use the military option in relation to LTTE [Liberation Tamil Tigers of EELAM]. Will it be possible to keep stressing this point in view of the problem that has arisen here? What is going to be the thrust of Sri Lanka policy?

There is no easy solution for that. We will have to take decisions after deliberation. We have been concentrating on other things, domestic things. We will tell you by and by.

Foreign Policy

The last question relates to the overall foreign policy.

It remains the same but it has to be much more active.

But the world has changed, of late?

The policy will remain the same with some modifications that need to be brought as a result of changes in the world. That of course has to be done but in addition to that the foreign policy now will have to be much more active than what, I think it was for the last one-and-a-half years. That is where we have to apply the correctives.

Finance Minister Presents 1991-92 Budget

Text of Speech

91AS1378A Bombay THE TIMES OF INDIA
in English 25 Jul 91 pp 6, 7

[Text]

All-Out Bid To Correct Trade Imbalance

The following is the text of the budget speech by Dr Manmohan Singh, minister of finance, while presenting the Union budget for 1991-92 today:

I rise to present the budget for 1991-92. As I rise, I am overpowered by a strange feeling of loneliness, I miss a handsome, smiling, face listening intently to the budget speech. Mr Rajiv Gandhi is no more. But his dream lives

on: his dream of ushering India into the twenty-first century. His dream of a strong, united, technologically sophisticated but humane India. I dedicate this budget to his inspiring memory.

The new government, which assumed office barely a month ago, inherited an economy in deep crisis. The balance of payments situation is precarious. International confidence in our economy was strong until November 1989 when party was in office. However, due to the combined impact of political instability witnessed thereafter, the accentuation of fiscal imbalances and the Gulf crisis, there was a great weakening of international confidence. There has been a sharp decline in deposits. As a result, despite large borrowings from the International Monetary Fund in July 1990 and January 1991, there was a sharp reduction in our foreign exchange reserves. We have been at the edge of a precipice since December 1990 and more so since April 1991. The foreign exchange crisis constitutes a serious threat to the sustainability of growth processes and orderly implementation of our development programmes. Due to the combination of unfavourable internal and external factors, the inflationary pressures on the price level have increased very substantially since mid-1991. The people of India have to face double digit inflation which hurts most of the poorer sections of our society. In sum, the crisis in the economy is both acute and deep. We have not experienced anything similar in the history of independent India.

The origins of the problem are directly traceable to large and persistent macro-economic imbalances and the low productivity of investment, in particular the poor rates of return on past investments. There has been an unsustainable increase in government expenditure. Budgetary subsidies, with questionable social and economic impact, have been allowed to grow to an alarming extent. The tax system still has many loopholes. It lacks transparency so that it is not easy to assess the social and economic impact of various concessions built into its structure. The public sector has not been managed in a manner so as to generate large investable surpluses. The excessive and often indiscriminate protection provided to industry has weakened the incentive to develop a vibrant export sector. It has also accentuated disparities in income and wealth. It has worked to the disadvantage of the rural economy. The increasing difference between the income and expenditure of the government has led to a widening of the gap between the income and expenditure of the economy as a whole. This is reflected in growing current account deficits in the balance of payments.

The crisis of the fiscal system is a cause for serious concern. The fiscal deficit of the central government, which measures the difference between revenue receipts and total expenditure, is estimated at more than 8 percent of GDP [gross domestic product] in 1990-91, as compared with 6 percent at the beginning of the 1980s and 4 percent in the mid-1970s. This fiscal deficit had to be met by borrowing. As a result, internal public debt of

the central government has accumulated to about 55 percent of gross domestic production (GDP). The burden of servicing this debt has now become onerous. Interest payments alone are about 4 percent of GDP and constitute almost 20 percent of the total expenditure of the central government. Without decisive action now, the situation will move beyond the possibility of corrective action.

The balance of payments situation is most difficult. The current account deficit, which was about 2 percent of the GDP for several years, is estimated to be more than 2.5 percent of GDP in 1990-91. These persistent deficits, which were inevitably financed by borrowings from abroad, have led to a continuous increase in external debt which, including non-resident Indian (NRI) deposits, is estimated at 23 percent of GDP at the end of 1990-91. Consequently, the debt service burden is estimated at about 21 percent of current account receipts in 1990-91. These strains were stretched to a breaking point on account of the Gulf crisis last year. The balance of payments has lurched from one liquidity crisis to another since December 1990. The current level of foreign exchange reserves, in the range of Rs [rupees] 2500 crores, would suffice to finance imports for a mere fortnight.

The price situation, which is of immediate concern to the vast mass of our people, poses a serious problem as inflation has reached a double digit level. During the fiscal year ending 31st March, 1991 the wholesale price index registered an increase of 12.1 percent, while the consumer price index registered an increase of 13.6 percent. The major worrisome feature of the inflation in 1990-91 was that it was concentrated in essential commodities. The prices of these commodities rose in spite of the three good monsoons in a row and hence the three successive bumper harvests. Inflation hurts everybody. More so the poorer segments of our population whose incomes are not indexed.

There is no time to lose. Neither the government nor the economy can live beyond its means year after year. The room for manoeuvre, to live on borrowed money or time, does not exist any more. Any further postponement of macro-economic adjustment, long overdue, would mean that the balance of payments situation, now exceedingly difficult, would become unmanageable and inflation, already high, would exceed limits of tolerance. For improving the management of the economy, the starting point, and indeed the centre-piece of our strategy, should be a credible fiscal adjustment and macro-economic stabilisation during the current financial year, to be followed by continued fiscal consolidation thereafter. This process would, inevitably, need at least three years, if not longer, to complete. But there can be no adjustment without pain. The people must be prepared to make necessary sacrifices to preserve our economic independence and restore the health of our economy.

In the macro-management of the economy, over the medium-term, it should be our objective to progressively reduce the fiscal deficit of the central government, to move towards a significant reduction of the revenue deficit, and to reduce the current account deficit in the balance of payments. It is only such prudent management that would enable us to curb the exponential growth in internal and external debt and limit the burden on debt servicing. For the government and the country, to manageable levels, indeed, we must make a conscious effort to reduce the internal debt of the government and the external debt of the nation, so that we rely more and more on our own resources to finance the process of development.

During the period of transition, it shall be our endeavour to minimise the burden of adjustment on the poor. We are committed to adjustment with a human face. It will also be our endeavour that the adjustment process does not adversely affect the underlying growth impulses in our economy. We do not have time to postpone adjustment and stabilisation. We must act last and act boldly. If we do not introduce the needed correctives, the existing situation can only retard growth, induce recession and fuel inflation, which would hurt the economy further and impose a far greater burden on the poor.

Macro-economic stabilisation and fiscal adjustment alone cannot suffice. They must be supported by essential reforms in economic policy and economic management, as an integral part of the adjustment process, reforms which would help to eliminate waste and inefficiency and impart a new element of dynamism to growth processes in our economy. The thrust of the reform process would be to increase the efficiency and international competitiveness of industrial production, to utilise for this purpose foreign investment and foreign technology to a much greater degree than we have done in the past, to increase the productivity of investment, to ensure that India's financial sector is rapidly modernised, and to improve the performance of the public sector, so that the key sectors of our economy are enabled to attain an adequate technological and competitive edge in a fast changing global economy. I am confident that, after a successful implementation of stabilisation measures and the essential structural and policy reforms, our economy would return to a path of a high sustained growth with reasonable price stability and greater social equity.

Thanks to the efforts of Pandit Jawaharlal Nehru, Indira Gandhi and Rajiv Gandhi, we have developed a well diversified industrial structure. This constitutes a great asset as we begin to implement various structural reforms. However, barriers to entry and limits on growth in the size of firms, have often led to a proliferation of licensing and an increase in the degree of monopoly. This has put shackles on segments of Indian industry and made them serve the interests of producers but not pay adequate attention to the interests of consumers. There has been inadequate emphasis on reduction of costs,

upgradation [as published] of technology and improvement of quality standards. It is essential to increase the degree of competition between firms in the domestic market so that there are adequate incentives for raising productivity, improving efficiency and reducing costs. In the pursuit of this objective, we have announced important changes in industrial policy which will bring about a significant measure of deregulation in the domestic sector, consistent with our social objectives and the binding constraints on the balance of payments.

The policies for industrial development are intimately related to policies for trade. There can be no doubt that protection was essential in the initial phase of our industrial development, so that we could go through the learning period without disruption. The past four decades have witnessed import substitution which has not always been efficient and has sometimes been indiscriminate. The time has come to expose Indian industry to competition from abroad in a phased manner. As a first step in this direction, the government has introduced changes in import-export policy, aimed at a reduction of import licensing, vigorous export promotion and optimal import compression. The exchange rate adjustments on 1st and 3rd July 1991 and the enlargement and liberalisation of the replenishment licence system constitute the two major initial steps in the direction of trade policy reform. They represent the beginning of a transition from a regime of quantitative restrictions to a price based mechanism.

After four decades of planning of industrialisation, we have now reached a stage of development where we should welcome, rather than fear, foreign investment. Our entrepreneurs are second to none. Our industry has come of age. Direct foreign investment would provide access to capital, technology and markets. It would expose our industrial sector to competition from abroad in a phased manner. Cost, efficiency, and quality would begin to receive the attention they deserve. We have, therefore, decided to liberalise the policy regime for direct foreign investment in the following manner. First, direct foreign investment in specified high priority industries, with a raised limit for foreign equity at 51 percent, would be given prompt approval, if quality inflows are sufficient to finance the import of capital goods at the stage of investment and if dividends are balanced by export earnings over a period of time. Second, foreign equity upto 51 percent would be allowed for trading companies primarily engaged in export activities. Third, a special board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in selected areas. This would be a special regime to attract substantial investment that would provide access to high technology and to world markets.

For the founding fathers of our republic, a public sector that would be vibrant, modern, competitive and capable of generating large surpluses was vital element in the strategy of development. The public sector has made an important contribution to the diversification of our

industrial economy. But there has been a number of shortcomings. In particular, the public sector has not been able to generate internal surpluses on a large enough scale. At this critical juncture, it has, therefore, become necessary to take effective measures so as to make the public sector an engine of growth rather than an absorber of national savings without adequate return. This has been widely accepted. But though an action in this regard are still far apart [as published], to bridge this gap, the portfolio of public sector investments would be reviewed so as to concentrate the future operations of the public sector in areas that are strategic for the nation, require high technology for the economy, and are essential for the infrastructure. In order to raise resources, encourage wider public participation and promote greater accountability, up to 20 percent of government equity in selected public sector undertakings would be offered to mutual funds and investment institutions in the public sector, as also to workers in these firms. Public enterprises which are chronically sick and which cannot be turned around, will, be referred to the board of industrial and financial reconstruction (BIFR), or to a similar high-powered body to be set by the formulation of revival or rehabilitation schemes. A social security mechanism will be created to fully protect the interests of the workers likely to be affected by the rehabilitation packages of the BIFR. Autonomy in management, and corresponding accountability, would be provided through a system of memorandums of understanding between the government and public sector enterprises.

Our banking system and financial institutions are at the very core of the financial infrastructure in the economy. The widening and deepening of our financial system have helped the spread of institutional finance over a vast area and have contributed significantly to the augmentation of our savings rate, particularly financial savings. This has been a most commendable achievement, but our financial system has developed certain rigidities and some weaknesses which we must address now. The objective of reform in the financial sector would be to preserve its basic role as an essential adjunct to economic growth and competitive efficiency, while improving the health of its institutions. In this task, it is essential to ensure capital adequacy, introduce prudential norms and improve profitability of our commercial banks and financial institutions. There are no magic solutions. These are complex issues which need careful consideration. Therefore, I propose to appoint a high level committee to consider all relevant aspects of structure, organisation, functions and procedures of the financial system. This committee would advise the government on appropriate measures that would be needed to enhance the viability and health of our financial sector so that it can better serve the needs of the economy without any sacrifice of the canons and principles of a sound financial system.

Interest rates are a crucial dimension of the financial sector. In the formative stages of the development of credit markets, administrative intervention in interest

rates is both necessary and desirable. At the present stage of our development, however, we can begin to relax the degree of intervention and impart a greater flexibility to the structure of interest rates. The Reserve Bank of India [RBI] has already taken an important step in this direction, by stipulating a floor rate of interest and providing freedom to commercial banks to charge interest rates above the floor level based on their perceptions of risk.

The government proposes to extend a similar freedom to term-lending financial institutions, where the minimum interest rate would be 15 percent, and these institutions would be free to charge an interest rate in accordance with their perception of the creditworthiness of borrowers. With the exception of tax free bonds for the public sector, it is also proposed to remove all restrictions on interest rates for debentures, both convertible and non-convertible, floated in the capital market. The interest rate on such debt instruments will hereafter be governed by market forces, and the credit rating of such debt instruments will become an integral part of the capital market process. In consultation with the Reserve Bank of India, the government would continue to watch the structure of interest rates. Recently, interest rates payable on bank deposits have been increased. I now propose to do a similar thing with regard to interest rates payable under the small savings schemes. Our ultimate objective is to achieve a significant reduction both in the nominal and the real interest rates. This would be possible if the rate of inflation is reduced significantly over the next three years.

While presenting the budget for 1987-88, our former prime minister the late Shri Rajiv Gandhi had assured this house that for a healthy growth of capital markets, for protecting the right of investors and for preventing trading malpractices the government would set up a separate board for the regulation and orderly functioning of the stock exchanges and the securities industry. Although the board was set up, legislation to give the board adequate powers was unfortunately not enacted. This shall now be done forthwith and full statutory powers will be given to the Securities and Exchange Board of India for administering the relevant provisions of the Securities Contracts (Regulation) Act and the Companies Act. Transferring these powers from the controller of capital-issues and the government to an independent body would enable it to effectively regulate, promote and monitor the working of the stock exchanges in the country. A comprehensive package of reforms relating to trading on the stock exchanges, including a system of national clearing and settlement and setting up of a central depository, is also under active consideration.

In regard to mutual funds, some progress towards evolving a competitive structure has been made in the last few years with encouraging results. For many investors, mutual funds are a more suitable investment vehicle than direct ownership of shares. The government is already giving tax incentives for equity-linked savings schemes offered through mutual funds. The government

has now decided to further promote the development of mutual funds by throwing the field open to the private sector and joint sector mutual funds. In order to safeguard the interests of the investing public, and to encourage a healthy growth of the capital markets, a comprehensive set of guidelines is being evolved for the operation of all mutual funds, consideration will also be given to enactment of legislation for this purpose.

A comprehensive review of policies and procedures bearing on non-resident Indian investments shall be carried out and further relaxations made in order to remove all procedural difficulties and impediments to the setting up of industrial and other ventures by Non-Resident Indians. New sectors shall be made available to NRIs for investment on a non-repatriation basis, including housing, infrastructure and real estate development. For example, at present, NRIs of foreign nationality are required to obtain specific permission under Section 31 of the Foreign Exchange Regulation Act (FERA) to acquire residential property. It is now proposed to provide general exemption from this provision to such persons.

However, rental income and proceeds from the sale of such housing will be non-repatriable. For facilitating interaction with the central government, to serve as a focal point for NRIs, government proposes to establish a chief commissioner for Non-Resident Indians. I would urge state governments also to establish an office of a commissioner for Non-Resident Indians.

I believe that the time has come to evolve a more transparent institutional mechanism for fixing tariffs and domestic prices in sectors where there might still be need for protecting Indian industry against foreign competition and for the determination of administered prices, particularly in the area of public utilities. For this purpose, we propose to restructure the Bureau of Industrial Costs and Prices and to transform it into a Tariff Commission.

As we enter the last decade of the twentieth century, India stands at the cross-roads. The decisions we take and do not take, at this juncture, will determine the shape of things to come for quite some time. It should come as no surprise, therefore, that an intense debate rages throughout the country as to the path we should adopt. In a democratic society it could not be otherwise. What can we learn from this debate? The most important thing that comes out clearly is that we cannot realise our goal of establishing a just society, if we abandon the planning process. But India's future development depends crucially on how well the planning process is adapted to the needs of a fast changing situation.

I believe that without an intelligent and systematic coordinated resource use in some major sectors of our economy, development will be lopsided. It will violate deeply cherished values of equity and it will keep India well below its social, intellectual and moral potential. But our planning processes must be sensitive to the

needs of a dynamic economy. Over centralisation and excessive bureaucratisation of economic processes have proved to be counter productive. We need to expand the scope and the area for the operation of market forces. A reformed price system can be a superior instrument of resource allocation than quantitative controls. But markets can only serve those who are part of the market system. A vast number of people in our country live on the edges of a subsistence economy. We need credible programmes of direct government intervention focusing on the needs of these people. We have the responsibility to provide them quality social services such as education, health, safe drinking water and roads. In the same way, the development of capital and technology intensive sectors, characterised by long gestation periods, such as transport and communications and energy will need to be planned with much greater care than ever before. The control of land and water degradation, which threatens the livelihood of millions of poor people in this country, will also require effective government leadership and action.

The challenge that we are facing is without precedent. In its initial stages, the industrial revolution in the western world concentrated on the creation of wealth, unmindful of the social misery and inequity which characterised this process. The democratisation of the polity came much later the socialist [as published] experiment in charting a new path for accelerated industrial transformation of an underdeveloped economy and polity did achieve considerable success in developing technological and military capabilities, accumulation of capital for rapid industrial growth and human resources development, in countries such as the USSR. But recent developments have shown that this approach too suffered from major weaknesses, particularly in its allocative efficiency, in the management of technical change, control of environmental degradation and in harnessing the vast latent energy and talents of individuals. In India, we launched an experiment under the leadership of Pandit Jawaharlal Nehru, an experiment which sought to unite the strengths and merits of different approaches to accelerated development of our backward economy. We have achieved considerable success in the field of development, modernisation and greater social equity. However, we are yet far from realising our full potential in all these areas. We have to accomplish the unfinished task, while remaining steadfast in our allegiance to the values of a democratic system.

At the same time, we must restore to the creation of wealth its proper place in the development process. For, without it, we cannot remove the stigma of abject poverty, ignorance and disease. But we cannot accept social misery and inequity as unavoidable in the process of creation of wealth. The basic challenge of our times is to ensure that wealth creation is not only tempered by equity and justice but is harnessed to the goal of removal of poverty and development for all.

For the creation of wealth, we must encourage accumulation of capital. This will inevitably mean a regime of

austerity. We have also to remove the stumbling blocks from the path of those who are creating wealth. At the same time, we have to develop a new attitude towards wealth. In the ultimate analysis, all wealth is a social product. Those who create it and own it, have to hold it as a trust and use it in the interest of the society, and particularly of those who are under-privileged and without means. Years ago, Gandhiji expounded the philosophy of trusteeship. This philosophy should be our guiding star. The austerity that Gandhiji practised and preached is a necessary condition for accelerated economic development in the framework of a domestic polity. The trusteeship that he prescribed for the owners of wealth captured the idea of social responsibility.

In highlighting the significance of reform, my purpose is not to give a fillip to mindless and heartless consumerism we have borrowed from the affluent societies of the west. My objection to the consumerist phenomenon is two-fold. First, we cannot afford it. In a society where we lack drinking water, education, health, shelter and other basic necessities, it would be tragic if our productive resources were to be devoted largely to the satisfaction of the needs of a small minority.

The country's needs for water, for drinking and for irrigation, rural roads, good urban health services for the poor are so great as to effectively preclude encouragement to consumerist behaviour imitative of advanced industrial societies. Our approach to development has to combine efficiency with austerity. Austerity not in the sense of negation of life or a dry, arid creed that casts a baleful eye on joy and laughter. To my mind, austerity is a way of holding our society together in pursuit of the noble goal of banishing poverty, hunger and disease from this ancient land of ours.

Let me now turn to fiscal adjustment during the current financial year. The beginning of any attempt to correct the fiscal imbalance in the economy must be directed at a reduction in expenditure and an increase in income of the government, so as to reduce the fiscal deficit. In the medium-term, however, our fiscal regime would be sustainable only if revenue receipts not only meet revenue expenditure but also provide a sufficient surplus to finance capital expenditure that does not yield direct economic returns as such, as in defence or in social sectors. Even this would not suffice if investment expenditures in the budget do not earn an adequate return.

The elimination of structural imbalances in our fiscal system would require a reduction both in the fiscal deficit and in the revenue deficit as a proportion of GDP. The Union budget for 1991-92 is an essential first step in this direction.

The increasing levels of non-plan expenditure, financed through borrowing, have led to an exponential increase in interest payments by the government. The revised estimates for interest payments during 1990-91, at Rs 21,850 crores, accounted for as much as 38 percent of the net revenue receipts of the central government. Interest

payments during 1991-92, estimated at Rs 27,450 crores, constitute 42 percent of the net revenue receipts of the central government at existing rates of taxation. If the present trends continue without any correction, then interest payments could well account for more than 50 percent of the net revenue receipts of the central government by 1994-95. These magnitudes and proportions only serve to highlight the gravity of the situation and the acute need for a substantial non-plan expenditure over the next three years.

The revised estimate for total non-plan expenditure in 1990-91 was Rs 76,761 crores. In the normal course, even with the strictest scrutiny but in the absence of specific measures for reducing expenditure, this non-plan expenditure would have increased to a level of Rs 89,000 crores in 1991-92. Any attempt at fiscal correction during the current financial year can be meaningful only if non-plan expenditure is reduced by at least 10 percent from the level it would otherwise reach.

The single largest component of non-plan expenditure is interest payments. Even if there is a drastic reduction in government borrowing during this year, interest payments would still be in the range of Rs 35,000 crores in the next financial year. The exponential increase in interest payments can be brought under some measure of control, by 1994-95, only through a strict discipline on government borrowing for a period of three years.

The second largest component of non-plan expenditure is the allocation for the defence sector, where the provision in the revised estimates for 1990-91 was Rs 15,750 crores. No attempt at containing non-plan expenditure can succeed if defence is to be excluded. At the same time, it is absolutely essential to ensure that a quest for economy in expenditure does not in any way compromise national security. We must, therefore, seek to limit expenditure without diluting the efficiency and effectiveness of our defence services. Keeping in view all these considerations, it has been decided to provide an outlay of Rs 16,350 crores for defence in the current year.

Honourable members are aware that export subsidies have been abolished with effect from 3 July 1991. The export sector is being adequately compensated through the adjustments in the exchange rate and the expansion of the replenishment licensing system which were implemented at the beginning of July. Consequently, it is now necessary to provide only Rs 1,224 crores for export subsidies in the budget estimates for 1991-92, as compared with the earlier estimated requirement of Rs 4,200 crores, yielding a saving of as much as Rs 3,000 crores during the remainder of this year.

Insofar as fertiliser subsidies are concerned, with effect from this evening, low analysis fertilisers such as calcium ammonium nitrate, ammonium chloride, ammonium sulphate and sulphate of potash will be free from price and movement controls. There will be an increase of 40 percent, on an average, in the price of all other fertilisers. In addition, in respect of single super phosphate, there

shall also be a ceiling on the subsidy per tonne payable to producers so as to move towards total deregulation in the next few years: this should act as an incentive for all high cost units to reduce costs and improve efficiency. The necessary notifications in this regard are being issued separately today, by the ministry of agriculture.

The economic rationale for an increase in the price of fertilisers is so obvious that it does not need to be stated. Nevertheless, I would like to draw the attention of the House to the fact that there has been no increase in fertiliser prices since July 1981. In these ten years, there has been a continuous increase in the procurement prices of paddy and wheat, as also in the market prices of other crops, received by the agricultural sector. Farmers will be compensated for the proposed increase in the price of fertilisers through suitable increases in procurement prices.

We would continue to ensure that 50 percent of the plan resources are invested in the agricultural and rural sector. The provision for the continuing schemes for assistance to small and marginal farmers for dug wells and shallow tubewells would be doubled. The ceilings on assistance in difficult areas, where the watertable is very low, would be removed.

Similarly, the provision for assistance for fresh water and brackish water aqua-culture and for oilseeds and pulses production would be substantially stepped up. New schemes are being drawn up to popularise small tractors and matching implements, drip and sprinkler irrigation in areas where water is scarce, and quality seeds in low yield areas. Another new scheme that would be implemented from this kharif season is for providing assistance to state governments, cooperative societies, and farmers' groups to provide blanket plant protection cover on payment of a small fee in large identified areas under cotton or pulses. It would also be possible to demonstrate the advantages of integrated pest management in these areas. In order to safeguard any possible loss in production because of increase in fertiliser prices, and any decline in consumption, the credit structure would be strengthened to ensure adequate availability of credit particularly to the small and marginal farmers.

Simultaneously, soil testing laboratories and farm advisory services all over the country would be strengthened to ensure efficient use of fertilisers and popularise the use of bio-fertilisers. We would also identify a few irrigation projects that can be completed in this very year and ensure that these are provided the necessary funds. The other new initiatives, also would not be starved of funds. As far as possible our emphasis will be on provision of quality services to our farmers and not on handouts and subsidies.

The sugar subsidy which is costing the exchequer about Rs 350 crores per annum is indeed an aberration, which crept into the system from January 1990, when the increase in the levy price paid to producers was not matched by a simultaneous increase in the issue price for

consumers in the public distribution system. Small quantities of sugar are made available, mostly in metropolitan and urban areas, under the public distribution system at Rs 5.25 per kg whereas the price that most people pay in the market is around Rs 10 per kg. Government has decided that this subsidy should be abolished forthwith. Consequently, the issue price of sugar under the public distribution system will be increased by 85 paise per kg to Rs 6.10 per kg with effect from this evening. At the same time, the public distribution system is being strengthened to serve more effectively the weaker sections of our population, particularly the rural poor.

Having special regard to their basic needs for foodgrains such as rice and wheat, the provision for food subsidies in the current year is being stepped up to Rs 2,600 crores, as compared with only Rs 1,800 crores provided in the interim budget and Rs 2,450 crores provided in the revised estimates for 1990-91.

As a result of the exchange rate adjustments, at the beginning of July 1991, there would be an increase in the rupee value of the import bill for crude oil and petroleum products. It is, therefore, necessary to raise the prices of petroleum products for domestic consumers. This would also help to restrain the growth in consumption of petroleum products. The price of motor spirit, domestic LPG [Liquefied Petroleum Gas] and aviation turbine fuel for domestic use would be raised by 20 percent. The prices of other petroleum products, excluding diesel and kerosene for non-industrial use, would be raised by 10 percent. The price of kerosene, for non-industrial use, would be reduced by 10 percent.

Call for Greater Stress on Direct Taxes

The following is the text of Part "B" of the finance minister, Dr Manmohan Singh's budget speech:

Honourable members would have observed that expenditure adjustment constitutes the core of the proposed fiscal correction during the current financial year. But the process of fiscal adjustment cannot be complete without revenue measures to increase the income of the government. I now seek the indulgence of the house to present the reliefs, the incentives and the levies in the sphere of direct taxes.

The revenue from direct taxes, both as a proportion of GDP and as a percentage of total tax revenues, has registered a steady decline over time. This trend has to be reversed, so as to restore equity in, and balance to our fiscal system. Resources for development must be raised from those who have the capacity to pay. For this purpose, we must place greater emphasis on direct taxes. This calls for increased rates wherever necessary and a better tax compliance.

At the same time, rationalisation of the system, which reduces the maximum marginal rate of tax, simplifies the procedures, reduces the plethora of concessions, and brings the average rates of income-tax at various levels of income to more appropriate levels, if necessary. The

time available before presenting the budget was simply not enough to formulate basic structural changes. Yet, I have made a conscious effort to move one step forward in this direction.

Nobody can deny the existence of large-scale tax evasion, both in terms of income and in term of wealth. Unless I find substantial improvement in tax compliance in the next few months, government will have no choice but to take strong measures to make the tax evader pay a sufficiently high price for such delinquency. Before coming down heavily on tax evaders, I would like to give them a last opportunity to come clean. The black money so mobilised will be utilised for the achievement of social objectives such as slum clearance and low-cost housing for the rural poor.

"I propose to institute a scheme, under which any person would be allowed to make a deposit with the National Housing Bank on or before close of business on 30th November, 1991. Thereupon, 40 percent of such deposit would be deducted and set apart as a special levy, and form the corpus of a fund in the National Housing Bank. This fund will be utilised for financing slum clearance and low-cost housing for the poor, in accordance with guidelines and priorities laid down by the government. The depositor would be allowed to draw the balance amount in one or more instalments through account payee cheques for any stated purpose of his choice. There will be no lock-in period for this deposit. Persons making such deposits will not be required to disclose the source of funds from which the deposits are made. In other words, the monies deposited would be provided complete immunity from enquiry and investigation. The provisions of direct tax laws would, however, apply to the net deposits after deduction of the special levy, from the date of the deposit. The levy itself would not be an allowable deduction in the computation of income of the person concerned. Necessary legislation in this regard will be introduced shortly, in this session of Parliament. The details of the scheme and its date of commencement will also be announced soon.

The income-tax Act contains a provision under which tax payers can avail of the facility of waiver of penalty and interest on the amount disclosed once in a life-time. To those who have already availed of this facility, I propose to give just one more opportunity to disclose their unaccounted incomes. The finance bill contains a proposal for making suitable amendments to section 273A of the income-tax Act for this purpose.

The settlement commission was set up to provide an opportunity to assesseees to declare their undisclosed income and wealth. Under the existing procedures, the commissioner of income-tax can, on certain grounds, object to admission of an application by the settlement commission. This results in unnecessary delay. This provision is, therefore, being deleted. The settlement commission will, however, continue to call for and take into account the commissioner's report, provided it is furnished within a period of six months.

Our election manifesto has promised that we will promote reinvestment of profits, by suitable tax exemptions, in areas where there is crying need for massive investment such as low and middle-income group housing, highways, roads and bridges, non-conventional energy, school buildings and supply of drinking water. I therefore, propose to make a provision in the income-tax Act to provide deduction, in computing taxable profits of a taxpayer carrying on a business or profession, of the entire amount paid for financing projects or schemes promoting social and economic welfare. To ensure optimum use of scarce resources, I propose to set up a national committee of eminent persons to identify areas requiring support and for recommending specific projects and schemes. A similar deduction will be allowed also in the case of taxpayers not carrying on any business or profession.

As a token of my commitment to education and research and in recognition of the significant role they have to play in our development process, I propose to extend certain tax concessions that will help in the funding of social science research and provide some incentive to authors and publishers.

At present, only taxpayers carrying on a business or profession get deduction for sums paid to any approved university, college or other institutions for research in social sciences related to the class of business carried on by them. I consider that there is a case for providing more tax incentives for social science research. I, therefore, propose to allow the same 100 percent deduction in respect of sums paid for research in these areas whether related to business or not. I also propose to allow this deduction to taxpayers not carrying on any business or profession.

The role of books, particularly in the context of our national literacy mission as well as the national education policy cannot be overemphasized. To encourage publication of better and less expensive books and to give a fillip to the publishing industry, I propose to revive, with effect from the current accounting period, the deduction of 20 percent of profits from publication of books for a period of five years. To encourage the publication of Quality text books in various Indian languages I also propose to revive the 25 percent deduction from professional income of authors of text books in Indian languages. This will also be available for a period of five years, beginning with the current income-earning period.

Offshore country funds are emerging as important channels for attracting foreign institutional investment particularly from Non-Resident Indians (NRI). India made a beginning in this direction in 1989. Of late, however, there are signs of diminishing interest of foreign institutional investors in off-shore India country funds. The comparative national tax structure is one of the key factors affecting the direction of international financial flow. I, therefore, propose to substantially reduce the rate of tax on dividend income received by the off-shore

funds from the units of UTI [expansion not given] or other mutual funds and on long-term capital gains from such units. On dividend income the proposed rate of tax will be 10 percent as against the existing rate of 25 percent. On long-term capital gains, I propose to have the same rate of 10 percent as against the effective rate of about 45 percent at present.

In the light of our deep emotional involvement with the struggle of the black majority in South Africa and as a further affirmation of our commitment to South-South cooperation, I propose that donations to the Africa Fund be entitled to 100 percent deduction under Section 80 G of the Income-Tax Act.

The government is committed to the welfare of our unfortunate handicapped citizens. In an effort to mitigate in some small measure their hardship, I propose to increase the deduction available under Section 80 of the Income-Tax Act in respect of totally blind or physically handicapped persons, from 15 thousand rupees to 20 thousand rupees. The benefit of this tax concession is also proposed to be extended to partially blind persons.

Promotion of housing activity ranks high in government's socio-economic priorities. Towards this objective, I propose to extend the benefit of tax rebate under Section 88 of the Income-tax Act also to contractual schemes floated by public housing corporations like HUDCO [Housing and Urban Development Corporation] and state housing boards along the lines of the home loan account scheme of the National Housing Bank. Further, the tax rebate under section 88 will also be available in relation to instalments/repayments of loans towards cost of land and also in cases where the house was purchased or constructed before April 1, 1987.

Our software industry has made considerable progress in recent years. However, there is still a vast unexploited potential for growth. It is time we make all-out efforts to capture the overseas software market. With the objective, I propose to extend the tax concession under Section 80 HHC of the Income-Tax Act to export of software. With this concession, the exports of this industry should register rapid growth.

I also propose to extend the concession under Section 80 HHC to the export of processed minerals.

I consider that scientific, technical and professional skills, knowledge and experience possessed by our professionals in various fields like architecture, accounting etc. have an increasing capacity to earn foreign exchange for the country. Many of them carry on their professions as individuals or partnership firms. To enable them to benefit from the tax concession available under Section 80-O, I propose to extend, to the non-corporate assessees, the concession recently available only to the corporate sector.

In order to encourage development of tourist infrastructure in regions where such facilities are almost non-existent today, I propose to exempt from expenditure tax for a period of ten years expenditure incurred in new approved hotels set up in hilly and other remote areas. I also propose to allow to such hotels a deduction of 50 percent from their profits instead of the normal 30 percent under Section 80-IM subject to certain conditions.

Capital Gains

As a token of my appreciation of the role of a healthy capital market in the development of our economy, I propose to raise the basic deduction of Rs 10,000 now available under Section 48 of the Income-Tax Act in respect of long-term capital gains to Rs 15000.

As indicated earlier, I wish to take some positive steps to reverse the trend of decline in the proportion of direct tax revenues to total revenues. I, therefore, propose to raise additional resources this year through a greater reliance on direct taxes. I now turn to my proposals for ensuring better tax compliance and mobilising revenues through the imposition of additional taxes.

To enable the government to identify income earners, most of whom would not otherwise declare their income or would not declare their full income. I propose to extend the scheme of tax deduction at source to cover new areas of payments in the nature of commissions, interest paid by banks on time deposits and withdrawals from the National Savings Scheme.

To minimise the inconvenience for small depositors, tax will be deducted at source only in respect of payments in excess of Rs 2,500 per year. Those receiving payments in excess of the limit but not having taxable income will have the facility of collecting payment with no tax deduction by filing a declaration in the prescribed manner.

The present provision for off-setting short-term capital losses against income lead to tax avoidance. I, therefore, propose that any loss on transfer of a capital asset will be set off only against gain from transfer of another capital asset. This is only logical. It should also stop the practice of buying short-term capital losses being resorted to by some unscrupulous tax payers.

Over the years, those with an instinct for gambling have increasingly patronised the races. I propose to withdraw the Income-Tax exemption of Rs 5,000 in respect of earnings from races, including horse races. I am sure that persons who place bets will now also have the added pleasure of sharing their earnings from races with the government.

Professor Kaldor once observed that no civilised society should have a maximum marginal rate of income tax higher than 45 percent. We are firmly committed to a tax system which is simple, credible, yet progressive, in which people realise that honesty is the best policy. I

expect to make a beginning in this direction as soon as we can overcome the present fiscal difficulties. I am confident that this process can be completed before the end of the five-year term of our government. Tax payers can help to accelerate the process of tax reform if all of them resolve to pay their income tax dues fully and promptly. In the midst of a fiscal crisis, however, such a change is not feasible, we must wait for better times, the best I can do under the circumstances is what I propose to do this year; keep the personal income tax rate structure including the surcharge unchanged, that I have not added to the burden of the taxpayer is, in itself, a relief.

I have received several representations that wealth tax rates need to be rationalised. I see considerable merit in these representations. However, taking into account the needs of revenue and also for want of time, I propose to make no change in the rates of wealth tax.

For the purposes of levy of wealth tax, the rules of valuation of assets aim at capturing their market value, or near about, as on the valuation date. I find that a distortion has crept into these rules. When an individual holds any asset in his name its valuation is at the market value. However, if a group of persons holds its assets through an investment company the taxable value of these assets gets reduced considerably because it is based on the book value and not on the market value.

I, therefore, propose to remove this anomaly by providing that in valuing unquoted shares of an investment company, the break up value of the share will be determined after revaluing the assets of the company at their market value.

I feel disappointed that the phenomenal growth in the output, value added and profits of the corporate sector in recent years, has not been appropriately reflected in corporate tax collections, the experience of the preceding financial year, in particular, is a matter of serious concern. I am, therefore, raising the corporate tax rate for widely-held companies, from 40 to 45 percent.

A corresponding increase of 5 percentage points from 45 to 50 percent is being made in the corporate tax rate for closely held companies. I also propose to continue the existing surcharge of 15 percent.

The traditional distinction in corporate tax rates between trading companies and industrial companies has outlived its utility. I, therefore, propose to remove this distinction.

I recognise that in the medium term the rates and structure of corporate taxation have to be consistent with the needs of an economy aiming to become internationally competitive. I shall attend to this task as soon as we have overcome the present fiscal crisis.

In our economy, labour is abundant and capital is scarce. These economic realities have to be reflected in our fiscal policy. Yet, over the years, the Indian economy has

witnessed a disturbing shift towards greater capital intensity in production. This has led to distortion and avoidable hardship in cases where labour is replaced, or employment potential reduced, by resort to capital intensive methods of production, even in cases where such a shift is not justified on other economic and technical considerations.

Fiscal incentives have been conducive to such a shift. While there can be no compromise with the imperatives of technological upgradation [as published] and continuous modernisation, the tendency towards excessive capital intensity in our industry must be checked.

The rates for depreciation prescribed in 1987, in relation to plant and machinery, are far too generous and provide much more than is needed to compensate for wear and tear.

The rates of depreciation do not reflect the true economic life of business assets.

An asset would be almost fully written off in six years at the present rate of 33.33 percent applicable to the bulk of plant and machinery. I think an eight year period would be made reasonable taking into account the pace of technological change in India, the true economic life of the business assets, and the need to discourage tax induced replacement of assets.

Therefore, I propose to reduce the general rate of depreciation for machinery and plant from 33.33 percent to 25 percent.

I also propose to reduce the rate of depreciation for aeroplanes, motor buses, motor taxis and some other equipments from 50 percent to 40 percent, which would mean almost complete recoupment of cost in six, instead of five years.

However, to encourage use of energy saving devices and renewable energy devices, I propose to continue to provide 100 percent depreciation on such items of plant and machinery as also some others. Further, I also propose to restrict the rates of depreciation to 50 percent of the normal rates of depreciation in cases where the asset is used for less than six months in a year.

Tax support to special institutions may be necessary in their nascent stage. However, it should not be extended in perpetuity. Such institutions must strive to become self-reliant. The Industrial Development Bank of India (IDBI) has been enjoying complete tax exemption in respect of its income since its inception, unlike other public financial institutions. I propose to withdraw this tax exemption, which is no longer necessary.

In 1987, the government had introduced a tax on ostentatious expenditure. It is in the form of a tax of 20 percent of expenditure incurred in hotels where the room rent exceeds Rs 400 per day. I propose to extend the coverage of this tax to the expenditure incurred in

restaurants providing superior facilities like air-conditioning. This tax will be levied at the rate of 15 percent of such expenditure.

In view of the binding fiscal constraints and the need to mobilise resources, I propose to revive the interest-tax which was first introduced in 1974 and withdrawn in 1978, re-introduced in a modified form in 1980 and finally withdrawn in 1985.

I am enlarging, slightly, the coverage of this tax. The new tax will be levied on the gross amount of interest received by all banks, financial institutions and non-banking financial companies in the corporate sector on loans and advances made in India.

These institutions would reimburse themselves by making necessary adjustments in the interest rates charged from borrowers. The proposed tax is expected to raise the cost of borrowing and yield revenue to the government. It should, therefore, have both monetary and fiscal impact.

The proposed tax will be levied at the rate of 3 percent of the gross amount of interest earned by banks, financial institutions and financial companies on loans and advances made in India. Interest received on transactions between the various credit institutions will be exempted from the proposed tax. The proposed tax will operate prospectively and proposed tax will be allowed as a deduction in computing taxable income under the Income Tax Act.

I do not propose to take up the time of the house with other minor changes in the direct tax laws.

My proposals on direct taxes are estimated to yield a new revenue gain of Rs 2,139 crores. Of this amount, Rs 97 crores will accrue to the states.

Foreign Funds

Honourable members of the house are aware that the balance of payments situation is exceedingly difficult. In order to attract larger inflows of foreign exchange, I propose to introduce two schemes.

Under the first scheme, I propose that remittances in foreign exchange can be made to any person in India. Even if the remittance is received as a gift by the donee in India, it would not be subjected to gift tax. The source of funds out of which the remittances are made would not be subject to scrutiny under the direct tax laws and exchange control regulations. In other words, I propose to provide immunity for such remittances under these laws. The provisions of direct tax laws will apply in the normal manner to the Rupee proceeds of these remittances. The scheme will come into immediate effect and will be open until close of business on 30th November, 1991. The details of the scheme will be announced by the Reserve Bank of India. I also propose to introduce the necessary legislation in this regard as early as possible before this house.

Under the second scheme, the State Bank of India would issue India development bonds to be denominated in U.S. dollars. These bonds will be available for purchase by Non-Resident Indians and their overseas corporate bodies. There will be no ceiling for investment in these bonds which will have a maturity period of five years. The bonds will be fully transferable among Non-Resident Indians. Interest from the bonds will be exempt from income tax. The bond itself would also be exempt from wealth tax until maturity. For the non-resident holder, the face value of the bond and the interest thereon would be repatriable with exchange rate protection. The bonds can also be gifted to residents, who would be provided with amnesty and immunity, as in the first scheme for inward remittances.

Such amnesty and immunity will be available only to the first resident donee. The gift would be exempt from gift tax. The resident donee bond-holder would also be entitled to exchange rate protection, and the same exemption from income tax and wealth tax, until maturity, but the proceeds will be paid only in rupees in India and would not be remittable abroad. The bonds will be available for sale at all important branches of the State Bank of India abroad until close of business on 30th November, 1991. The details of the scheme will be announced by the Reserve Bank of India. I would also bring before this house the necessary legislation at the earliest.

Indirect Taxes

In formulating my proposals on indirect taxes, I have kept in mind the wider context. In keeping with the promises made in the election manifesto of our party, we have also to ensure that prices of essential commodities and goods used by the common man are kept well under check. Conspicuous consumption must be curbed and the burden of taxation should be borne by the more affluent sections of the society. In the light of these imperatives, I have attempted to structure the proposals for customs and excise levies in a manner that indigenous industries are encouraged, and, at the same time, imports of items required for export production are not thwarted. In the long term, if revenues are buoyant and tax compliance improves, I expect to bring down the rates of customs and excise levies. Even now, some moderation in import duties is being attempted and a more broad-based effort may be attempted to streamline the structure and reduce the rates in the next budget. I have also tried to ensure that the proposed changes improve competitiveness of the industrial sector, particularly the export oriented industries.

It is my intention to rationalise and simplify the procedures, rules and regulations pertaining to indirect taxes, so that the systems are eliminated, and the interface between the tax collector and the tax payer is reduced to the minimum. Given the paucity of time, it has not been possible to undertake such an exercise in this budget, but we should be able to formulate concrete measures soon as a part of structural reforms in the tax system.

Recent years have witnessed an excessive reliance on indirect taxes for additional resource mobilisation. This escalates costs, fuels inflation and is regressive in its impact. Therefore, I have not relied on indirect taxes as the major source of resource mobilisation. Indeed, the overall impact of my proposals for customs and excise levies is revenue negative in so far as the Central government is concerned.

Customs Duties

In the sphere of customs duties, over time, the objective of protection for infant industries and the need to raise revenues have led to a situation where import duties prescribed for certain items are inordinately high and in several cases, more than 300 percent. As a measure of reform, I propose to reduce the ad valorem rate of basic plus auxiliary duties of customs to a maximum of 150 percent where it is more than that at present, thereby eliminating the tariff peaks above 150 percent. The only exceptions that would remain hereafter are imported alcoholic beverages and passenger baggage. The revenue loss on this account would be Rs 132 crores in a full year.

In view of the deterioration in the fiscal situation last year, auxiliary duty of customs was increased across-the-board, with effect from 15th December, 1990, so as to mobilise additional resources. The increase was not quite rational and was asymmetric in its incidence. In some cases, the auxiliary duty went up by 20 percentage points—from 5 percent to 25 percent and from 30 percent to 50 percent, while in some others, by just 5 percentage points i.e., from 45 percent to 50 percent. This steep and uneven increase imposed a very high burden of duties on certain items, and also led to distortions in the overall rate structure. In order to remove the anomalies which had been created and rationalise rates of duties, I propose to give a duty relief of 10 percentage points to almost every item which suffered an increase of 20 percentage points. Moreover, on certain items, which are important from the point of view of environmental protection, export promotion, saving of foreign exchange and so on, I propose to roll back the rates to levels prevailing before 15th December, 1990. These items include waste paper, wood in the rough, jigat used in the manufacture of agarbattis, ethylene, machinery for fuel injection equipment and certain items of machinery for printing and the newspaper industry. These proposals will result in a revenue loss of Rs 472 crores in a full year.

The prevailing rates of import duty on capital goods for general projects and machinery are, in general, high. While I cannot make a substantial reduction at this stage because of the revenue implications, which are considerable, I propose to reduce the level of duties from 85 percent to 80 percent. In tandem, the rate of duty on their components is also being reduced by five percent points from the existing levels of 65 or 70 percent. This proposal would mean a revenue loss of Rs 167 crores in a full year.

A technology upgradation scheme was launched in 1987 by the late Shri Rajiv Gandhi. Under this scheme, fiscal relief was provided on import of capital equipment for the manufacture of power generation equipment, paper machinery, textile machinery and many others to promote domestic production of such machinery. The scheme has been instrumental in bringing about considerable improvement in the quality of machines produced in India.

In order to give a further thrust to the scheme, I propose to expand the list of machinery items which will now attract concessional duty of 50 percent. The revenue loss on this account is estimated at Rs five crores in a full year.

We have recently taken several innovative steps to give an impetus to our exports. I would now like to outline some fiscal measures which will give a further boost to the export effort.

At present, 100 percent export-oriented undertakings or units in a free trade zone are allowed to divert a certain proportion of their production to the domestic market. However, the present stipulation, that excise duty payable must be equal to the import duty, has proved to be a deterrent. These units have to be fostered if they are to compete effectively in the international market for this purpose, they should not be prevented from creating a niche in the domestic market. Accordingly, I propose to reduce the excise duty on the goods, permitted to be sold in the domestic market under the scheme, to a level which would be equivalent to half the import duty leviable on such goods subject, inter alia, to the condition that the duty would not be less than the excise duty levied on similar items produced in the domestic tariff area.

To promote the growth of the marine products industry, fiscal relief has been given by way of customs duty concession on specified machinery items required by this industry. I propose to extend the duty concession to a few more items of such machinery. Out of my concern for the welfare of our fishermen, I also propose to fully exempt from excise duty specified yarns which are generally used for making fish-nets.

In order to encourage the growth of the finished leather industry and also as a measure of export promotion, I propose to reduce the basic and auxiliary duties of customs on polyurethane film and foil, as well as polyols from 150 percent to 40 percent. The duty on isocyanates is being reduced from 120 percent to 40 percent.

The import duty on two important leather preservatives, namely TCMTB and PCMC, is being reduced from over 150 percent to 50 percent. These preservatives will replace certain other chemicals which are suspected to have carcinogenic effects. I also propose to extend the concessional duty, available at present to specific capital goods required by the leather industry to a few more items of such machinery.

Synthetic cubic zirconium, which is the closest imitation of natural diamonds, has the potential to provide job opportunities for a large number of artisans. The jewellery made therefrom also has a significant export potential. In order to encourage indigenous manufacture of cubic zirconium, I propose to reduce the import duty on the raw materials, viz zirconium oxide and yttrium oxide to the level of 40 percent from the present level of over 150 percent.

Our government attaches the highest priority to agriculture. One of the promises made in our election manifesto is to provide a massive thrust to food processing and other agro-based industries. It is an endeavour to increase the income of farmers, create employment opportunities, diversify the rural economy and foster rural industrialisation.

As an important step in this direction, I propose to exempt agro-based products such as sauces, ketchup, butter, cheese, skimmed milk powder, vegetable oils, jams, jellies and juices, canned fruits and dried vegetables, certain soya products, starches and preparations of meat and fish from excise duties altogether. I am doing so to promote the diversification of our agricultural economy, to increase the farmers' share of the consumer's income spent on processed agricultural products, to promote rural industrialisation based on agricultural produce and to encourage the adoption of modern post-harvest technologies.

The measures I have proposed, I expect, will also lead to some reduction in consumer prices of such products, providing relief to the harassed consumers in a period of rising prices. The revenue loss will be Rs 84 crores but I am convinced that the overall gain to the economy will more than offset the loss to the exchequer.

As a relief to the agro-based jute industry, which has been beset with chronic problems, I propose to reduce the excise duty on products which contain a minimum of 35 percent of jute fibre from Rs 660 to Rs 330 per metric ton.

At present, a number of specified bulk pesticides and pesticide intermediates enjoy concessional import and excise duties. I propose to extend the duty concession to a few more bulk pesticides and pesticide intermediates. The proposals involve a revenue loss of about Rs 11 crores in a full year.

There is a money credit scheme in vogue to encourage the use of minor oils for the manufacture of soaps. I propose to increase the money credit of Rs 640 per metric ton that is currently available in respect of rice bran oil used in the manufacture of soap to Rs 1,000 per metric ton. In addition, I propose to include some more non-conventional oils and solvent extracted oils in the scheme. This would also help in generating more employment for our tribal women. These proposals involve a revenue sacrifice of about Rs 10 crores.

Budget at a Glance

91AS1378B Bombay THE TIMES OF INDIA
in English 25 Jul 91 p 9

[Text]

	1990-91 Budget estimates	1990-91 Revised estimates	1991-92 Budget estimates
(in crores of rupees)			
Revenue receipts	57,938	57,381	67,529
Tax revenue (net to centre)	45,294	44,318	52,500
Non-tax revenue	12,644	13,063	15,029
Capital receipts	34,165	38,564	38,174
Recoveries of loans	4,576	6,005	5,666
Other receipts	—	—	2,500
Borrowings and other liabilities	29,589	32,559	30,008
Total receipts (1 + 4)	92,103	95,945	1,05,703
Non-plan expenditure	68,843	76,761	79,697
On revenue account	56,671	60,946	64,315
On capital account	12,172	15,815	15,382
Plan expenditure	30,466	29,956	33,725
On revenue account	14,299	14,020	17,068
On capital account	16,167	15,936	16,657
Total expenditure (9 + 12)	99,309	1,06,717	1,13,422
Revenue expenditure (10 + 13)	70,970	74,966	81,383
Capital expenditure (11 + 14)	28,339	31,751	32,039
Revenue Deficit (1-16)	13,032	17,585	13,854
Budgetary increase in net RBI credit to Central government	7,206	13,000	7,719

[Figures as published]

Post-Budget Press Briefing Addressed by Singh

91AS1376A Madras THE HINDU in English
26 Jul 91 p 1

[Text] New Delhi, July 25—The Finance Minister, Dr. Manmohan Singh, today announced that the Government is likely to seek another emergency loan from the International Monetary Fund (IMF) to tide over the short-term foreign exchange crisis. After this, negotiations would be started for a larger stand-by arrangement but the Government had no plans to use this for current consumption. The loan would be used as a "safety net" in case of any drastic deterioration in the balance of payments position.

Making an unscheduled appearance at the customary post-Budget briefing (normally addressed by the Finance Secretary), Dr. Singh said that securing the IMF loan would help restore international confidence in the Indian economy and it was for this purpose that the Government proposed to seek the stand-by credit arrangement. "Let me truly tell you, I have no intention

to use this money for consumption. It will only be a safety net against any unforeseen deterioration in our foreign exchange reserves."

He said that negotiations with the IMF so far had been only for assistance under the Compensatory and Contingency Finance Facility (CCFF) and \$220 million was granted by the IMF on July 22. Now that the budget had been presented, negotiations for larger assistance would begin. "I had made it clear to the IMF that discussions for the larger loan would be only after presentation of the Budget through which Parliament would be told about the policies and programmes of the Government. Once this was approved, India would seek the larger loan, provided the terms and conditions were in its interest."

Fears Allayed

Referring to his Budget proposals, Dr. Singh maintained that they would not be inflationary. On the contrary, the combined monetary and fiscal policies contained strong dis-inflationary signals. "I am confident that the fiscal and monetary strategy is such that in case any industry wants to take advantage of the excise duty cuts and tries

to raise prices, it will find it difficult to do so." The resource mobilisation measure would also not lead to any price pressure since the duty hike was small and even here items of essential consumption were exempted. "I don't expect the overall impact of the duty hikes to be more than one percent," he said.

Terming his presentation as a "Budget with a human face," he said that kerosene prices had been brought down and the social welfare package expanded. Although diesel prices were not reduced because of revenue considerations, the Minister said he proposed to discuss with the States plans to help farmers using diesel. Justifying the increase in petrol prices, he said wrong policies in the past had led to depletion of the Oil Co-ordination Committee (OCC) funds. Last year, the OCC had a negative balance of Rs 1,690 crores and the petrol price hike was expected to cover this deficit. The increase in the price of cooking gas (LPG [liquified petroleum gas]) was a legacy of the past which he had to carry, he said. "The prices should have been raised last October after the Gulf crisis, but the Government then did not do it because there were students agitating on the streets. So, I had to do it and I apologise to all housewives for that."

About the increase in fertilizer prices, it was explained that these had not gone up since July 1981 although the wholesale price index (WPI) had gone up by 92 percent between 1981 and 1991. The WPI for foodgrains had increased by 96 percent in this period, the procurement prices had doubled and non-foodgrain prices had jumped up by 110 percent. There had also been around [as published] increases in the cost of fertilizer production.

It had also been estimated that the increase in fertilizer prices would increase wheat prices on an average by Rs.[rupees] 8 a quintal only and Rs. 7 a quintal in case of paddy. The farmer, therefore, would be compensated for the higher fertilizer prices through an increase in procurement prices and in case of other crops, through an increase in market prices. Asked about the consumer, he made it clear that protecting the interest of the farmers was the first priority. The consumers, he said, would find a seasonal decline in prices from September in case the monsoon was normal.

Not for Revenue

Dr. Singh said that he did not expand on his predecessor's proposal for 20 percent disinvestment of public sector equity because he did not want to use this money to finance Government consumption. "This was an emergency move but I do not want to use this scheme as a revenue mobilisation measure. If it is possible, I would prefer to use this money to pay back the public debt." The Minister also said that he wanted to be cautious with this move since there had been scandals in many countries which had tried this scheme. "We have no experience in this area, so let us go ahead carefully."

About the black money scheme, it was clarified that 40 percent levy on the disclosed wealth would not be a

deterrent because it was assumed that those having that amount of black money would have paid taxes at the maximum marginal rate of 50 percent in any case. Apart from that there would be no further deductions, except the normal taxation laws. Similarly, about the possibility of undisclosed income coming in through the foreign amnesty scheme, he said even if a percentage of this came in along with genuine funds, the Government would not mind it as long as foreign exchange came into the country.

PTI reports:

Dr. Manmohan Singh, said the proposed national renewal fund would have a corpus of Rs. 200 crores. The States and industrialists would be asked to contribute to the fund which would provide a social safety net to protect the workers from the adverse consequences of the technological transformation. He was confident that the fund will grow in size in due course and provide retraining to them so that they are in a position to remain active productive partners in the process of modernisation.

Gold Transfer to Bank of England Explained

91AS1235A Madras THE HINDU in English
9 Jul 91 p 1

[Text] Bombay, July 8. Mr S. Venkitaramanan, Governor, Reserve Bank of India [RBI], said here today that under the provisions of the RBI Act, the Bank had taken steps to keep a part of its gold reserve with the Bank of England.

He pointed out that it was as a matter of abundant caution that it had decided to keep 15 percent of the gold holdings outside India. "This is not a swap or forward market deal." "It is normal for every country to keep with the Bank of England a part of its gold holdings as a "precautionary measure." "Every Country does it."

"Under the Act, the Reserve Bank is empowered to borrow money for the purpose of business of the Bank and to give security for the money so borrowed. The measures to borrow foreign currency against the security of gold, if taken, will be temporary and will be done in response to the need of the foreign exchange reserve situation from time to time and keeping in view the imperative need to honor all our obligations in respect of debt service, etc. This is a measure to ensure the confidence of the international community in regard to India's foreign reserves position. The Reserve Bank has the requisite authorization from the previous Government and the present Government knows about it."

Mr Venkitaramanan said RBI had 332 tonnes of gold as reserve and a small part of it was sent to London. The gold was Bombay mint and the Bank of England approved of it, though there may be a slight reduction in the value. The International Monetary Fund (IMF) has also approved the Bombay mint gold.

"No option": "We have to borrow for a temporary period and we are not going to keep this reserve abroad for a long time. It would not be possible. We have no other option before us. This should not be interpreted as a pledge against which we are borrowing," he said. The Bank of England and the Bank of Japan were very helpful towards the country and the latter wants to give further help, if necessary.

The RBI chief said negotiations with the Bank of England were on for a long time. "We can borrow \$220 millions roughly for 25 tonnes." Discussions were also being held with IMF and World Bank leaders in Delhi. "They are very helpful to us. Once the Budget is passed, we will get the full IMF loan."

Mr Venkitaramanan made it clear that the present arrangement in regard to gold was not a pledge with the Bank of England. The RBI could take it back whenever it wanted to do so.

The gold transaction by the State Bank of India was different from the RBI action. The former had used the smuggled gold to meet a part of its interest payment obligations.

Finance Minister Reports Gold Shipments, Sales

Operation Completed

91AS1304A Madras THE HINDU in English
19 Jul 91 p 1

[Text] New Delhi, July 18. The Union Finance Minister Dr Manmohan Singh, assured Parliament today that no further gold from the Reserve Bank of India [RBI] stock would be sent abroad, and that with the transfer of 12.09 tonnes of gold last night "the whole operation has been completed as originally planned."

In an obvious reference to members' complaint about the secrecy surrounding the operation, he said, "for obvious security reasons, the movement of gold had necessarily to be done without prior public announcement." Earlier in the day, several Opposition members had wanted to know why Parliament had not been taken into confidence and what had prompted the latest installment of shipment, despite the Government's assurance a few days ago that no more gold would be sold.

The Total Shipment

Dr Singh said so far a total of 46.91 tonnes of gold had been sent abroad for safe custody with the Bank of England and against this the RBI could borrow "for a period of one month at a time" roughly \$400 millions to help the country tide over its serious liquidity problem. The export of gold was a painful necessity and the Government would make a sincere effort to bring back to the country the gold that had been sent out, he said,

declaring that the various measures taken so far would lead to a significant improvement in the country's balance of payments position.

Dr Singh said gold shipments had taken place in four installments—4.8 tonnes on July 4; 20.01 tonnes on July 7; 10.01 tonnes on July 11; and 12.09 tonnes on July 18 (midnight). The previous Government, he said, had also agreed with the RBI decision that in the present difficult situation up to 15 percent of its gold stock could be sent abroad to be kept in safe custody with a central bank.

The RBI's intention was to seek a short term loan against the gold pledge. Although the RBI had powers to take a decision on its own, it had by way of abundant caution, consulted the previous government and the latter had agreed. "When our government came into power, I was aware of the decision.... but I did not consider it wise to countermand that decision."

Situation Serious

Dr Singh said a serious balance of payments situation led the previous Government to sell abroad 20 tonnes of gold out of the Government stock, with an option to repurchase it at the end of six months, and the actual transaction took place between May 21 and 31. The country, he said, was faced with a situation where "we have large financing requirements which cannot be met immediately by increase in exports or by further import compression, or by increased external borrowing from international commercial banks or by way of increased flow of remittances from the non-resident Indians." It was against this background that the Chandra Shekhar Government took the decision on gold sale.

Dr Singh began his four-page statement, saying that the country faced a balance of payments crisis of an unprecedented nature. Despite borrowings from the International Monetary Fund in July 1990 and January 1991, the reserves had fallen to a "very low level." Because of the weakening of international confidence in the Indian rupee, international commercial banks were reluctant to lend money, and for the same reason inflow of remittances from the non-resident Indians "ceased to be a positive figure." Last month, there were signs of a large outflow on this account.

He repeated the reasons that led to the devaluation of the rupee and said the new exchange rates plus the trade reforms package would improve significantly the balance of payments situation and restore international confidence in the rupee. The Government was determined to honor all its international commitments and not to default on payment of debt.

Noisy Scenes

The issue figured in both the Houses during the day. In the Lok Sabha there were noisy scenes during the zero hour, with members cutting across party lines visibly agitated over reports of a fresh installment of gold shipment.

The issue was raised by Mr Saifuddin Chaudhury (CPI-M [Communist Party of India-Marxist]) who described it as a serious matter and demanded a statement from the Government. Mr Atal Behari Vajpayee (BJP [Bharatiya Janata Party]) asked why the House had not been taken into confidence, and wanted the Government to state clearly its policy. Mr Rabi Ray (Janata Dal) wanted an assurance that no more gold would be sent out of the country, and Mr Chitta Basu (Forward Bloc) said that bypassing parliament on such an issue amounted to a "contempt of the House." Mr Mukul Wasnik (Congress-I) also joined the Opposition in demanding a statement from the Government.

RBI's Confirmation

PTI reports from Bombay:

An RBI release, confirming the shipment of gold to the Bank of England, said it had been done in accordance with the bank's reserve management policy and for temporarily raising resources.

The Reserve Bank plans no further movement of gold held as part of its reserves, the release said. The RBI Act authorizes the bank to keep 15 percent of its gold reserves outside India and to borrow from any monetary authority for a period of one month.

The release added that movements of gold had to be done without prior announcement, in view of the security considerations.

No Funds for Buy Back

91AS1304B Bombay THE TIMES OF INDIA
in English 17 Jul 91 p 13

[Text] New Delhi, July 16 (PTI). The government is not in a position today to repurchase the 20 tonnes of confiscated gold sold to a Swiss bank because of the country's difficult balance of payments position, foreign exchange reserves and trade deficit, the finance minister, Dr Manmohan Singh, told the Rajya Saba today.

Mr Singh said the gold was sold to raise foreign exchange resources with an option to repurchase it within six months by the previous government. "But today, I am not in a position to fulfill the promise," he told members during question hour.

The finance minister said the government would, however, make every effort to bring back the gold that was sold, considering the people's sentiments. "In the next few months, we will try to make it (bring back the gold) a reality," he said.

Although the decision to sell the confiscated gold was taken by the previous SJP [Samajwadi Janata Party] government, the Congress government felt it was a right decision, he said.

The finance minister said the sale of gold to raise foreign exchange was the "right decision to take" by the previous

government considering the grave balance of payments position. "There were compelling reasons for doing so," he said.

Strongly defending the shipment of 34.8 tonnes of gold from the Reserve Bank to the Bank of England to be kept there as a collateral to borrow money, Dr Singh said the Reserve Bank had the right to keep 15 percent of the gold reserves outside the country.

The RBI has the executive powers to do so and the government has the powers to countermand it. But the RBI governor met the then prime minister and financial minister and took the decision, he said.

"Although the decision was taken by the previous government, I did not think it desirable or wise to countermand the decision," he said.

The finance minister said the leasing of gold in the government account to State Bank of India and raising foreign exchange against the gold held by the RBI are extraordinary measures taken in the context of the serious balance of payments position.

These measures are thus a part of the foreign exchange reserves management strategy which is aimed at maintaining a level of reserves perceived as reasonable in the international financial community and ensuring at all times that India is in a position to maintain its perfect and unblemished record of meeting all international obligations.

Dr Singh said he wanted to make it clear that India would not in any way renege on its international commitments. He also said that the sale of confiscated gold and keeping gold as collateral in the Bank of England were two different things and not comparable.

He said the sale of gold and the shipment of gold did not have a relation with the price level of the metal.

The financial minister said the country's trade deficit was huge and was hard put to even import essential items like petroleum products and fertilizers. The country has had a very tight import position, he said.

He said in the last five months, a savage save cut on imports has been made. "I am deeply worried about it as it might lead to unemployment and the working class will suffer," he said.

To a question from Mr A.G. Kulkarni if the government would consider buying gold from the citizens of the country to raise resources, Dr Singh said that first of all confidence in the banking system had to be created and then confidence in the government, so that the people have trust in the government before they can sell the gold, he said.

Dr Singh said such a proposal might create inflationary pressures. He referred to the loan waiver scheme of the national Front government, which added pressure on the

baking system inviting strong objections from the Janata Dal and the Telugu Desam members.

Mr Yashwant Sinha, former finance minister, who took the decision to sell confiscated gold, thanked Dr Singh for explaining the compelling reasons for the decision. He said he was thankful that the finance minister put the facts across in a most non-partisan manner.

He, however, said he was unhappy that a "junior spokesman of the Congress" had described the gold sale decision as a "national betrayal".

He also took objection to, what he called, attempts by some Congress members to politicize the issue on grounds of sentiments attached to gold by the people.

"I for one, have no attachment to gold except for the ring I wear," he said.

Commerce Minister Interviewed on Trade Reforms

91ASI373A Madras THE HINDU in English
23 Jul 91 p 8

[Italicized and boldface words as published]

[Text] *The Commerce Minister, Mr. P. Chidambaram, is quite confident that the new trade reform measures announced by him on July 4 last would have a positive impact on the economy provided it was accompanied by equally forward looking industrial and fiscal policies. He was of the view that India simply could not afford to take its own time to adjust to the fast changing global economic scenario what with the EEC unifying as one bloc in 1992, the members of ASEAN emerging as a major market force and changes in Latin America with one of its big member-nations, Brazil, undertaking even quicker reforms to meet the new situation.*

In an interview to with R. Krishnan, Mr. Chidambaram rejected the charge that changes in trade policy were dictated by outside agencies. It was our own conscious decision to do away with discretionary controls represented by the licensing system and to inculcate a sense of discipline among the import-intensive industries.

Following are excerpts of the interview:

QUESTION: What is the rationale behind the quick trade reforms introduced by you and how confident are you that the Indian industry would be able to adjust to it that quickly?

ANSWER: I won't be able to say about the Indian industry as a whole unless I see what the new industrial policy is and the new fiscal policies are. If you are looking at the trade side of the industry, I am confident that the trade side will adjust more quickly than we anticipate. There will be some areas of painful adjustment, for example, the rupee trade area and the rupee contracts to the General Currency Area (GCA) countries. They will take a little more time to adjust. But there are also some import-intensive industries. Since the

advanced licensing route is open to them, I expect the import-intensive industries will use the advanced licensing mechanism towards their imports of raw materials and components for the purpose of exports. The industry will have to summon the courage to fly.

As regards the rationale behind the policy, it rests on two pillars. First, there has been a consistent suggestion for reforms that discretionary control in the form of licensing should go. Second, for a developing country where foreign exchange is scarce and has to be earned the hard way, imports must be linked to exports. I think these two (pillars) are more than adequate justification for the new trade policy.

The rupee has been devalued twice to the extent of 20 percent against the major hard currencies. How long do you think would it take for the industry to create the necessary exportable surplus to take advantage of devaluation?

We have a very large exportable surplus. Otherwise, how did we achieve a level of export of Rs. [rupees] 32,000 crores last year?

But is it not too small compared to what others are doing?

We have the exportable surplus. There is lot of idle capacity and there is a lot of untapped areas particularly in agriculture and primary products. The sky is the limit as far as processed food, software, electronic goods and marine products are concerned.

Mr. Chidambaram, you may recall your recent statement made in the Rajya Sabha wherein you said that the Government will not allow the export of such goods if it affected the domestic market. I would also like to point out in this connection the REP [replenishment license] facility of 30 percent is extended under the new policy even to agricultural and related products. Will this not encourage exports and in the process affect the availability and prices of those very products in the domestic market? Please comment.

We have already got an exportable surplus. We are surplus in sugar and will allow export of sugar. To the extent of surplus in cotton we will allow export of cotton. To the extent we are surplus in wheat, we will allow its export. But we are not allowing export of any commodity which is an article of essential consumption or an essential raw material unless we are satisfied that the domestic needs are fully met. The thrust areas I have identified such as software, electronics and processed food are those areas where domestic needs are more than met. The potential is tremendous for increasing exportable surplus.

Does this mean every year we will have a quota for export of such items and will it not send us back to the control regime?

In key areas such as sugar and cotton it is necessary to have a conscious decision made of how much can be exported. I think at the present, we should continue with

the system of the Government deciding the exportable surplus in close consultation with industry and trade. I think this decision should be made by the Government.

Do we take it that you will come out with a new list of thrust items for exports?

The old list of thrust areas is still valid. Within each we will have to devise a new export strategy after taking note of the revised assessment of the exportable surplus both actual and potential. The job has started. I have already said that I will set export targets by August 1 after I know what the Budget contains and what the tariff structure is.

What about the overall export target for 1991-92?

I can't say anything about that unless the import curbs are lifted. First, I want to know when the import curbs on exporters are being lifted and second, I want to know what the tariff structure is. Unless you know these things you cannot set a target at all.

Suppose the trade policy reforms are not followed with a similar kind of industrial policy reforms as is being rumoured. What will happen?

It will be disastrous. And if that happens, the trade policy will be a non-starter. Therefore, I believe it will not happen because the new trade policy was formulated and announced with the full support of the Prime Minister who also holds the Industry portfolio, and the Finance Minister.

But what about the resistance from bureaucracy to the new reform measures? In fact you said at a recent FICCI [Federation of Indian Chambers of Commerce and Industry] meeting that you were under pressure from those claiming to be nationalists and patriots.

I think you have got my statement wrong. In that meeting what I said was protectionist forces assuming the disguise of nationalism and patriotism may oppose the reforms and one has to be vigilant.

Well, your English is perfect. But what I said is not far from what you said.

No, I am only saying that those claiming to be nationalists and patriots standing by itself can lead to misunderstanding. Protectionist forces assuming the disguise of patriots and nationalists will fight back is what I said. The target is slightly different. As regards the speculation that the CCI&E [Chief Controller of Imports and Exports] would consider some of the pending Supplementary Licences and other cases, I can only say there is no change in the policy and the cutoff date remains July 4. However, the word "pending" as you have said has to be defined. We are looking into that. It cannot be loosely or generously defined and it will not be defined loosely or generously. It has to be defined in great precision. If there are any legal problems, this is the catch, the expression "pending" has to be defined precisely. I have to live within the laws.

Under the policy announced by you, OGL [open general license] is still covered by free foreign exchange. Why not bring it also under REP?

You see your paper carried a story that the new trade policy was based on a World Bank report which was referred to also by the former Prime Minister, Mr. Chandra Shekhar. It is totally wrong. The story says that the conclusion is substantiated by this document. In fact, what we have done completely reviews the conclusion drawn by your paper. And that I am saying on record. This very document has not been acted upon and our action repudiates the conclusions. We still have the classification of banned items, restricted items, limited permissible items and OGL with sub-classification of OGL.

The trade policy has no impact on these classifications. None at all. What is in OGL remains in OGL, what is banned remains banned. What is restricted remains so and what is limited remains in that list barring some minor changes. What I have done is only to free trade from licensing control and make REP or EXIM [export import] Scripts the principal instrument of financing imports. Now we have to take a look at these lists which has not been done so far. Therefore, the story is wrong. You can take a look at the list only when we know what the tariff structure is and, unless it is announced, I can't even look at these lists. The report is wrong and premature and, perhaps, it will remain wrong.

But you have not answered my main question on OGL. Why not bring it also under REP scheme?

It is not possible. So long as the rupee is not convertible, REP will command a premium. Free foreign exchange is necessary to finance certain kinds of imports. If you push every import into the REP basket imports will become very costly. Therefore, one has to prune the OGL list, but there has to be some safety net for essential imports such as some raw materials and components which will have to be financed by free foreign exchange. All this is premature until I know what the tariff is. Merely because a commodity is in OGL it doesn't become cheap to import if the tariff is very high on that commodity. Therefore, the whole picture can be examined and redrawn only if we know what the tariffs are.

The Phased Manufacturing Programme (PMP) had been initiated and cleared by the Government. Was it fair to have abolished PMP units' import facility available earlier in certain cases under free foreign exchange and replace much of it with the REP scheme?

We are looking at this. Any specific case brought to my notice will be looked into. But the PMP units can either follow the advanced licensing route or buy REP licences. As far as export production is concerned there is no problem. These units can get advanced licences for raw materials and components import and they will be given free foreign exchange to buy them. But where it was a question of producing for the domestic market the PMP units will have to follow the REP route. This means they

will have to export more and indigenise faster. And since these are upmarket commodities the high income earners who buy these commodities may have to pay more in the domestic market. None of this is an undesirable development. Yet, I am willing to consider any specific case where there is a special problem.

Food Minister Announces Export Plans

91AS1227A Bombay *THE TIMES OF INDIA*
in English 13 Jul 91 p 15

[Text] New Delhi, July 12. India plans to export 1.5 million tonnes of foodgrains, besides 0.5 million tonnes of sugar, this year.

Announcing this at a press conference today, the food minister, Mr Tarun Gogoi, said this was being done in view of the comfortable grain stock position in the country. There would be enough grains to meet the domestic requirements, he added.

The target was to export one million tonnes of wheat and 0.5 million tonnes of rice. About four lakh tonnes of wheat had already been shipped. Rice exports would be in addition to basmati exports, which were expected to be around three lakh tonnes.

Mr Gogoi said India had also recently sent some grains to friendly countries to help them out in their hour of crisis. These shipments included 5,000 tonnes to Bangladesh, 5,000 tonnes to Cambodia, and 20,000 tonnes to the Soviet Union.

The total grain stock in the country on July 1 this year was estimated at around 19 million tonnes. Normally, between 15 and 17 million tonnes of grains were required to meet the annual demand.

Sugar export was being contemplated in view of the bumper production. The total sugar output till last month was 11.69 million tonnes, against 10.75 million tonnes in the corresponding period last year. The total output during the year might be around 11.9 million tonnes, against the last year's 11 million tonnes.

The minister conceded that wheat procurement for the central grain pool this year was far below the last year's level of 11 million tonnes. So far, only about 7.7 million tonnes wheat had been purchased by the public agencies this year. He attributed this to withholding of stocks by growers in anticipation of a higher procurement price in the post-election period. He, however, felt that low procurement would not adversely affect the overall food situation which continued to remain fairly "comfortable and satisfactory".

He said though the prices of foodgrains had risen in the recent past, they could not be considered very high. Some increase was natural as the grain procurement prices were hiked every year, he maintained.

When asked if the government proposed to alter the controversial sugar licensing policy, Mr Gogoi said no

decision had yet been taken though the government had received a large number of representations on this issue. All aspects of the subject were under consideration, he said.

Report on Railway Minister's Budget Speech

91AS1306A Madras *THE HINDU* in English
17 Jul 91 p 1, 6

[Quotation marks as published]

[Text] New Delhi, July 16. In a business-like Budget devoid of frills, the Railway Minister, Mr C.K. Jaffer Sharief, today proposed a 12.5 percent to 15 percent increase in second class mail/express passenger fares, 10 percent hike in freight and parcel and luggage rates, 50 to 20 percent rise in upper class passenger fares and 15 to 17 percent increase in suburban season ticket fares to yield an additional revenue of Rs. [rupees] 584 crores for the remaining seven months of the financial year. The proposals, which were presented to Parliament today, come into effect on August 16.

Contrary to expectations that the Railways would phase out subsidies on low-rated commodities, the Minister has exempted essential commodities like salt, edible oils, foodgrains, pulses, sugar, gur and jaggery, fruits, vegetables, kerosene and diesel oil from the proposed 10 percent freight increase. However, he proposed to set up a Rail Traffic Enquiry Committee to review the entire gamut of freight and fare structure and make recommendations on costing and pricing of services.

In comparison to those who travel by mail/express trains, the Minister has been relatively soft towards ordinary rail passengers. Second class ordinary fares are proposed to be increased by Rs 1 at the lowest slab, rising progressively to a maximum of Rs 5 for distances beyond 400 km. No increase has been proposed in the fares for distances up to 10 km. On the other hand, passengers travelling by the superfast Rajdhani Express, New Delhi-Bombay AC Express and Shatabdi Express have been slapped with increases varying from Rs 35 to Rs 70.

Rs 110-crore Surplus

With the new proposals coming into effect on August 16, as under the Railways Act a month's notice is required for any fare and freight rise, the Railways will be left with a surplus of nearly Rs 110 crores. However, there is no mention of the estimated surplus in the speech of the Railway Minister.

The ordinary working expenses have been projected at Rs 9,180 crores, Rs 90 crores less than what was projected in February this year. Contribution to the Pension Fund has been pegged at Rs 1,050 crores, Rs 50 crores more than the February figure. However, the Depreciation Fund has been reduced by Rs 50 crores from Rs 2,050 crores to Rs 2,000 crores. The Annual plan of the Railways has been raised to Rs 5,325 crores from Rs 4,820 crores as projected in the vote-on-account sought

by the Chandra Shekhar Government in February this year. The revised Plan outlay represents an increase of Rs 325 crores over the outlay in 1990-91.

The Minister hinted at a review of the season ticket fares during the year keeping in view the recommendations of expert committees for 24 times the single journey fares in second class and four to six times the second class season ticket for first class. The only consolation for passengers is that no change has been proposed in sleeper surcharge for second class, superfast charges, reservation fee and price of platform ticket.

Mr Sharief said in tune with the new economic thinking in the country, the Railways proposed to initiate action to bring about structural changes beginning with privatization of certain activities like catering and conservancy services, including cleanliness at certain locations. Based on experience the scheme will be extended to other areas and important centers of activity.

Some of the measures announced for improvement of passenger services and amenities are appointment of a task force to prepare a blueprint of passenger services required and an investment plan for five to seven years, rationalization of the existing pattern of passenger services on various routes beginning with a study of the congested North-South route and computerization of passenger reservations at Varanasi, Vadodara, Jodhpur, Agra, Tiruchirapalli, Coimbatore, Surat and Nagpur.

In view of the fact that introduction of new trains and extension of existing services were annumber and distributing the available resources among all of them.

It is with this objective that the budget proposed completion of the on-going 12 new line projects and sections totalling 314 km and gauge conversions on three lines totalling 185 km during the current year. The new lines include Satna-Rewa, Alapuzha-Kayankulam, Thrissur-Guruvayoor and Adilabad-Pimpalkutti. Salempur-Barhaj Bazar, Manmad-Aurangabad and Bikaner-Merta Road are the gauge conversions to be completed during the year. He also reiterated the commitment of the Ministry for completion of the Konkan project. Work for completion of the remaining stretch of 6.5 km between Esplanade and Belgachia of the Metro Railway system of Calcutta would also commence, he said.

Referring to the introduction on July 1 of the tri-weekly New Delhi-Bombay Central AC Ex-corresponding period in the last year by six million tonnes.

About the financial performance of the Railways, Mr Sharief said despite the double increase in the prices of petroleum products after the presentation of the Railway Budget in February 1990 and the seven million-tonne shortfall in freight traffic, the Railways could attain the projected surplus of Rs 186 crores for 1990-91. The surplus, which was scaled down to Rs 155 crores in the vote-on-account budget presented to Parliament in February this year, has been attributed to improved gross traffic receipts and stringent financial control.

Admitting that acute shortage of rolling stock—both wagons and locomotives—and inadequate terminal facilities continued to pose problems, Mr Sharief said he had directed his Ministry to examine the matter expeditiously. He has also proposed to have an economic study made as to the terms on which the Railways and rail users could jointly augment terminal facilities.

Shortage of Coaches

Affirming his commitment for improving the quality of services the Minister said passenger operation continued to suffer from acute shortage of coaches. There was an estimated shortage of 1,500 coaches and over 5,500 coaches out of the 28,000 coaches are still to be replaced. To overcome the problem it is proposed to acquire 2,100 coaches in the current year as against 2,000 coaches in the previous year.

Among the pilot projects proposed for computerization of Railway receipts are the coal and mineral oil traffic which accounts for 47 percent of the total freight traffic. The measure is expected to facilitate speedy and accurate preparation of railway receipts.

Customer-Oriented Services

The Minister said certain measures had been taken to attract high profit-yielding traffic by introducing various customer-oriented services like quick transit service, freight forwarder scheme, speed link express and containerization. Substantiating the point, Mr Sharief said Maruti cars for export were being cleared in train loads of reconditioned coaches and it was expected that about 25,000 cars would be moved by rail for export in 1991-92.

Mr Sharief's budget has been described as 'business-like' because it does not contain any concessions for sections of society like sportspersons and war widows. Nor have any 'populist' announcements like new trains and lines connecting constituencies of VVIPs, which were customary in the past, found place in the Budget. There was, however, an emotional reference to the traffic assassination of Rajiv Gandhi and a commitment that the Railwaymen would rededicate themselves to fulfil the vision of the slain Prime Minister to make India a bright and prosperous country.

World Bank Official on Foreign Loans

91AS1298 Calcutta THE STATESMAN in English
10 Jul 91 p 12

[Article by Aditi Roy Ghatak]

[Text] In a country that is forced to resort to a double-tire devaluation and ship out gold to provide adequate "security" to would-be lenders, there can hardly be anything more inexplicable than the \$12 billion of sanctioned loans lying unused.

Unbelievable though this may seem, the startling revelation was made by none other than the World Bank

vice-president, operations, Mr Moeen Qureshi, who pointed out that not only was India not utilizing \$12-billion of committed funds, it was even paying a penalty of \$30-million every year.

Globally, there are two implications of this curious state of affairs. The world lending bodies will wonder whether India at all needs the money and even if she needs it whether she has the ability to absorb the dollar resources when they are made available.

Internally, the implications are far more worrisome. Do our planners have a clue as to what is going on? Apparently they do not, for there is little evidence of any determined action to find out why these loans have remained unutilized. Nor is there much possibility of financial analysts and writers finding out the details, for the first victim of the Government's liberalization moves has been the right to information. Even discreet inquiries with development funding agencies fail to elicit any information. Indeed, if at all anyone opens his lips it is to state that there is no unutilized loan.

But the World Bank vice-president is speaking the truth and we have the former Finance Minister, Mr Madhu Dandavate, confirming that something must be done to find the rupee loans to match the dollar funds, for the Government to be able to utilize the international aid.

Much of this aid is tied to specific projects. The Narmada dam is one of them. The World Bank is committed to pay \$450 million for the entire project, out of which \$300 million is to be spent on constructing the dam and the power house. The first phase of the canal project was to receive \$150 million, but the funds were to have been utilized by June this year.

But the project has been delayed beyond all expectation and the funding position has just been salvaged by persuading the World Bank to grant an extension for the first phase up to June 30, 1990.

If the Narmada project has been delayed for valid environmental reasons, one finds it difficult to find excuses for the tardy response to several German loans—worth around Rs 3,712 crores—that even the German President, Mr Richard Von Weizacher, found it necessary to bring up during his discussions with the then Finance Minister, Mr Yashwant Sinha, when he visited India earlier this year.

While no explanation was forthcoming from the Government—except a routine “we'll set up a task force to inquire into the delay”—the effect of India's curious inability to accept these finances is evident in the shrinking annual German disbursement from DM 357 million between 1981 and 84 to DM 278 million in the 1985-1990 span. This span has also witnessed a rise in undisbursed funds of DM 430 million, which now totals around DM 1,748 million.

Evidently Germany which has enough on its hands to finance at home, has questioned the logic of blocking

funds in India which has been rated among the most inefficient among Asian countries when it comes to project approval and its first disbursements.

Reports quoting German sources say that the average time taken by the Government to negotiate a project till the first disbursement is 26 months of which 16 months elapse between the project approval and the disbursements. While the Finance Ministry believes that the statement is exaggerated, it does not really need much of a third opinion to establish that the Germans are closer to the truth than the Indians.

More perturbing perhaps are suspicions that much of this aid is for “low-cost rural” projects, which find poor Government funding to match. Since Government money is usually committed to larger plans, less expensive operations languish.

World Bank Behind New Trade Policy Analysis

91AS1299A Madras THE HINDU in English
19 Jul 91 p 9

[Article by K.K. Katyal]

[Text] New Delhi, July 18. The trade policy announced by the Union Commerce Minister, Mr P. Chidambaram on July 5 was patterned on the World Bank report of 1990. The fact that this document was available to the Government made it possible for the Commerce Minister, otherwise new to the job, to come out with details, in less than 24 hours of the announcement by the Finance Minister, of the second devaluation of the rupee.

The World Bank document was briefly referred to by the former Prime Minister, Mr Chandra Shekhar, today during the Lok Sabha debate on the President's address. He, however, avoided giving details of the report, while making the point that crucial policy decisions were influenced by the World Bank's thinking.

The decision to link imports to export performance (through replenishment licenses [REP]) it is clear, was the offshoot of the World Bank's recommendations. For long the World Bank had been suggesting that the trade policy be simplified and be free from excessive bureaucratic controls.

A quotation from the Bank report substantiates the point: “The order in which groups of commodities are brought into the REP license scheme depends upon Government priorities. If the system is to ease supply bottlenecks, however, the following phasing pattern can be considered. First, all raw materials, components, spares, and packing materials can be allowed to be importable by REP licenses. A second phase can include the capital goods not now on OGL [expansion not given]. A third phase would allow imports of consumer goods with REP licenses and then move them to OGL-stock and sale list.”

The Bank report outlined the specifics of the reform programme, some of which have been adopted, others are likely to be introduced in the near future.

The reform programme, according to the report, would: (a) redesign the import policy in concordance with the harmonized system of classification; (b) create one negative (restricted) list; (c) allow all items that are not explicitly on the restricted list also to be importable through REP licenses; (d) move all intermediate goods and raw materials off the restricted list into the categories that are importable by REP licenses; move the intermediate products already imported under REP into OGL stock and sale category, continue this policy so that all raw materials and intermediate goods end up on OGL stock and sale; (e) move all capital goods in the restricted list to being importable under REP licenses and then to OGL stock and sale; (f) move consumer goods from the restricted list to being importable through REP licenses; and (g) ultimately, move all goods into OGL stock and sale.

The first three recommendations can be implemented immediately. They will not have any effect on balance of payments or on the domestic industries. Steps (d) and (e) can be undertaken over the next three-four years together with tariff recommendations on intermediate and capital goods.

At another stage, the report said: "It is imperative that importation through REP licenses be used as a transition mechanism and not as an end in itself. Movement of more items to OGL-stock and sale from REP licenses need to be accompanied by movement of new items into the REP licence system. Success in eliminating quantity restrictions will depend on the continuous movement of items—from being importable through REP to OGL stock and sale lists."

As regards overall fiscal adjustments the World Bank suggested coordination of "the tariff reduction and domestic fiscal adjustment with exchange rate depreciation so as to maintain existing levels of current account deficit." While the exchange rate depreciation or devaluation has already been implemented, the point about lowering of import duties may find a place in the budget.

EC Duties on Textile Exports Protested

91AS1372A Bombay THE TIMES OF INDIA
in English 24 Jul 91 p 15

[Text] New Delhi, July 23 (PTI). The Indian government considers as "unwarranted and unjustified" the move by the European Commission EC] to impose anti-dumping duties on a provisional basis on exports of cotton and polyester yarn.

India has already made representations to the commission expressing regrets that the European Commission had deemed it fit to institute these proceedings despite the fact that the export of cotton yarn from India to EEC was under a bilateral restraint since 1988.

The ceiling prescribed was 30,000 tonnes and a very low overall growth rate of two percent per annum had been provided for.

At that time the figures showed that Indian exports of cotton yarn had been declining since 1987. The trend in prices also showed that there could have been no systematic under-cutting of prices by Indian exporters, according to an official release here today.

Moreover, India had on its own imposed a ceiling of 40,000 kg for the total exports of cotton yarn during the calendar year 1990.

The commission authorities, however, went ahead with the investigations and information was obtained from Indian manufacturers on the basis of a detailed questionnaire.

In June this year when the matter was receiving final consideration in the commission, government of India again filed a note verbale pointing out the following loopholes in the anti-dumping case against India:

- EC was not justified in proceeding on the basis of constructed value when domestic sale price was available for comparison with the export price.
- The methodology employed by the commission in comparing the export price with the constructed average normal value contained an inherent statistical bias in favour of finding dumping.
- Making no allowance for cash compensatory support in calculating anti-dumping margin was against the international obligations of the EC.
- The market share of the Indian yarn was too low for it to cause material injury.
- Since exports of cotton yarn are already subject to quantitative restrictions under the multifibre arrangement (MFA), there should be a presumption that exports within this limit, even if dumped or subsidised cannot cause material injury to the domestic industry.
- As provided in article 13 of the GATT anti-dumping code possibilities of constructive remedies should be first explored before applying anti-dumping duties against India which is a developing country.

It was also suggested that consideration should be given to the fact that Indo-EC trade has shown persistent and steadily widening trade gap adverse to India.

The imposition of anti-dumping duties even if they are temporary, will prove to be a severe blow for the future exports of a value of about Rs [rupees] 200 crores.

India's exports of cotton yarn to the EC in 1990 was as high as Rs 190 crores.

PTI Reports UN Economic Survey

91AS1297A Calcutta THE STATESMAN in English
3 Jul 92 p 7

[Text] U.N.H.Q., July 2. Growing disequilibrium in external accounts, is the most worrying aspect of the

present economic situation in India and output growth would probably be retarded in the process of correcting it, according to the United Nations economic survey, reports PTI.

Return of workers from the Gulf, slowing of exports and higher oil bills led to widening of the current account deficit to some \$8 billion last year.

As foreign exchange reserves dwindle, India's debt to private creditors and commercial banks rose 10-fold between 1980 and 1989. Debt servicing absorbed about 30 percent of the total exports in the last years of the decade, up from nine percent in 1980, it said.

In the face of a serious foreign exchange crisis, the survey says, India negotiated an IMF loan and reintroduced some import restrictions, slashing approvals for capital goods imports, increasing margin on bank loans for imports and establishing cash deposits on letters of credit for imports.

Stating that South Asian countries were more vulnerable to the shocks of the Gulf crisis than other countries, it says in India, Pakistan, Bangladesh and Sri Lanka the GDP [gross domestic product] growth was in the range of five percent.

A substantial increase in industrial production in India and Pakistan and a good performance in agriculture in Bangladesh and Sri Lanka accounted for much of the growth.

The growth in GDP was, however, accompanied by a very sharp deterioration in the balance of payment current account and rise in inflation.

Imports in the Indian subcontinent, except Pakistan, also increased much faster than exports and the aggregate trade deficit increased by 20 percent.

The survey says more than three million migrant workers originating from South and East Asia were in West Asia by the end of 1980s. Probably half of the workers returned after war broke out in the Gulf.

The loss of remittances for the oil importing countries in South and East Asia, including India, Pakistan, Bangladesh, the Philippines, South Korea, Sri Lanka and Thailand, amounted to over \$1.5 billion.

Economic Situation Reviewed, Forecast Given

Summary of Economic Survey

91AS1294A Madras *THE HINDU* in English
21 Jul 91 p 4

[Text] New Delhi, July 20. The following is a summary of the Economic Survey for 1990-91 presented in Parliament today:

The Indian economy had to face many uncertainties in 1990-91. The effects of the political situation at home and the persistent fiscal imbalances were accentuated by

the Gulf crisis which intensified strains on an already weak balance of payments position. It is a measure of the inherent strength of our economy that it withstood the effects of these shocks rather well. It is also a measure of solid gains registered by our economy during the last 40 years since independence. Agricultural output and industrial production continued to grow though their sustainability came under serious doubt. It is estimated that the growth of Gross Domestic Product (GDP) in real terms during 1990-91 will be about five percent. However, due to the combined impact of internal and external factors, consumers have been faced with double digit inflation and the economy is faced with a serious balance of payments crisis. On the domestic front, particular significance is attached to medium term large and persistent fiscal imbalances which have strained the balance of payments situation and accentuated inflationary pressures in the economy. These factors have been sharply exacerbated by the third oil shock and the related dislocations caused by the crisis and the war in the Gulf during 1990-91.

Difficult price situation

Despite normal monsoons, the price situation has turned out to be difficult. The annual rate of inflation in the Whole-Sale Price Index (WPI), on a point to point basis works out at 12.1 percent during 1990-91 as against 9.1 percent during 1989-90. Measured in terms of the Consumer Price Index (CPI), the inflation rate is still higher at 13.6 percent during 1990-91 as compared with only 6.6 percent during 1989-90. Inflation hurts everybody particularly the weaker sections of the population whose incomes are not indexed. The higher rate of inflation is also a cause of concern because the price increase has been much in the case of several essential commodities.

Experience has shown that money supply growth in India is strongly influenced by the behavior of the budget deficit as well the behavior of foreign exchange reserves. Money supply growth decelerated in 1990-91 despite a sharp deterioration in the fiscal situation largely because of significant draw down of foreign exchange reserves. It is however obvious that a firm control of growth of money supply requires that monetary policy should be closely coordinated with fiscal policy and measures to contain money supply growth have to be backed by associated measures to contain the fiscal deficit. Unfortunately, the measures adopted turned out to be inadequate and the year 1990-91 ended with a fiscal deficit estimated at 8.4 percent of GDP. The postponement of regular budget in February 1991 greatly increased the magnitude of efforts now required to achieve the targets set for 1991-92.

Impact of Gulf Crisis

The impact of the Gulf crisis on the balance of payments situation is very adverse and serious. Largely as a consequence of the increase in the import bill for crude oil and petroleum products, imports in rupee [RS.] terms have risen by 21.9 percent. Hence, the trade deficit has

widened significantly in 1990-91. Combined with the loss of exports to, and remittances from the West Asia, in particular Kuwait and Iraq, there has been a sharp deterioration in the balance of trade. In addition, both the Gulf crisis and domestic political developments affected confidence abroad in the Indian economy. It became more difficult to borrow in the international capital markets. Receipts under non-resident deposits also decelerated. All these led to a sharp decline in foreign exchange reserves (excluding gold and SDRs [Special Drawing Rights]), from a level of about Rs 5,050 crores at the beginning of August, 1990 to Rs 4,388 crores at the end of March, 1991.

The decline in reserves would have been still larger if the Government did not resort to borrowing from the IMF. The first recourse to the IMF was made during July-September, 1990 when India drew Rs 1,173 crores which constituted 22 percent of India's quota and could be drawn upon without any conditions. This was followed by further recourse to the IMF in January, 1991 when Rs 3,334 crores were borrowed under the modified Compensatory and Contingency Financing Facility (CCFF) and the first credit tranche under a three month stand-by arrangement. Clearly the real solution to the problem calls for urgent and effective measures to correct the structural imbalances which had led to the emergence of a chronic balance of payments deficit in the first place.

Agricultural Production

Foodgrains production in 1990-91 is likely to be 176 million tonnes. Considering the estimated size of the cane crop, sugar production during 1990-91 may be about 115 lakh tonnes. Production of cotton, however, may be less than last year because of excessive rains during 1990-91. Production of tea is estimated to have increased to 719 million kg during 1990-91 compared with 703 million kg recorded in 1989-90.

Debt Relief

The Central Budget for 1990-91 introduced a debt relief scheme under which outstanding loans up to Rs 10,000 for the non-wilful defaulters engaged in agriculture and other allied activities were waived by the Government. The debt relief scheme underwent several changes in the course of the financial year 1990-91 since its announcement in the budget for 1990-91. These changes in the scheme, in effect, increased Government's financial liability and led to a much greater fiscal burden on the exchequer than originally provided for in the budget. The interim budget for 1991-92 presented to the Parliament on March 4, 1991 estimated the burden at Rs 1,500 crores for 1990-91 (RE) compared with the budget estimate of Rs 1,000 crores. The budget had also proposed Rs 1,500 crores under the debt relief scheme to the farmers for 1991-92. Given the scale of debt relief scheme, it could affect both the profitability and credibility of the Indian banking system. Unwittingly, it could also affect the farmers' incentive towards prompt repayment of bank debt in the future. The scheme contributed

significantly to the deterioration in the fiscal situation in 1990-91. It also puts a constraint on supply of credit for productive purpose and in turn, may affect the rural credit delivery system.

Industry and Infrastructure

Despite the Gulf crisis and several restrictions on imports of POL [expansion not given] and raw materials, the general index of industrial production recorded a growth of 8.4 percent in 1990-91 compared with a growth of 8.6 percent in 1989-90. The manufacturing sector (which accounts for more than three-fourths of the total weight in the index) performed better by recording a growth of 9.2 percent in 1990-91 compared with 8.6 percent in 1989-90. In large measure, this was due to the combined impact of various promotional measures undertaken during the Seventh Plan period. However, there was a deceleration in the growth of the mining and quarrying sector from 6.3 percent to 3.5 percent and that of electricity sector from 10.8 percent in 1989-90 to 8.6 percent in 1990-91.

The performance of the infrastructure sector during 1990-91 was not encouraging. Electricity generation, production of crude oil and refinery throughput showed evidence either of deceleration or actual decline. The railways maintained the same growth rate in terms of the revenue earning goods traffic despite loss of freight traffic due to civil disturbances, shortage of diesel and natural calamities. Production of coal and cargo handled at the major ports showed higher growth rates in 1990-91 compared with 1989-90. Within the power sector, the performance of both the thermal and nuclear sectors was poor while hydro electricity generation exceeded the targets. The average plant load factor in the thermal sector at 53.8 percent during 1990-91 was lower compared with 56.5 percent during 1989-90.

The production of crude oil declined by 3.1 percent during 1990-91 mainly due to the agitation in Assam. Even refinery production in terms of crude throughput declined by 0.3 percent during 1990-91 compared to an increase of 6.9 percent during 1989-90. The decline in the production of crude oil is a cause for serious concern in the context of the current balance of payments situation.

Human Resource

The development and utilization of human resource plays a vital role in improving the quality of life, reducing poverty and ensuring social justice. Economic development is a complex phenomenon which calls not only for higher growth of the GDP but also for an improvement in living conditions, whether health, education, employment, shelter, food or nutrition. It is with this end in view, the Economic Survey has for the first time, introduced a separate Chapter on Human Resource. This Chapter, in brief, gives a snap shot view of the progress made so far in selected social sectors which have a direct bearing in human development in

the sphere of education, gross enrollment of students in the primary schools increased from 43.1 percent in 1950-51 to 99.6 percent in 1989-90 and the overall literacy rate which was mere 18.3 percent in 1951 improved to 52.1 percent in 1991.

However, universal elementary education still remains an elusive goal as dropout rates and sex disparity ratios continue to be significant. There has also been, since Independence, a substantial increase in the number of institutions for higher education. But a proliferation in the number of educational institutions has not been accompanied by a commensurate improvement in standards and infrastructural facilities. There has been significant progress in the sphere of health. The expectation of life at birth has increased from 32 years in 1950-51 to 59 years today. The death rate has shown a remarkable decline from 27 per thousand of population in 1951 to 10.2 per thousand in 1989. The birth rate, however, has not declined *pari passu* with death rates so that the rate of population growth remains high.

In other sectors such as housing, water supply, sanitation urban transport and family welfare both the quantity and quality of services are inadequate as judged by the needs of society. A lot has been done in these areas in the last 40 years; but, still much more remains to be done. The vastness of India and the large size of its population impose special demands on the social infrastructure. As the majority of people lack the ability to pay for the services, the Government has to play a greater role in providing social services at subsidized rates, at least to the weaker sections of the community.

Prices and Price Management

The price situation has remained under pressure throughout the year 1990-91 despite a satisfactory monsoon and a bumper crop for the third year in succession. The annual rate of inflation in term of Wholesale Price Index (WPI) at 12.1 percent in 1990-91 was higher than the rate of inflation at 9.1 percent in 1989-90. The increase in the Consumer Price Index (CPI), for industrial workers was much higher at 13.6 percent during 1990-91 compared with 6.6 percent during 1989-90. The major concern about inflation during 1990-91 was that it seemed to be concentrated in essential commodities. The build up in inflationary pressure in recent years is due to (a) fiscal imbalances, (b) supply and demand imbalances in sensitive commodities, and (c) the inflationary expectations.

Apart from the underlying inflationary pressures arising from macro-economic imbalances, the increase in the prices of essential commodities during 1990-91 may also be attributed to increase in procurement prices of cereals, sharp increases in prices of edible oils, Gulf surcharge, and increase in transportation costs. The uptrend in prices manifest in the recent years still persists in 1991-92.

Fiscal and Monetary Policy

The survey observes that macro-economic imbalances characterized by high fiscal deficits and a growing revenue deficit have continued to remain a major source of concern for the Government during the past few years. The trend in the budget deficit represented a disquieting picture of shortfalls in revenue while expenditure continued to be incurred as budgetted. The same trends continued until the end of the year, and the Interim budget for 1991-92 presented to March 4, 1991 estimated the year end budget deficit at Rs 10,772 crores (RE). The increase in deficits is due to additional loans to the States, higher interest payments, inadequate provision for the rural debt relief, higher burden on account of fertilizer and food subsidies and shortfalls in revenues.

Imports and Exports

In terms of rupees, exports registered a growth of 17.5 percent in 1990-91, while imports recorded a relatively higher growth at 21.9 percent. Consequently, the trade deficit increased by 38 percent from Rs 7,735 crores during 1989-90 to Rs 10,644 crores during 1990-91. Net invisibles are also estimated to have declined during the year due to a likely fall in the net private transfers on account of the Gulf crisis, a relatively slow growth of tourist traffic and a steady increase in interest payments on past borrowings. In the capital account, net aid disbursements in 1990-91 were higher than that during the previous years. Available information on other items of capital account also confirm the severe strain on the balance of payments.

During 1990-91 our import bill on oil at Rs 10,820 crores was 72 percent higher than that of Rs 6,273 crores during 1989-90. There was loss in exports to West Asia particularly Kuwait and Iraq. There was also a shortfall in the remittances from West Asia because of the crisis and the war in the Gulf. Thus, the balance of payments situation was under great strain throughout the year. Despite sizeable borrowings from the IMF in July September 1990 and January 1991, the level of foreign exchange reserves (excluding Gold and SDR) which was about Rs 5,050 crores at the beginning of August 1990 dropped to Rs 4,388 crores by the end of March 1991, and further to Rs 2,386 crores by the end of June 1991.

IMF Funds

To meet the balance of payments difficulties India used its reserve tranche at the IMF during July-September 1990 and obtained SDR 487.26 millions (Rs 1,173 crores). India along with other oil importing developing countries had pressed the IMF to modify the Compensatory and Contingency Financing Facility by including oil import element in it. This modification was approved by the IMF Board in Mid-November 1990. The IMF Board also approved on 18th January, 1991 the use of financial resources by the Government of India totalling SDR 1268.83 millions equivalent of about \$1786 millions or Rs 3,334 crores. Of this, SDR 716.9 millions, the

equivalent of about \$ 1,009 millions or Rs 1,884 crores, was provided under the modified CCFF. The remaining SDR 552.93 millions, equivalent of \$777 millions or Rs 1,450 crores were made available under first credit tranche under a three-month stand-by arrangement. Thus, the entire amount of SDR 1,268.83 millions (about Rs 3,334 crores) was made available to India for immediate drawal and has been received.

In order to improve the international competitiveness of our exports and restrain demand for imports, the Reserve Bank of India [RBI] adjusted downwards the value of rupee by seven to nine percent in relation to major currencies on July 1, 1991 and further by about 11 percent on July 3, 1991 resulting in overall appreciation of these currencies in relation to rupee by 21 to 23 percent. In a bid to curb imports and reduce aggregate demand in the economy, the RBI also announced a package of monetary measures on July 3, 1991 by raising the bank rate from 10 percent to 11 percent along with an increase in the scheduled commercial banks' deposit rates, lending rates and the RBI refinance rates from July 4, 1991. The Government also announced major structural reforms in the area of trade policy on July 4, 1991. These include a uniform REP [replenishment licenses] rate (to be called EXIM [Export-Import] Scrip and to be freely tradeable) of 30 percent of the FOB [free on board] value of exports, abolition of all supplementary licenses except in the case of the Small Scale Sectors and for producers of life-saving drugs/equipment, suspension of Cash Compensatory Support (CCS), abolition of additional licenses granted to export houses and increase of REP rate for advance licence exports from 10 percent of net foreign exchange (NFE) to 20 percent of NFE. Under the new policy, REP would be the principal instrument for export-related imports, and the items now listed in the Limited Permissible List (Appendix 3A and 3B), OGL [expansion not given] items imported by PMP [expansion not given] Units (Appendix 6), all capital goods (Appendix 4), machinery and spares (Appendix 9) and unlisted OGL will henceforth be imported only through the REP route.

It is expected that the adjustment in the exchange rate and the reform in import-export policy, at the beginning of July 1991, would help to stabilize the balance of payments situation in the short-term and improve the balance of trade situation in the medium term. The exchange rate adjustment should facilitate the realization of outstanding export receipts, as also remittances, and, at the same time, stem the destabilizing market expectations which were generated by perceptions about the exchange value of the rupee. With a time lag, it would also improve the balance of trade by stimulating the growth in exports and curbing the increase in imports. The enlargement and liberalization of the replenishment licensing system would provide a new impetus to exports and create a mechanism for the needed import compression. In conjunction with the fiscal adjustment during current financial year, these measures would make an exceedingly difficult balance of payments situation manageable.

Opportunity and Challenge

There are major new developments in the world economy which are exceedingly important for the external sector, whether trade or payments, during the next few years. The international trade environment is also characterized by uncertainties attributable to the stalemate in the Uruguay Round of Multilateral Trade Negotiations, the unification of the European Community into a single market by 1992, and the process of reform in the Eastern Europe, which may lead to a major restructuring of these economies. The shape of things to come in the international monetary system and in the international capital markets would also be influenced by these developments. There is both opportunity and challenge in this process of change.

The Indian economy, in particular its external sector, must respond and adapt to structural changes in the world economy promptly rather than slowly and with flexibility rather than rigidity.

Outlook

The Indian economy is passing through a very difficult stage due to continued pressures on balance of payments, large budget deficits and double digit inflation. These problems have persisted over the past few years. The situation had been aggravated by the Gulf crisis as well as the uncertain domestic political situation during 1990-91. Due to the shortage of foreign exchange, the Government had to impose certain restrictions on imports of capital goods, raw materials and components to the industry. There were also constraints on transport and other infrastructural facilities due to a shortage of petroleum products during 1990-91.

The current economic situation is indeed very difficult. Effective measures are needed to correct fiscal imbalances and to contain the balance of payments deficit within manageable limits. The short term correctives have to be viewed in a medium term setting. Credible structural reforms designed to improve the efficiency and productivity of resource use are an inescapable necessity, if the unavoidable fiscal adjustment is not to lead to stagflation but becomes an occasion to impart a new element of dynamism to the growth process. One should not underestimate the enormity of the task. But the people of India have shown more than once in the past that faced with a crisis their response can fully match the requirements of the situation.

Fiscal Adjustment Consolidation

The center-piece of the strategy for the macro-management of the economy would be a fiscal adjustment during the current financial year, to be followed by fiscal consolidation thereafter. Such macro-economic adjustments alone would enable us to manage the balance of payments situation and keep inflation within limits of tolerance. The restoration of fiscal balance is imperative because neither the Government nor the country can continue to live beyond its means. The

economy has reached a stage where borrowing is not a solution. It only accentuates the problems. The time has come to adjust. This would require a reduction in the internal debt of the Government, through a reduction of the fiscal deficit which would, in turn, reduce the burden of interest payments over time and help in a reduction of the revenue deficit. In the medium-term, the endeavour must also be to reduce external debt as a proportion of GDP, and rely on our own resources to finance the process of development.

It must be recognised that even with a normal monsoon, stable oil prices and the proposed fiscal adjustment, macro-economic management in 1991-92 is going to be a difficult task. It would need to be supported by essential reforms in economic policy and economic management, as an integral part of the adjustment process, which eliminate waste and inefficiency. The thrust of the reform process should be to increase the efficiency and international competitiveness of industrial production, to increase the productivity of investment, to ensure that India's financial sector is rapidly modernized and to substantially improve the performance of public sector enterprises, so that the key sectors of our economy are enabled to maintain their technological and competitive edge in fast changing market conditions. This process would have to be based on the resilience and the strength of the economy in terms of a potential for sustained growth in the agricultural sector and the industrial sector, supported by the physical infrastructure and the human resources. It would then become possible to move the economy on to a higher growth path while maintaining our national commitment to policies and programmes that protect the vulnerable sections of society.

Economists Give Views

91ASI294B Calcutta THE TELEGRAPH 9 Jul 91 p 8

[Text] We reproduce the text of a joint statement by I.G. Patel, P.N. Dhar, R.N. Malhotra and M. Narasimham:

A well-conceived policy for a freer induction of foreign investment can also be effectively deployed to stimulate domestic competition. Foreign investment can fill many existing gaps in our industrial structure and needs to be encouraged as a source of both finance and technology as long as it is foreign exchange neutral in its impact. It needs to be recognized that fears of foreign investment have been grossly exaggerated and a more welcoming stance is necessary to attract MNCs [multinational corporations] to invest in India. A target of \$2 to \$3 billion per year in the next few years should be both desirable and feasible.

India is confronted with the most severe financial crisis in her post-Independence history. The task of steering the national economy towards stability and thereafter, towards accelerated growth requires, above all, a political and social consensus and a national commitment to overcome the obstacles in our way. In this context, we welcome the broad framework of policy initiated by the

Prime Minister in his first address to the nation, which has been elaborated upon further by the finance minister in his press conference and consultations with leaders of Opposition parties.

The symptoms of the crisis are well known. Inflation has accelerated despite three bumper harvests and satisfactory growth in industrial production. Fiscal deficits have risen to unsustainable levels. The country's balance of payments situation is precarious. The level of reserves is at an all-time low. The high and increasing levels of current account deficits in the last several years have led to an accumulation of a large foreign debt with an increasing proportion of it on short-term commercial basis. Servicing this debt has presented a major challenge. The large macroeconomic imbalances that have persisted over a fairly long period are now set to push the economy into a situation where growth may be jeopardized, inflation may become uncontrollable and living standards of the vast majority of our people may suffer.

Simply stated, this situation has come about because, as a nation, we have got used to living beyond our means. Our persistently high fiscal deficits and current account deficits are testimony to the firmly-grounded belief that social and economic irresponsibility carries no penalty. But history has no special favorites. We cannot afford the luxury of apportioning blame.

The immediate task of achieving, as rapidly as possible, a viable balance of payments position should be pursued alongside the aim of rectifying the major imbalances in a medium-term context. It is essential to address the underlying inefficiencies that constrain sustained growth and development. Behind the twin deficits lie structural deficiencies and rigidities which contribute to inefficiency and slow growth and therefore, ultimately to slower improvements in the well-being of our people. We cannot, therefore, ignore or postpone the structural reforms needed to tackle these problems. Adjustments now and reforms later is not a sound strategy. What we need is growth-oriented adjustment as growth cannot be sacrificed at the altar of adjustment.

Due to self-imposed constraints, productive forces in the economy are not allowed to generate more output and employment. If these constraints are not removed quickly and effectively, we will witness a succession of crises of increasing seriousness. The means for ending the present stalemate are at hand. There is inherent strength in our economy. We need to utilize this strength to build a better future.

The present crisis has to be met by a well-considered adjustment programme. The centerpiece for such a programme has undoubtedly to be restoration of the fiscal balance to contain inflation which is hurting the poorer sections particularly hard and relieve pressure on the balance of payments. We should aim to reduce the fiscal deficit from its present range of 8.5 percent to nine percent to below four percent of GDP [gross domestic

product] over the next three years. Only a comprehensive strategy that ensures fiscal propriety within a framework of structural reform will create confidence in the international community. It will facilitate the needed external financing for moderating the impact of corrective measures essential for restoring the health of our internal and external accounts. Without adequate levels of external financing, the burden of adjustment will fall in a disproportionate measure on the poor. In the immediate future, there is no alternative to going to the IMF for a substantial drawing of around SDR [Special Drawing Rights] 5 to 7 billion. The conditionality of the IMF need not daunt us. We need indeed, self-imposed conditionality in the three major areas where the IMF is also likely to ask for reform, namely, in correcting the fiscal deficit, in having an appropriate and competitive exchange rate and in moving towards an open economy.

A substantial reduction in government expenditure can be achieved through a phased programme of reduction in subsidies and rationalization of Plan expenditure. A sharp reduction in fertilizer subsidy is very essential. Food subsidies will have to be rationalized and targeted at sections of the population not protected against inflation, so that the burden of adjustment on the poor can be minimized. Financial incentives for exporters should be provided through an appropriate exchange rate policy rather than through the Budget. While these are the overt subsidies, there is a great deal of subsidization in areas like power pricing, irrigation charges and higher education, all of which call for review and economies. Defence expenditure should be frozen in real terms and then reduced in the medium-term. Plan expenditure should be rationalized with a view to eliminating waste and focussed more on poverty removal and employment-generation and completion of ongoing schemes. In the short run, those who have assured incomes will have to bear a larger share of the cost of adjustment. While expenditure control is important, we should guard against careless fiscal austerity in the form of cutting investment in essential infrastructure.

A sizeable reduction in revenue expenditure is essential for sustaining public investment in infrastructure and for increasing the access of the poor to health, education, nutrition, and other poverty alleviation programmes. Investment in agriculture and energy sectors has to be sustained at a level that will generate an adequate rate of growth.

Additional revenue mobilization is inescapable. The broad approach should be not to tinker with the tax rates, but to widen the tax base and rationalize the tax structure by eliminating exemptions and plugging loopholes and improving tax enforcement. It may not be possible to lower direct tax rates in the current year. However, in the coming years, income tax rates should be lowered from the present 56 percent (including surcharge) to about 45 percent without raising the minimum taxable limit. The indirect tax structure needs rationalization and greater progress towards adoption of the VAT [Value-Added Tax] system.

While fiscal adjustment holds the key to the present balance of payment crisis, this, as mentioned earlier, has to form a part of a medium-term structural reform. It is imperative that the concept of planning be refashioned. Pervasive state regulation and intervention, justified in the name of planning, has neither led to high growth and associated autonomous technological development nor made a significant contribution towards reduction of social and economic inequalities or improvement of the welfare of the poorer sections of our society. The next phase of development demands, indeed compels, a fundamental change in the way we look at planning. The Plan has to be formulated on an indicative basis with reference to market signals. Experience has shown that centralized planning produces waste, inefficiency and stagnation. The logic of reform flows from our national experience in this matter.

Moving towards a more open economy will, of necessity, be a process of well-sequenced and interconnected reforms in several sectors. In industrial policy, our objective should be to eliminate, as soon as possible, all industrial licencing subject only to laws relating to environment and industrial safety. While the small-scale, village industry and tiny sectors should be promoted, this should be done through fiscal measures on a time-bound basis and not, in any case, by product reservations. While the right of entry into industry should be liberalized, it is equally imperative that we liberalize the right of exit as well. Deregulation of industrial production is a pre-requisite for exposing the economy to international competition. Bereft of domestic competition, the economy will be totally vulnerable to the onslaught of foreign capital.

A well-conceived policy for a freer induction of foreign investment can also be effectively deployed to stimulate domestic competition. Foreign investment can fill many existing gaps in our industrial structure and needs to be encouraged as a source of both finance and technology as long as it is foreign exchange neutral in its impact. It need to be recognized that fears of foreign investment have been grossly exaggerated and a more welcoming stance is necessary to attract MNCs to invest in India. A target of \$2 to \$3 billion per year in the next few years should be both desirable and feasible. The paramount objective, however, at this stage, is to promote domestic competition. The whole corpus of policies and regulations that today inhibit such competition has to be decisively and definitely swept away. As a step in that direction the MRTTP [Monopolies and Restrictive Trade Practices] act should be drastically revised. Restrictions on growth of firm size should be removed. At the same time, the section related to restrictive trade practices should be further strengthened.

The public sector, which dominates the economy, should be made to follow rules that reward profitability and punish inefficiency. The budget, rather than public enterprises, has to take care of the welfare aspects. There is no social justification for the continuation of public sector enterprises that show losses year after year, nor is

there any justification for public sector activity in areas where private entrepreneurs can do the job better. Unless the public sector is subjected to the test of competition and efficiency, there will be no accountability nor any improvement in managerial performance. Reform and restructuring of public sector enterprises is a task of national importance. It can no longer be postponed.

In the sphere of trade policy, the goal should be to replace quantitative restrictions by tariffs and to lower tariff levels to about 40 percent in the next four to five years with a view to building an internationally competitive industrial structure.

The loss of custom revenue should be made good by raising excise duties suitably. The incentive structure has to be fashioned to encourage exports and not, as now, high-cost import substitution. The exchange rate policy has an important role in giving signals to the economy. We should aim to have a liberal exchange rate regime with the object of making the rupee fully convertible in the medium-term and allow it to settle at a level which more truly reflects the relative scarcity of foreign exchange.

The financial and banking sectors are also in urgent need of reform. Greater autonomy, more transparency in accounts, adequacy of capital, elimination of behest lending and eschewing populist measures such as loan moratoriums and loan waivers and a greater measure of competition are called for. The health of the financial system can only be ignored at the peril of weakening the entire economic edifice.

The movement towards a vibrant and competitive economy calls for a new approach to industrial relations and exit policies. The issue is whether we can continue our present emphasis on overprotecting organized labor at the cost of the vast number of unorganized and unemployed labor. Our present policies are biased against the use of labor which is abundant and in favor of use of capital, which is scarce. Wage policies and wage negotiations are distorted because of undue and unwarranted intervention by the state. We recognize that relaxation of labor market rigidities will take time, but we stress that a discernible movement for lowering such rigidities will lead to large employment and output benefits for the economy. Closures of unviable units with adequate provision for employment termination benefits and schemes for worker training are sine qua non for a strong industrial sector. The present policy structure of providing fiscal and credit reliefs to sick units has been a costly, inefficient and wasteful form of protecting employment.

The state has to play a major role in absorption and adaptation of technology, not by imposition of unimaginative controls of one kind or another, but by providing the right fiscal signals to encourage domestic R & D and by coordinating corporate planning.

The process of creating conditions for a more open and competitive economy with thus call for simultaneous and concerted action over a broad array—fiscal, trade, exchange rate, industrial and labor policies. Going about it piecemeal or only in some sectors could be counterproductive but if done together we could well find the whole being larger than the sum of the parts.

Our intention is not to furnish a detailed blueprint of reforms. The main guiding principle is that within a framework of macroeconomic stability, which only the state can provide and nurture, decision-making in economic spheres should be decentralized to the maximum extent consistent with our basic socio-economic objectives.

The present crisis is an opportunity to learn and unlearn. There is no escape from the painful process of adjustment. The national economy has to be stabilized. The bitter medicine of fiscal austerity has to be swallowed if we have to have a chance of recovering from our self-inflicted injuries.

But having recovered, vigorous growth will not come from doing more of what we have done before. A bold programme of setting free initiatives and capabilities will have to be put in place. For this, resolution and courage are needed. But, more importantly, shedding of dogma is indispensable.

India is at crossroads. The colossal challenges ahead cannot be met by hesitant, faltering, half-hearted steps. The entire country must act with the courage of conviction that reforms are necessary to pave the way for making India a stable, strong and vibrant nation. All representative organs of our society, and above all, Parliament must reflect that the nation is poised to grasp the future unitedly and with determination.

I.G. Patel has been governor of RBI [Reserve Bank of India] and director of the London School of Economics; R.N. Maihotra and M. Narasimham have headed the RBI besides holding senior positions with the government of India, World Bank and IMF; P.N. Dhar, a close aide of Indira Gandhi, is chairman, Institute of Economic Growth, Delhi.

Dangers Foreseen

91AS1294C Calcutta THE TELEGRAPH in English
12 Jul 91 p 8

[Text] Thirty-five eminent economists earlier this week warned the government of the dangers of following an IMF-dictated policy. They also suggested a different structural adjustment package. We publish the joint statement signed by, among others, Prof Bhabatosh Dutta, Prof C.H. Hanumantha Rao, Dr Ashok Mitra, Prof G.S. Bhalla, Dr Rajni Kothari, Prof Amiya Bagchi, Shri Krishna Raj, Shri Balraj Mehta, Prof Venkatesh Athreya and others.

To meet a financial crisis, the nature and magnitude of which have been shrouded in secrecy, the government

has launched an all out effort to obtain a large loan from the IMF. Despite protestations to the contrary, it is now clear that domestic policies are being refashioned in keeping with the requirements specified by the IMF. In a peculiar effort at a two-stage devaluation of the rupee, its value has been reduced by around 20 percent relative to most leading currencies. And judging by statements by government spokesmen, a major liberalization of the trade regime, the financial structure and industrial policy, as well as a substantial reduction in subsidies on food and fertilizer are in the offing.

The implications of the devaluation are manifold. To start with, by rendering imports more expensive, it is inflationary. This would be so even if the government does not raise administered prices of goods like oil which it imports. But that would mean an additional burden of expenditure on the government in a period when there is general agreement that the fiscal deficit should be cut. Further, the rupee cost of servicing external debt will rise in proportion to the depreciation, aggravating the fiscal crisis. So the net effect of devaluation will be higher inflation, worsening fiscal problems, greater recession, or a combination of these. Since the responsiveness of exports to the steady real devaluations of the 1980s has not been remarkable, it is not clear that the costs of this devaluation will be compensated by increasing exports, especially since export subsidies are to be reduced even as costs of production increase.

Some economists have argued that independent of the need for balance of payments financing from the IMF, policies of the type advocated by it are desirable in the Indian economy. This strategy achieves balance of payments adjustment within an open trade regime, essentially through domestic deflation via cutbacks in public expenditure and/or devaluation. Such a strategy is not merely recessionary, affecting industrial demand and employment, but also entails cuts in social and developmental expenditures, thus affecting both growth prospects of the economy and the welfare particularly of the poorer sections.

Our perception is different. While there is definitely need to reduce the fiscal and external imbalances, the mechanisms of ensuring this should include a more restrictive import regime, that corrects for the foreign exchange profligacy during the 1980s, a reduction in the revenue deficit of the government through increased direct taxes and rationalization of expenditures and the provision of incentives in the form of tradable REP [replenishment] licenses to those who earn hard currency through exports. This would improve government finances, while allowing some expansion in subsidies targeted at the poor, providing employment guarantees, raising expenditures on education, health, sanitation and drinking water and increasing capital expenditures aimed at raising the growth potential of the system.

In the short run, these measures must be accompanied by efforts to raise access to international liquidity. A gradual process of trade reform that helps enhance

competitiveness without leading to closures and unemployment, a balanced approach to foreign investment and technology, special incentives to non-resident Indians and efforts at saving foreign exchange by cutting back on some mega-projects of doubtful value, could all play a role in this connection.

As opposed to this, there have been official declarations of acute financial stringency that makes IMF borrowing "inevitable", panic statements about the foreign exchange reserves position and talk of "floating" the rupee, all of which reduce India's bargaining position with the international financial institutions and in international capital markets. Instead, we strongly recommend a carefully modulated reform programme, wherein the highest priority is given to raising the productivity of all Indian workers, through better education, while the system is debureaucratized and strengthened before subjecting it to international competition in a fundamentally iniquitous world system.

Troubles in Compiling Eighth Plan Revealed

91AS1236A Madras THE HINDU in English
9 Jul 91 p 9

[Text] New Delhi, July 8. The Planning Commission is considering a proposal to start the Eighth Five Year Plan afresh from April 1992 and treat the financial years 1990-91 and 1991-92 as annual plan periods.

Technically, the Eighth Plan was to begin from April 1990, but successive Governments were not able to finalize the Plan document. Consequently, the Plan is already a year and four months behind schedule and will take quite a few months more to be finalized.

An indication to this effect was given by the Planning Commission Deputy Chairman, Mr Pranab Mukherjee, who told the members of the Forum of Financial Writers here today that some of the major changes in the economic situation had overtaken the estimates made by the former members of the Commission. A number of policy initiatives had been announced and some more were expected.

The devaluation of the Rupee, for instance, had made imports costly and it remained to be seen whether any duty adjustments were made in the Budget to reduce the impact. Besides, the Government was expected to take steps to bring down the fiscal deficit, manage the balance of payments crisis and contain inflation.

"The impact of all these steps has to be studied. If we go by the assumptions already made, they will not be realistic and it will be necessary to re-work the entire Plan," Mr Mukherjee said. Even otherwise, the economy had registered a growth rate of 45 percent in 1990-91 and the estimate for the current year was open. Thus, major efforts would have to be made in the remaining three years to reach the growth target of six percent.

It was in this context that the Planning Commission was considering the possibility of starting the entire exercise afresh, Mr Mukherjee said. It would also have to assess the impact of the structural reforms the Government was planning in the economy and formulate the Plan accordingly.

"Therefore, as in 1980, there is one proposal to treat the years 1990-91 and 1991-92 as annual plan periods and draft a new Five Year Plan in the light of the changed circumstances. The final decision on this will be taken after the Planning Commission is reconstituted," the Deputy Chairman said.

Allocations to States may stay: For the current year, Mr Mukherjee said indications were that the allocations made in the interim budget regarding State Plan allocations and Central assistance to them would by and large be maintained. This was because most of the States had formulated their budgets accordingly and some of the departmental undertakings had also started work on this basis.

Discussing the role of the Planning Commission in the light of the changes being contemplated in the economy, particularly the possibility of the public sector withdrawing from some of the areas and an expanded domain for the private sector, Mr Mukherjee said that though there was talk of market forces playing a larger role, they would not be the dominant factor in the economy. Their role would be gradually expanded.

Also, as long as there was scarcity of capital in the economy, some sort of guidance was required to see that the investments were taking place in the proper areas. There was also the social sector which required the support of the government since the private sector would not enter non-remunerative but essential areas.

"You, therefore, have to have some sort of an indicative planning for the long-run while immediate short-term planning has to continue. The Planning Commission will thus have a role to play," he added.

Mukherjee Interviewed on Plan Formation

91AS1368A Calcutta THE STATESMAN in English
15 Jul 91 p 1

[Text] New Delhi, July 14—The Eighth Plan will be in consonance with the economic and trade reforms currently taking place in the country, the Planning Commission Deputy Chairman, Mr. Pranab Mukherjee, has said, reports PTI.

In an interview, he said "the plan cannot be in isolation of what is happening around us. Let's wait for some more time for more reforms (economic) that are in the offing. Then we will decide how to go about the new plan".

Mr. Mukherjee said the Commission would be fully constituted shortly but did not even hint as to what the new commission size would be or who would be the new

full-time members. He dismissed as speculation reports that the Government was thinking of cutting the size of the Planning Commission.

Mr. Mukherjee said that after reconstitution the Commission would decide on issues like the period of the new plan, growth rate and priorities.

The Eighth Plan (1990-95) had already been delayed by two years. The Congress(I) Government, headed by the late Rajiv Gandhi, had prepared an approach paper aiming at a growth rate of six percent.

After the National Front Government was voted to power in 1989, the new Commission prepared another approach paper which planned for a growth rate of 5.5 percent in view of the resources crunch.

Growth Rate

The Planning Commission that was constituted after the Chandra Shekhar Government came to power last November has drawn up a plan document that has revised the growth rate target to 6.5 percent.

Apart from the delays owing to political developments, changes in plan strategy had to be incorporated following the deteriorating economic environment, especially in the wake of the Gulf situation.

The rise in crude prices led to a sharp increase in the import bill, leading to a severe foreign exchange crunch.

Asked whether the new Commission would shelve the document prepared by the team led by his predecessor, Mr. Mohan Dharia, Mr. Mukherjee said it would not be done as there was substantial material in the document which could be used for future work.

He said, however, the situation had changed now with the Government coming out with a whole lot of economic reforms.

Asked whether planning itself would lose its relevance with more reforms in the offing, Mr. Mukherjee said "it will not be so, even a free economy needs planning".

He said the new plan would give priority to the directions set out in the first approach paper prepared during the Congress(I) regime and incorporate new trends.

Mr. Mukherjee said the new approach would also formulate ideas as to the areas where the State should shed its grip over the economy. But he would not give details as to which were the State organizations that might be wound up in the changed circumstances.

Annual Plans

In reply to a question on when the plan would begin actually, he said the annual plans of States had already been finalized and put into operation for 1990-91 and 1991-92, and so there had been no plan holiday.

After reconstitution, the new Commission would decide whether to dovetail the two annual plans within the current plan or treat them as separate and start the Eighth Plan from April 1992, as was done in a similar situation between the Fifth and Sixth Plans.

Asked whether the Commission would still aim at a higher growth rate, Mr. Mukherjee said a higher growth rate was necessary but the question was whether there were adequate resources to achieve it.

Leading economists have favoured widening of the tax base and increased collections through better compliance, besides cutting revenue expenditure, to reduce fiscal deficit

Responding to a pre-budget questionnaire the economists concurred that while indirect taxes were already at high levels it was necessary and possible to improve accruals under direct taxes.

Problems of Industrial Development Bank Reported

91AS1231A Bombay THE TIMES OF INDIA
in English 16 Jul 91 p 11

[Text] Bombay, July 15. The Industrial Development Bank of India (IDBI) expects the growth rate for its disbursements to fall to 13 percent in the current year compared with 27 percent in 1990-91 (with disbursements totalling Rs [rupees] 4,459 crore).

According to Mr S. S. Nadkarni, chairman and managing director of the IDBI, the resource crunch and import curbs had affected the performance of the industrial sector—industrial growth was expected to decline to 7.5 percent this year (from 8.5 percent in 1990-91). The implementation of projects was bound to get delayed.

Further the IDBI itself is facing a shortage of funds. Its total funds requirement totalled 7,057 crore in 1990-91. The resource situation, according to Mr Nadkarni would continue to be under pressure in the coming years.

The level of external commercial borrowings is likely to be lower during 1991-92 in view of the recent developments in India and abroad. The revision in lending rates effected in August last year (14 percent per annum for the first tier and 15 percent for the second tier) would take several years to have any significant impact on income given the two-tier interest structure and a large level of undisbursed sanctions committed at the old interest rates.

Cost of borrowings had been increasing steadily and with the non-availability of relatively lower cost funds like the Investment Deposit Account Scheme (the scheme has been abolished) the pressure on margins will continue to be felt in the coming years, said Mr Nadkarni.

The IDBI has formulated a diversification plan from traditional project financing to products and commercial financing with a view to remain competitive at market places.

The bank proposed to finance need-based projects and products with the aim of creating new institutions like partnership venture capital funds to develop both the technology and products.

In the current year, the IDBI expects to borrow through the government guaranteed bonds—one of its major sources of finance—about Rs 1,100 crore (close to last year's figure). The first tranche of Rs 350 crore is expected to be cleared next month.

Also, the IDBI is looking for about Rs 300 crore from nongovernment guaranteed instruments like debentures or bonds (on a long term basis) and expects to raise this sum during the last quarter of this year.

The bank has signed a \$100 million line of credit with the World Bank last week for financing pollution control projects and equipment.

It has already obtained, from the World Bank, a \$149 million line of credit for the restructuring of the cement industry.

The IDBI has also raised a second untied loan of \$100 million from the Export Import bank of Japan covering sectors like textiles, electronics and food processing.

A second public bond issue (Samurai) in the Japanese capital market was made in January this year for 30 billion yen.

According to Mr Nadkarni, the lowering of India's credit rating had made it difficult for the bank to raise money at present. He however expected the situation to improve in the final quarter of this year. According to Mr Nadkarni it was possible to raise money in Germany and in the eurodollar market besides Japan.

Total foreign currency borrowings stood at Rs 660.5 crore in 1990-91 and total resources raised by the IDBI during the year aggregated Rs 2882.1 crore.

Internal generation of funds formed the single largest source of financing and formed 55.6 percent of the total resources.

The bank raised Rs 1,070 crore from the domestic market through three bond issues against Rs 1,250 crore in the previous year. These borrowings formed 15 percent of the total funds requirement. Cumulatively, till the end of March 91, domestic market borrowings totalled Rs 9,290.9 crore covering 59 bond issues.

Under the Investment Deposit Account Scheme the bank collected Rs 546 crore. This scheme has now been abolished and there will be no further accretions under this scheme.

The year 1990-91 was the first year of operations of IDBI, after setting up in April 1990, of the Small Industries Development Bank of India, a wholly-owned subsidiary of IDBI, to which the entire operation of IDBI in respect of small sector was transferred. Figures regarding sanctions and disbursements for 1989-90 are net of assistance to small sector so as to make them comparable with those of 1990-91.

IDBI's sanctions at Rs 6,897 crore (an increase of 21 percent) during the year are expected to catalyze investments of over Rs 16,000 crore with additional employment potential for over 4 lakh persons on completion of the projects.

Assistance sanctioned under the direct finance schemes increased by 22 percent to Rs 4,161 crore in respect of 866 projects. Disbursements of direct assistance at Rs 2,442 crore were higher by 41 percent. These figures include assistance granted under certain special schemes as indicated below.

The sanctions under the textile modernization fund scheme aggregated Rs 155 crore in respect of 80 mills while disbursements amounted to Rs 106 crore.

Assistance sanctioned and disbursed under the venture capital fund scheme amounted to Rs 6 crore for 16 projects and Rs 7 crore respectively.

The total income from IDBI's operations during the year was Rs 1,940 crores against the total expenditure of Rs 1,607 crores, giving the Rs 333 crore profit—a 27 percent rise over the last year's gains. Out of the profit, an amount of Rs 92.6 crores would be transferred to the Union government representing a return of 14 percent of the share capital of Rs 703 crores as on March 31 last, on a pro rata basis.

Developments, Problems in Oil Industry

Foreign Firms Allowed

91AS1226A Bombay THE TIMES OF INDIA
in English 12 Jul 91 p 1

[Article by Tapan Dasgupta]

[Text] New Delhi, July 11. In a major policy change, the government has decided to throw open proven oil and gas fields to foreign firms for development.

The terms and conditions for private sector participation including foreign firms which were finalized by the department of petroleum during the last days of the Chandra Shekhar government have been cleared by the cabinet.

More than 75 blocks have been identified for oil exploration but these include several category 1 wells where the chances of striking oil are 100 per cent. The most promising field, known as Gandhar Gas and Oil Field, is also to be offered to foreign bidders.

If everything goes well, bidders could start work with the onset of the new drilling season beginning October and it is possible that some leading Indian houses could set up joint ventures with foreign firms to take part in the oil exploration.

India's immediate benefit from the major policy change will be a loan of \$150 million from the World Bank (WB) and another loan of an equivalent amount from Japan to make a total of \$300 million to finance the oil import bill.

The board of the World Bank is meeting on July 24 to approve the loan which, along with the matching Japanese loan is expected to be released by this month end.

The bank had been emphasizing the need for inviting foreign participation in oil exploration in the fourth round in view of Oil and Natural Gas Commission's (ONGC's) inability to speed up the work.

The proposal to allow foreign firms to bid for developing identified oil fields had been hanging fire for quite some time. Although the file setting terms and conditions had been prepared early June no decision could be taken as it meant a major policy change beyond the scope of a caretaker government.

Meanwhile, the board of International Monetary Fund (IMF) will also be meeting on July 22 to clear an immediate loan of \$200 to \$240 million under the Compensatory Contingency Financing Facility (CCFF) now that India has fulfilled the conditions.

The devaluation of the rupee and the hikes in both lending and deposit rates by the Reserve Bank were part of the conditionalities of the loan. It may be recalled that the then finance minister, Mr Yashwant Sinha had to agree to bring down the fiscal deficit to 6.5 per cent of GDP [Gross Domestic Product] when he sought a loan under the CCFF facility. The IMF granted a loan of \$1.02 billion and released it at one go in January this year.

India is entitled to the new CCFF loan as the oil prices had not come down following the Gulf crisis as had been anticipated by the IMF. But during the negotiations, with the IMF officials who are still here, India has also agreed to bring down the monetary expansion from the present 17 per cent to 13 per cent as a deflationary measure.

Production Shortfall

91AS1226B Bombay THE TIMES OF INDIA
in English 15 Jul 91 pp 1, 3

[Article by R. Sasankan]

[Text] Even as the government is trying to stave off foreign exchange "bankruptcy" through an IMF loan, the unexpected rapid decline in domestic crude production could land the country in a worse balance of payments crisis in three years.

If oil production does not increase dramatically within a year, an extremely unlikely scenario, the government may be forced to resort to yet another dose of massive borrowing to tide over the balance of payments crisis.

Oil industry circles reckon that the Oil and Natural Gas Commission (ONGC) may end up with a shortfall ranging from 33 million tonnes to 39 million tonnes during the eighth plan. At current prices, this will cost Rs 12,000 to Rs 14,000 crores in foreign exchange.

In November 1990, the ONGC management had proposed to the government a downward revision of its eighth plan target by 6.32 million tonnes. The government has not yet agreed to this. But on questioning whether the company could achieve the reduced cumulative production target of 183.32 million tonnes (compared to 145.72 million tonnes in the seventh plan), the ONGC management evaded the issue by stating: "Everything is in a flux as the government has not yet taken a decision on its revised production target."

The ONGC had originally fixed and officially communicated to the government a production target of 189.64 million tonnes for the ongoing plan period. This means an increase of 44 million tonnes over that of the seventh plan cumulative production. Company insiders maintain that not more than six to 11 million tonnes crude output over the seventh plan production is possible. This too is subject to the Neelam field in Bombay offshore going into production by the terminal year of the plan and attaining a peak production rate of six million tonnes per annum in the first year itself.

The ONGC has already lost nearly three million tonnes in the first year of the eighth plan (four-million-tonne loss compared to the target fixed by the eighth plan working group and the three-million-tonne loss compared to the target fixed in the MOU [expansion not given] with the government) and is slated to lose another six million tonnes in the current year.

There is no indication whatsoever that the trend could be reversed. Sources in ONGC acknowledge that raising production from the present level of 28 million tonnes per annum to 46 million tonnes by the terminal year of the eighth plan is "simply impossible." At best, the ONGC could end up with a production rate of 35 million tonnes in 1994-95. The present rate of production is four million tonnes less than the seventh plan terminal year production.

It appears that neither the bureaucracy nor the political leadership has any clear idea about the magnitude of the crisis on the domestic crude front. Almost all middle-level officials in the field of crude production to whom this correspondent talked in the last few weeks painted a grim scenario. Bombay High and the satellite fields in Bombay offshore which accounted for nearly 70 per cent of the total domestic production at one stage are in deep trouble.

With nearly 30 per cent of the total wells in offshore remaining idle (wells not contributing oil) and a large number of wells producing abnormally large quantities of gas associated with oil, the offshore fields in coming years are expected to produce less oil. There is no significant field under development which could reverse the trend. The Neelam field is unlikely to go into production before the terminal year of the plan.

The ONGC does not have experienced production experts at the top executive levels. The chief executive in charge of production did not spend even a day in production before he was elevated to this sensitive post. As a result, production has been in the downturn since he took over. Inquiries reveal that the style of functioning of the top management has totally demoralized the employees. According to oil experts, the top management has lost its grip on production.

The ONGC's argument is that its projects were not cleared on time by the government. But the government has not stood in the way of the maintenance of oil wells. Of the 530 offshore wells, as many as 154 are idle of which 104 are in Bombay High alone. Nor has the government come in the way of the ONGC improving production from Bombay High and other fields in Bombay offshore which have a potential to produce at the rate of 32 million tonnes per annum for which handling facilities were designed and built.

The ONGC should have been able to produce 32 million tonnes per annum. This is strictly in conformity with the depletion policy of the government and the ONGC.

Oil experts say the government will have to take some hard decisions with regard to the ONGC to avert a management crisis. It is pointed out that in recent years, the political leadership consistently ignored both exploration and production, confining itself to awarding lucrative contracts.

Public-Sector Firms Face Money Problems

91AS1243A Madras *INDIAN EXPRESS* in English
1 Jul 91 p 1

[Article by Devsagar Singh]

[Text] New Delhi, June 30—Giant public sector undertakings [PSU's] like the State Trading Corporation [STC], Indian Oil Corporation [IOC] and the Minerals and Metals Trading Corporation [MMTC] are in trouble on account of non-availability of foreign exchange to meet their contractual obligations.

While STC needs an immediate release of 15 million dollars (about Rs [rupees] 30 crores) to pay for its imports of newsprint alone, the MMTC owes about 35 million dollars and the IOC a staggering amount of over 50 million dollars to their suppliers. The MMTC imports fertilizers and metals and the IOC petroleum products.

Lurking fear: There is a lurking fear among these organizations that the foreign suppliers may stop future supplies and hike prices of their products, landing them in serious trouble.

Unable to arrange the required amount of foreign exchange, Indian nationalized banks have asked these PSUs to approach the suppliers to accept deferred payment. As yet, however, there is no positive indication from the foreign suppliers that they would accede to their request.

The STC, in particular, seems to be in dire straits on account of its newsprint purchases from foreign countries, including China, Japan, Canada, New Zealand and Scandinavian countries. Their bankers, the SBI [State Bank of India], have expressed its inability to make payments to the foreign newsprint suppliers on the ground that the bank was facing the hard currency crisis. The STC plea that it amounted to breach of contractual obligations has had no effect on the SBI which has now asked its client to request the suppliers to accept deferred payment. While the STC owes a huge amount for newsprint already received and distributed among customers, another hefty consignment was on the way. It is in a quandary as to how it would tide over the crisis.

Artificial newsprint scarcity: Official circles have begun to express apprehensions about artificial scarcity of newsprint in coming months if the foreign suppliers refused to accede to the request of deferred payment. The STC imports about 2.40 lakh tonnes of newsprint worth nearly Rs 300 crores annually. It would have to pay a huge amount as penal interest if payments due were not made to the suppliers on time.

What is significant is that the foreign exchange problem for the STC has come at a time when the corporation has announced price hike of newsprint at the rate of Rs 1,200 per tonne.

The non-payment to foreign suppliers is bound to create serious problems for the newspaper industry in the country because they will find it difficult to place further orders due to the STC being a defaulter. The industry may also have to suffer as prices of newsprint are bound to go up.

The Ministry of Finance had sanctioned Rs 195 crores to the STC in March this year for import of newsprint. The government directive was to exhaust the amount before the Financial year was over. The STC was virtually under pressure to go in for immediate imports. This suited the strong lobby of Canadian and Scandinavian cartels operating here to bag the orders.

In the first lot of purchases, however, the STC did not succumb to pressures and finalized purchases for 38,000 tonnes of newsprint worth about Rs 60 crores from China, Japan and New Zealand, the cheaper sectors.

In the second lot of purchases, the STC buckled in and made purchases on the C and F (Cost and Freight) basis

from Canada and the Scandinavian countries. While 20,000 tonnes of newsprint was purchased from Scandinavia. About 5,000 tonnes was bought from Canada, involving a total sum of about Rs 40 crores. This was done on the pretext of the coming elections. The purchases were finalized by March-end.

STC suggestion: It was at this stage that the STC suggested to its administrative ministry, the Ministry of Commerce, that enough had been bought for election requirements and that the same should be stopped. Both the Information and Broadcasting Ministry and the Commerce Ministry, however, did not agree with the STC view and put pressure on it again to make further purchases. It was on May 13 that the newsprint purchase committee decided that the purchases for the remainder amount (Rs 95 crores) be also made.

Consequently, 60,000 tonnes of newsprint were purchased from China, Japan, New Zealand, Germany and Poland. One redeeming feature of this purchase was that the STC could break the cartels of established newsprint suppliers from Canada and Scandinavia.

According to sources, it is these reckless purchases that have now landed the STC in trouble—no foreign exchange to make payments.

Advantages of Rupee-Ruble Trade Discussed

91AS1191A Bombay THE SUNDAY TIMES OF INDIA
in English 23 Jun 91 p 14

[Article by Alam Srinivas]

[Text] Apprehensions about the end of the rupee-ruble trade with the USSR has sent shivers among Indian exporters. The Indian exporter to the USSR, in fact, makes more money from the legal rupee trade than many of his counterparts who stash away dollars illegally.

In ruble terms, the outgo for the USSR is about 6 percent compared to the price if the imports had to be paid for in dollars. This is a direct result of the artificial rupee-ruble parity fixed by the two governments.

First, consider the earnings of the Indian exporter to the USSR and compare it with the gains of a person who earns illegal dollars and deposits them in a Swiss bank. Dollar earnings are attractive because they act as a hedge for the depreciation of the rupee and the illegal hawala premium one could get on this conversion into rupees.

The rupee has depreciated by around 60 percent since March 1988. At that time one dollar was equivalent to about Rs. 13 which is now worth about Rs. 20.50. Add to it the 30 percent hawala premium and the actual benefit to the person who earned dollars in 1988 comes to about 90 percent.

This was why many Indian businessmen were resorting to overinvoicing of imports to earn illegal dollars. Others

were also underinvoicing their exports to do the same. Not surprisingly, there were complaints of capital flight from the country.

However, in recent times, exports to the USSR began to offer higher margins. The profit margin itself on such exports is anything between 50-100 percent. Simply because the USSR is willing to pay more in order to save its precious dollars.

"We always manage a good bargain and sell at a profit. Similar exports to the general currency area will have to be internationally competitive and could mean lower-than-cost prices," comments an exporter. Thus, it is also easier to export to the USSR without fear of competition as it is a part of the government-to-government trade protocol.

Thus, an exporter selling capacitors gets a price of Rs. 26 per unit while his purchase price is a mere Rs. 19. A colour picture tube (CPT) can be bought internationally at \$72 (Rs. 1,450) per tube and sold at a price of Rs. 2,200 to the USSR with minimal value addition. Ditto for many other consumables and readymade garments.

Add to this the number of incentives given to exporters by the Indian government. These incentives, paid as a percentage of the value of exports, are, in most cases, the same for all exporters. But the higher price paid by the USSR automatically implies other incentives for the Indian exporter selling to rupee payment areas.

Take the example of CPT exports to the USSR. The exporter gets a basic price of Rs. 2,200 per tube, 12 percent (equivalent to Rs. 264) as cash compensatory support (CCS), 20 per or Rs. 440 in the form of rep licences, and a duty drawback of Rs. 560, it all adds up to Rs. 3,264.

If the exporter had resorted to switch trade, i.e., importing from a hard currency area and exporting to the USSR, his profit would be over Rs. 1,800 per tube since the international price of a CPT is \$72.

Add to this the premium on rep licences which ranges between 30-50 percent, a 2 percent blanket permit for expenses and another 10 percent of the value of exports in the form of additional licences. Hence, the profit margin for the CPT exporter may be around Rs. 2,200 per tube.

In some cases the premium on rep licences is over 100 percent. For colour TV and black and white TV, the government has recently allowed import of printed circuit boards (PCBs) and tube video tape deck mechanisms (VTDMs) under rep licences which command a very high premium. Even if the exporter imports these two items, he can sell them at a profit of 100-150 percent. However, this is a theoretical possibility for the government has specified that PCBs and VTDMs can only be imported for exports to the hard currency areas.

Or take a look at the incentives given to a pharmaceutical exporter. For every rupee of exports, he gets additional licences to import up to 70 paise. Another 15 paise (or 15 percent) is paid as CCS. Moreover, many of these exporters to the USSR have been allegedly manipulating the raw material usage norms.

For example, if the percentage of bulk drug in formulations is 40 percent, many exporters have been hiking it to 80 percent. The extra 40 percent is an unaccounted incentive.

"There are many such examples and the norms given by exporters have been at variance with those set by the Bureau of Industrial Costs and Prices (BICP)," says a source in the pharmaceutical industry. It is of no surprise that about 49 percent of the pharmaceutical exports last year were to the USSR.

All these earnings are exempt from income tax and are a clean profit for the exporter. Till a couple of years ago, the government used to tax the exporters' earnings in the form of CCS, rep licences and premia on them. About a month back, the income tax department has issued a notification exempting from taxation all export earnings in the form of the above incentives. This amounts to a saving of 50 percent (which is the rate of corporate tax) on these earnings.

Overall, the profits from exports to the USSR come to about 200 percent for the exporter. If these rupee earnings are converted back, say, into dollars, it will mean paying only a 30 percent hawala premium. Even then, the total profits, when translated into dollar terms, is higher than the return on the illegal dollar earned in 1988 (which is a mere 90 percent).

Not to forget that all the export earnings from the rupee trade is legal money which can be declared by the exporter to the Indian government. Thus, there is no fear in his mind about being hauled by the enforcement agencies like has happened in the case of many industrialists in the country.

The present feeling among the governments of India and the USSR to convert mutual trade to hard currency payments will therefore come as a blow to the present profitable trade. For such a switch will imply that Indian exporters will have to compete in terms of price with other international exporters.

On the other level, the volume of trade will surely come down as in areas like consumer electronics and garments, countries like Taiwan, South Korea, China and Pakistan will eat into India's market. There may also be no trade protocol between India and the USSR to safeguard the volume of exports from the former to the latter.

Effects of Devaluation on Trade With USSR

91AS1307 Madras INDIAN EXPRESS in English
11 Jul 91 p 5

[Text] Bombay, July 11—Devaluation of the Indian currency may have raised the hopes and prospects of

increasing the exports to hard currency areas and thereby reducing India's trade deficit. However, on the other hand, it has hampered the receivables from the exports to Russia, which itself is currently witnessing a tremendous turmoil.

Annual exports to Russia are placed at around Rs 7,000 crore, while imports therefrom are said to be in the region of Rs 4,000 crore. The receivables of goods exported worth Rs 3,000 crore more to the USSR are currently said to be at the cross roads, especially when there are too many changes taking place, and at a faster pace than ever before in both the countries.

Bureaucrats of these countries are said to be uninterested in taking any form decision in this regard, and instead, say that "the ball is in the other's court". It is therefore, feared that exporters to Russia will have to wait for a longer-than-normal time for their receivables of this amount.

The bone of contention is the devaluation of rupee which, in fact, has raised the rate of the already high-inflated rouble. Along with the hike in the value of other hard currencies, the devaluation has hiked the "illusionary" rate of the Russian rouble. This is because, before the devaluation the rupee-rouble rate was placed at around Rs 24 a rouble. This has jumped to Rs 28-plus after the devaluation.

"In real terms, the rouble is said to be worth just Rs 2-4", said a trade source. "Not only our exports are highly undervalued but now we fear that even the undervalued receivables are under dispute", the source said. The bureaucrats are currently unable to come to a concrete decision as regards the rupee-rouble exchange rate, especially when the political and financial picture is changing very fast in these countries. This has called for not only strict vigilance on the purse-strings and therefore, resort to changes in existing policies.

"The Russian bureaucrats are not expected to accept the lower rate of the rouble despite the obvious state of affairs, the Indian bureaucrats are obviously unwilling to accept the highly inflated exchange rate and hence the peculiar situation", the source confided.

Court Appoints Liquidator for BCCI

91AS1229A Bombay THE TIMES OF INDIA
in English 16 Jul 91 pp 1, 3

[Text] Bombay, July 15: The Bombay high court today appointed the State Bank of India, Central Office, Bombay, as the provisional liquidator of the Bank of Credit

and Commerce International (Overseas) Ltd (BCCI), in a bid to protect the interest of Indian depositors.

Mr Justice A.A. Cazi gave this ad-interim order in company petition for liquidation filed by the Reserve Bank of India. The BCCI folded up its operations in India on July 6.

The petition said that widespread fraud in the U.K. operations of the BCCI (AS) was apprehended following detailed investigations by a firm of chartered accountants. The Bank of England had moved the U.K. high court for the appointment of a provisional liquidator.

The governor of Cayman Islands, where the head office of the BCCI (Overseas) is situated, early this month issued two orders directing the bank to suspend operations since it was carrying out business in a manner detrimental to public interest and that of depositors and creditors. A receiver of the bank was also named by the governor, Mr A.J. Scott.

The Reserve Bank said that the Indian operations of the foreign bank, which began under licence on March 31, 1983, were a separate unit under local laws. The assets and liabilities of the BCCI here should be rightly used to settle the claims of Indian depositors. The Reserve Bank feared that this may not happen despite instructions it had issued to the local BCCI authorities.

Explaining the reason for this apprehension, the petition said the receiver appointed at the Cayman Islands headquarters had revoked the powers of attorney and other powers delegated to the chief executive and other officers of the bank in Bombay. The bank here had financial transactions with other banks in the country as also with overseas banks including BCCI branches. The Cayman Islands receiver had frozen the accounts in which money due to the Bombay branch were held.

Since the BCCI officials in India had been divested of their powers, they would not make any move to get the frozen accounts free of encumbrances and meet the claims of Indian depositors. If the Cayman Islands receiver considered the entire assets of the bank as a common pool, depositors here would suffer.

For this reason the Reserve Bank felt it was necessary for BCCI here to be wound up and for the court to name the State Bank of India, Central Office, Bombay, provisional liquidator under the Banking Regulation Act 1949. The petition also urged the court to grant powers to the liquidator to take custody of all the assets, properties and affairs of the BCCI. This ad-interim relief was granted by Mr Justice Cazi.

Amended U.S. Military Exchange Scheme Protested*91AS1360A Bombay THE TIMES OF INDIA in English 28 Jun 91 pp 1, 11*

[Text] New Delhi, June 24. India today made it clear that there was no question of accepting any conditionalities in respect of the international military education and training (IMET) programme of the U.S. government.

New Delhi has taken strong exception to the amendment passed by the U.S. House of Representatives recently (as part of the foreign aid authorisation bill for 1992-93) which urges the President, Mr George Bush, to ensure that the IMET programme instils in Indian participants an enhanced understanding and appreciation of, and ability to apply, internationally recognised human rights and humanitarian standards.

An external affairs ministry spokesman said, "The amendment, by implication, casts an unwarranted slur on our armed forces who, in the face of sustained and widespread terrorist violence and extreme provocations have been acting bravely and with the utmost restraint. They were operating against terrorists who were infiltrating from across the border after being trained and armed heavily and seeking shelter behind innocent citizens."

Describing the Indian armed forces as thoroughly trained and highly disciplined, the spokesman stated, "They need no lesson from others in compassion, morality or application of human rights and humanitarian standards."

Deprecating the move to attach conditions to the programme, he noted that such programmes were intended for mutual benefit and India was not the sole beneficiary.

The IMET programme, for which \$3,45,000 has been earmarked for 1992-93, is an exchange scheme between the armed forces of the two countries which facilitates professional contacts and specialised training. Training slots are identified by the two governments annually on the basis of reciprocity. The Indian government also provides training facilities at the National Defence College in New Delhi and the Wellington Staff College.

PTI adds: Under the IMET programme, India and the U.S. started a programme exchange of armed forces personnel in each other's military training institutes in 1962. The programme was suspended in 1971 and only re-started in the mid-80s. The IMET programme facilitates professional contacts and specialised training between the armed forces of the two countries, the spokesman said.

Meanwhile, the CPM [Marxist Communist Party] today described as "serious interference" in the internal affairs of India, the U.S House of Representatives' approving the IMET amendment.

Aid Offered to Dhaka Military Forces*91AS1370A Madras THE HINDU in English 23 Jul 91 p 7*

[Article by Haron Habib: "India To Help Modernise Bangladesh's Defence Forces"]

[Text] Dhaka, July 22. India is learnt to have offered assistance to modernise Bangladesh's defence forces.

The MORNING SUN, quoting authoritative sources, reported here on Saturday that the offer came early this month during the Indian Army Chief Gen. Rodrigues' six-day goodwill visit to Bangladesh. He was the first Indian Army chief to have visited Bangladesh after its independence in 1971.

According to the daily, Gen. Rodrigues wanted Dhaka to spell out its needs. He was told that Dhaka would like to follow a "go slow policy."

A Bangladesh military delegation is likely to tour India shortly, the paper said. It will visit arms installations, training institutions and workshops to have a first-hand knowledge of Indian capabilities and identify areas where help could be obtained. There was no official confirmation of the report.

Pawar Discusses Plans for Defense Forces*91AS1375A Bombay THE TIMES OF INDIA in English 24 Jul 91 p 3*

[Text] Pune, July 23. The defence minister, Mr Sharad Pawar, assured the nation that the Indian defence forces are capable of giving a befitting reply to any kind of offensive from Pakistan.

He said here today that "the reply will always be a fitting one." Asked about the failure or otherwise of Indian intelligence to spot out, the Chinese supply of M-11 launchers to Pakistan, Mr Pawar asserted that "India knew of it, from the time of its discussion stage between the two neighbouring countries."

The defence minister, on the last lap of his three-day visit to the city, said that he would support modernisation of the armed forces, rather than going in for expansion of the forces.

He said that it would be his endeavour to encourage completion of some of the important ongoing projects and the completion of the projects like the main battle tank (MBT). Besides by making use of the optimum capacity of the defence units the country would also be in a position to export surplus production and thereby reduce the cost of operation of units, he reiterated.

The Indian defence research and development wings were good, the gap lay in converting it into applications, Mr Pawar stated. The defence minister was asked about any discontent among services over the impending economisation. Refuting the idea categorically, he said:

"After all, the armed forces were part of the nation, and understood the nation's problems and needs."

Pakistan's defence outlay this year had gone up by 11.5 per cent over last year, and now stood at 26 per cent of the total budget of that country, Mr Pawar noted. The Indian outlay hovered around seven to eight per cent.

The defence minister said the military should not be called out for civil purposes every now and then. "Its duties lay on the borders of the nation, and not in the lanes of the villages and towns," he added.

He said that the promotion in the services should be on a merit-cum-seniority basis as before and not on the basis of seniority alone. The defence minister should not intervene in such matters, he opined. Mr Pawar stressed the need for a collective approach by the nation's principal parties to the policy of establishing a "national security council."

He said he has yet to apply his mind to the demand for "one rank one pension". He hoped to visit four important capitals of the world, as defence minister—viz. Washington, Moscow, Beijing and Rawalpindi. He would be visiting Moscow probably next month, he said. 70 per cent of the defence expenditure was involved, and he would have to visit Moscow as early as possible, he stated.

Mr Pawar argued to an increase in the housing facility for members of the three services. He said, he would advocate an increase in the housing outlay for them by Rs five crore, to be used as seed money, for taking loans on this basis, and to chart out much bigger housing schemes for them. The area per tenement should also be "minimum but enough for them," he stressed.

The defence minister said India would be willing to "talk with Pakistan" always, for disengagement on the Siachen front, where both nations were incurring huge expenses to maintain forces. Both need monetary relief, he suggested.

He said the Fort Purandhar facilities, built up for the NCC [Naval Cadet Corps] officers training was not utilised for the past decade, after its closure. They would see how it could be used for the defence services, for some training course, because the infrastructure there was still intact. Mr Pawar could not visit the site as planned, during this visit. He also favoured tree plantation on unutilised defence lands.

Asked about Maharashtra's political developments, Mr Pawar said he would "no more take interest in such matters' unless of course, his advice was specifically sought. He said, the Pune Lok Sabha seat was lost because, either the Congressmen had "been lax, or they were divided."

Earlier, Mr Pawar was given a warm reception on behalf of the three district Congress committees [DCC] of his home district—Pune, the city DCC's of Pune, Pimpri and Chinchwad, as well as Pune rural DCC.

He said the outcry of the outgoing Pakistani chief of army staff, General Baig, about Indian intentions aggression was a "blatant cover-up" for Pakistani aggression in Jammu and Kashmir. The world's attention had been definitely drawn to the Pakistan-sponsored agencies working in the Indian area, and General Baig was trying to hide the fact, Mr Pawar said.

Defense Officials Note Siachen Prospects

91AS1244A Madras THE HINDU in English
5 Jul 91 p 7

[Text] New Delhi, July 4. India is not averse to a political dialogue with Pakistan on the Siachen issue, according to the Defence Minister, Mr Sharad Pawar.

"There is a thinking that the Siachen issue should be discussed at the political level and we will certainly respond to any such proposal," Mr Pawar told mediemen on board a special Indian Air Force aircraft yesterday while returning here from Leh after a two-day visit to forward Army formations.

Mr Pawar, however said there had been no official communication between India and Pakistan on resolving the Siachen issue through a political dialogue.

Asked if there was a move to declare the Siachen Glacier area a zone of peace, the Defence Minister said.

"Some suggestions" had reportedly been made by the Pakistan Premier, Mr Nawaz Sharif, and India was "studying" them.

The Defence Secretary, Mr N. N. Vohra, who was also present, said he had forwarded press clippings in this regard to the Defence Minister. Mr Vohra said it was not possible for India to take a stand unless the original text of the Pakistan Premier's reported remarks were obtained and studied.

"Situation far better": Mr Pawar, however, emphatically stated that the situation in Siachen, the world's highest battlefield for nearly the past decade, was not war-like. The situation in Siachen was "far better" than it was in the early eighties when severe hostilities broke out between the two countries on the world's largest glacier outside the polar region.

He also said that there were "no war-clouds" hovering over the Indian skies, but added, "we will have to remain alert nevertheless."

He reiterated that the morale of the Indian troops was high and that the armed forces were fully geared to rebuff any threat to the country's borders.

Defense Minister Views Naval Exercise

91AS1302A Bombay THE TIMES OF INDIA in English 22 Jul 91 p 3

[Text] On Board INS Viraat, July 21: A fortnight after taking over the defence portfolio, Mr Sharad Pawar

stood on the deck of this aircraft carrier and watched the Indian naval power in full play, about 25 miles off Bombay in the Arabian Sea, on Saturday.

The day was a mixture of sun and cloud with an occasional rain spraying the ship and the hundreds of VIPs who had assembled on the deck of INS [Indian Naval Service] Viraat.

The wind was so strong that it blew off the caps of some of the invitees, and in one case, even the spectacles of an official attached to the defence ministry. Fortunately, he managed to recover it.

The aircraft carrier, was flooded with the sound of Sea King helicopters as they landed in quick succession on the ship, one after another bringing numerous VIPs.

The five hour "day-at-sea" exercise started with the missile boat demonstration in which two vessels, "Veer" and "Nirghat", sped past Viraat. "Veer" fired lights to simulate a missile launch.

As the sea was somewhat choppy one had to latch on to whatever was available on the deck. Cases of sea sickness were not uncommon.

While the missile vessels disappeared into the horizon excitement steadily built up among the guests as "Sindhuratna," a submarine, surfaced. The submarine was at first on the surface and then dived to periscope depth near the aircraft carrier. "Sindhuratna" then displayed its masts and antenna and later fired a flare.

The invitees briefly sampled a war scenario when a helicopter dropped a sonar device to locate the submarine. The submarine was then "attacked" by another helicopter.

Throughout the morning one could hear the constant sound of helicopters landing and taking off from INS Viraat. But the awesome display by the British Aerospace-manufactured single-engine Sea Harriers made it absolutely clear that air power was undoubtedly a vital segment of the navy.

The Pegasus engines of the Sea Harriers blasted the ear drums of the guests with the fighters positioned for take-off right in front of the invitees. On being cleared for take-off, they accelerated on the ski jump and lifted off.

They performed numerous maneuvers to the excitement of the guests—dives, rolls and so on. The skies echoed to the thunder of the Sea Harriers for quite some time.

The Short Take-Off and Vertical Landing (STOVL) fighter carries air-to-air, and air-to-surface missiles, and a large variety of bombs and rockets.

Equipped with an air interception radar, the Sea Harrier's main role is air defence, but it could also be used

for anti-shipping, close air support and photo reconnaissance. Using the "vectored thrust principle," the Sea Harrier can get air borne and land vertically.

After the Sea Harriers finished displaying their capabilities, there was the close range anti-aircraft, and anti-submarine warfare rocket firing. The rockets were Soviet-made.

This was followed by the "replenishment at sea" demonstration which demonstrated the ability of ships to sustain themselves for long periods at sea.

Equally thrilling was the formidable display of missile power. The Russian-made missiles, fuelled with liquid propellant, blasted off with a tremendous roar and shot off at supersonic speed to knock off their targets.

The radar-guided missiles had a dummy warhead. Two surface-to-air and one surface-to-surface missiles were launched.

Information gathered by this reporter from defence officials on board INS Viraat pointed to the fact that in the coming years efforts would be made to replace the Soviet-made missiles with indigenously-made ones.

A naval official also spoke of the possibility of acquiring the "Trishul" surface-to-air missile designed and developed as a part of the country's prestigious Integrated Guided Missile Development Programme under the leadership of Dr A.P.J. Abdul Kalam.

'The curtain fell on the exercise' with a fly-past once again by the Sea Harriers, the Russian-made TU-142 and IL-38 aircraft of the Indian Navy and a steam past by INS Rana, INS Ranvijay, INS Deepak, INS Godavari, INS Ganga, INS Khukri, INS Kuthar, INS Veer, and INS Sindhuratna (a submarine).

As the ships moved past INS Viraat, officers and men gathered on the deck doffed their caps and shouted "Raksha Mantriji Ki Jai."

INS Viraat, which is India's second aircraft carrier, after INS Vikrant, formerly HMS Hermes, was received by the former Prime Minister, Mr Rajiv Gandhi, on August 21, 1987.

The aircraft carrier is equipped with a surface-to-air missile system and has a variety of sensors for detecting aircraft and submarines.

INS Viraat has a computer-aided action-information-system which gives the command a complete picture of the tactical scenario based on radar and sonar information fed into the computer. This enables rapid decision making in an era where reaction times at sea are minimal and makes possible the destruction of hostile units before they can threaten Viraat.

This ship's main role is to provide integral air power for the air defence and anti-submarine protection of the fleet. It is under the command of Captain Arun Prakash.

Two New Missile Systems for 1991

91AS1202A Madras THE HINDU in English 24 Jun 91
p 11

[Boldface words as published]

[Text] Hyderabad, 23 June: Two operational missile systems—Prithvi and Trishul—will be deployed in 1992 while two others—Nag and Akash—will follow in 1994 for use by the three Defence services, Dr. A.P.J. Abdul Kalam, Director, Defence Research and Development Laboratory (DRDL), said.

He said Prithvi, a surface-to-surface missile system, was in an advanced stage of flight trials and would go into production next year while Trishul, a surface-to-air short range missile system meant for multiple missions of the three services, had already completed a series of flight trials.

Dr. Kalam, who was delivering the Prof. Y. Nayudamma Memorial Lecture at the Administrative Staff College of India (ASCI) here on Saturday, said both Nag and Akash missiles had entered flight test phase and their full development would be completed in 1994. Akash is a medium surface-to-air missile system with multi-target handling capability whereas Nag is a third generation anti-tank missile with Imaging Infrared System.

The DRDL Director said that the country could meet any challenge faster and at a lower cost by utilising the established organisational strength from multiple R&D organisations for a common mission as was proved by the development of Agni missile in which a number of R&D organisations were participating. ISRO played a very important role by giving the developed booster system and a large instrumentation network while use of DRDO's Prithvi propulsion as the second stage reduced the total effort involved.

If Agni was to be developed independently by DRDO, the effort would have cost Rs. [rupees] 400 crores and the time taken nearly eight years, whereas it had been realised at a cost of Rs. 35 crores and within five years. Multi-institutional partnership and utilising developed systems and partnership had helped cut down cost, time and manpower.

Dr. Kalam said a major decision taken earlier was that all technologies for the missile programme should be developed within the country using the existing design capability and technological strength. For this high technology development, there were five types of partners, DRDO laboratories, R&D organisations such as ISRO and CSIR, academic institutions and public and private sector industries. In all 21 DRDO labs and other R&D organisations and 10 academic institutions were selected for design, development and production of various systems.

Challenges: He said that one of the many challenges encountered by the Missile Programme was the Missile Technology Control Regime (MTCR) announced by the

USA and six other developed nations with the aim of denying to countries like India, critical technologies which enable realisation of systems with long-range missile capability.

However, India anticipated such an embargo much before the MTCR was formally announced and initiated development efforts in 1983 itself, leading to production of critical items such as Focal Plane Array, Millimetric Wave (MMW) Radar System, W-Band Impatt Diode, 'C' Band Phase Shifters for certain type of guidance system and Carbon-Carbon preforms for re-entry structure.

Dr. Kalam said a Composite Product Centre (COM-PROC) based on spin offs of technologies developed for the Missile Programme would be established in the joint sector shortly. It was also proposed to set up a Joint Institute of Advanced Technology in collaboration with an academic institution for research in frontier technologies.

Eastern Region Base To Receive MiG-27

91AS1315A Calcutta THE STATESMAN in English
4 Jul 91 p 4

[Text] Kalaikunda, July 3. The World famous combat aircraft MiG-27 will be inducted into the Kalaikunda Air Force station in the eastern region, for flying and operational purposes. Air Commander S. AB. Naidu, VM, Air Commanding Officer, Kalaikunda said here last week. Earlier, he took the salute in the passing out parade of the pilots. Nine full-fledged operational and fighter pilots including two Naval officers, graduated from the station this year.

The pilots were made to undergo a rigorous training and a vast mix of ground subjects with emphasis on fighter tactics and modern developments, which was made possible by the efforts of Squadron Commander, Wg Cdr A.S. Limaye, Flight Commander, Squadron Leader, S. Srivastava, Group Captain S.S. Shimmey, Chief Operations officer, Group Capt B. Mukherjee, VM, and Chief Engineering Officer, Group Capt N.V.K. Nair. The pilot officer, Mr Arun Gangdotra, was awarded the first prize for best performance in flying.

In his message to the young graduates, the Air Commander exhorted them to strive hard to maintain a high standard of operational status and do the country proud when emergency arrived. He hoped the new Government at Center would do their best to equip this station with most modern and advanced technology.

Commentary Notes Drive To Boost Defense Exports

BK0808114191 Delhi All India Radio General Overseas Service in English 18 Aug 91

[Mahendra Ved Commentary]

[Text] India has been one of the world's major manufacturers of defense equipment and materials though its

export performance has been negligible. But, India is all set to enter the global arms bazaar to earn foreign exchange. It may raise eyebrows in the country and in the arms bazaar itself. Defense Minister Mr. Sharad Pawar has said that arms exports which earned only 720 million rupees last year could go up to 10,000 million rupees this year. On the face of it, it seems a tall order, but, obviously, some solid groundwork has been done by the Ministry of Defense to justify such optimism; and this has been done over the last few years.

During this period, preliminary surveys have been carried out globally and there appears to be a good market for small arms made in India in many of the African countries and select countries of Southeast Asia. This is one area which seems promising. There are reports of military bases coming up in West Asia and other regions around, and India could offer its services, like overhauling of aircraft and military equipment. It could be a good commercial proposition for all concerned, because such services carried out close to the military bases would reduce the cost of transport. India has also trained manpower to export or loan, like the pilots, sailors, soldiers, and technicians. They could be used not for carrying out any mercenary operations but for training. This has been a familiar task for India and many countries, which have defense equipment similar to India's, could utilize the Indian training services.

Finally, Mr. Pawar has himself hinted at another area that can be exploited more widely than it has been so far—that is the equipment produced in India's 36 odd ordnance factories. The minister said that most of them are working only at 40 percent of their installed capacity. He has been consulting senior officials to increase their production to the optimum and tap the export market. A special committee was constituted three years ago to study the export market and among the suggestions was to set up an arms export corporation. Mr. Pawar would do well to follow up this suggestion to ensure an organized export effort. But, removing fiscal restrictions is not all. It also requires restructuring the country's foreign policy and creative flexibility. Peace-loving although we are, it should not inhibit us to expand into this legitimate area of earning foreign exchange. Selling of conventional small arms, electronic equipment, military vehicles, communication equipment, or even belts, boots, and uniforms should not be looked upon by anyone as a warlike action. There are many Third World countries who require them and cannot always approach a multinational corporation dealing in defense material. There are restrictions, conditions, and strings that are not acceptable to them. India itself has had to face them.

India's exports have been nowhere compared to countries like Brazil, Spain, or the neighbors like China and Pakistan, not to speak of the giants like the USA, the USSR, Britain, or France. India is certainly a late entrant in the defense export market. China is among the main competitors considering a measure of similarity of equipment. But, it is an effort worth making, particularly in the context of the existing concessions about the

balance of payments situation. Things will have to be followed up unlike in the past. Way back in 1983, there was a Cabinet decision by the government of the late Mrs. Indira Gandhi to step up defense exports. Soon after, eight Allouette helicopters made in India, christened Cheetah, were exported to a military giant like the Soviet Union. It was decided to place advertisements in leading defense journals to advertise what India could sell in the field of defense equipment. Apparently, nothing much was done thereafter. Subsequent efforts also did not go very far.

If Mr. Pawar's export target of 10,000 million rupees is achieved, it will constitute about 7-8 percent of the total defense budget. It will be a bold beginning of the effort to make the country's defense sector pay for its upkeep. It will take the steam out of the oft-repeated criticism that the country's defense outlay is a burden on the economy of a developing country. Developing country although we are, we have large lands and sea borders and the skies to guard. The armed forces modernization drive cannot be allowed to slacken.

Production of Lightweight Weapons Accelerated

*91AS1221A Madras INDIAN EXPRESS in English
29 Jun 91 p 13*

[Text] New Delhi, June 28 (PTI and UNI): The Indian Ordnance factories are speeding up the pace of manufacture of the new 5.56 mm series of light weight weapons so as to fully equip the Army and specialized paramilitary forces within five years.

This was stated here by Mr V.M. Bhandarkar, director general of ordnance factories. He said the new light weight assault rifles and light machine guns-cum-rocket launchers had almost completed "troop trials" and would be inducted into the specialized units of the Army later this year.

The armed forces and para military forces were sometimes at a disadvantage while conducting anti-militancy operation in Kashmir and Punjab because of lack of light weapons and superior fire power of the Pakistani supplied Chinese AK-47, 56, 74, and 94 range of assault rifles with the militants.

He said troop trials had clearly demonstrated the veracity, accuracy and superior fire power of these new indigenous light weight weapons to the Chinese or contemporary NATO weapons.

He said as a stop gap measure the Army was now getting Ishapore 91 assault rifles and some specialized units were being equipped with the captured Kalashnikov range of assault rifles.

Mr Bhandarkar and the incoming director general, Mr N. Balakrishnan had an exhaustive review of the working and performance of the Indian ordnance factories.

They said with the opening of the armament industry to exports, the ordnance factories were getting increasing export orders for a variety of arms including 105 mm medium artillery guns, tank spare parts and instruments and for illumination explosives.

Ten cr order: The ordnance factories had bagged an order of Rs [rupees] 10 crore for the supply of 105 mm guns and its ammunition to Yugoslavia and Tanzania. Vietnam had placed an initial order for certain explosives and advanced rocketry worth Rs two crore. Mauritius and Nepal were also getting supplies of Indian ammunition and weapons. Angola and some other countries had placed orders for the supply of tank spare parts and night visions.

The director general of ordnance said there was a growing demand for Indian weapons and ammunition in the Middle East countries. India was now offering the indigenously made Vijayanta tanks, medium artillery and heavy machine guns and mortars in the export market. Mass production of the sophisticated ammunition for the Swedish made 155 mm Bofors field gun had begun and would obviate the need for further imports.

On the main battle tank project christened 'Arjun', Mr Bhandekar said the demonstrative prototypes had been manufactured for the defence research and development organization with tank hull, turret and gun being designed indigenously.

The ordnance factories had entered the modern era with developing facilities for making both liquid and solid propellant for the indigenous missiles ranging from Agni to land-to-land Prithvi and surface-to-sky Akash range of missiles.

Mr Bhandekar said the ordnance factories' expansion was being planned to give more thrust to building missiles and advanced rocketry projects.

On the government letting private sector enter the low priority armament field, the director general said the project was sixty percent success, with private units producing armament ancillaries worth more than Rs 900 crore.

He said this could be stepped up if the government gave incentives and special references to these units.

He said some of the most ambitious projects currently being undertaken by the ordnance factories were building up of infantry combat vehicles, liquid fuels for the missiles, self propelled field guns and Pinacha, the new indigenous multi barrel rocket system (MBRL).

In the civil trade front, ordnance factories had made significant contribution in sale and supply of sporting arms and ammunition, fog signals for railways, airport runway lighting systems for civil aviation and a host of order items for government departments.

The ordnance factories had introduced labor participation to bring about allround excellence in working. High

priority had also been accorded in implementing anti-pollution measures. A large number of saplings had been planted during the year.

Reportage on Testing of Prithvi Missile

Announced by Defense Minister

91AS1238A Madras THE HINDU in English
5 Jul 91 p 1

[Text] Madras, July 4. India today successfully test-launched its surface-to-surface missile Prithvi from the Sriharikota launching base, a beaming Defence Minister, Mr Sharad Pawar, announced.

In an informal talk with reporters at the Madras airport, here, on his way back to new Delhi from Sriharikota, Mr Pawar said though the launch was to take place in the morning, the liftoff was delayed because of cloudy weather. Prithvi was launched at 1.52 pm. "Our scientists have proved that they are no less efficient than others. We have proved our capabilities", he said.

"Under the Integrated Guided Missile Development Programme (IGMDP), the Government had sanctioned in July 1983 the designing and development of four missiles and one technology demonstrator and Prithvi was among the projects. It is a surface-to-surface missile with a range of 250 km for tactical battlefield support application and has been successfully flight tested three times.

The Prithvi, capable of carrying a one-tonne warhead to near-pinpoint strikes on high-value targets, may be deployed next year. Its pre-fragmented warhead, containing hundreds of small spherical steel balls, has been tested by being dropped from a helicopter in the Pokharan ranges. The missile is mounted on a Tartra Kolos vehicle and uses a liquid propulsion motor. The fuel is storable making it easy for the missile to move cross-country.

Radio Comment

91AS1238B Delhi All India General Overseas Service
in English 1010 GMT 20 Jul 91

[Commentary by Ravinder Pal Singh, senior research fellow at the Institute for Defense Studies and Analysis]

[Text] With the fourth successful test launch of surface-to-surface guided missile, Prithvi, India has moved yet another step closer to a successful culmination of its integrated guided missile development program.

Prithvi is a surface-to-surface battlefield support missile with single-stage twin liquid fuel motor. The range-payload combination of this missile enables it to deliver 1,000-kg warhead at 150 km or a 500-kg warhead up to 250 km. The warhead has cluster bombs consisting of hundreds of small bomblets which can cause extensive damage to airfields, static installations and headquarters deep inside the enemy territory. And with its minimum

range of 40 km, it can provide attractive battlefield targets. Prithvi has a short reaction time and speed of three times the speed of sound. Its accuracy, with a Circular Error of Probability—CEP—of 250 meters at 250-meter range makes it a world class missile.

The control and guidance system is driven by an on-board computer based on Intel AT-86 microprocessor. The system prevents the missile from straying. Such sophisticated systems are not only difficult to develop, but also very expensive. A Prithvi missile is estimated to cost about 17 million rupees. According to earlier reports, the full-scale annual production of such missiles was expected to start from January 1991. But it is likely to be delayed since Thursday's [4 July] test launch does not indicate to be user's test from a vehicle. The missile could be carried by a [word indistinct] truck which also serves as an erector at a launch vehicle.

Successful launching of Prithvi speaks volumes for our scientific skill and progress in defense technology. It should however be kept in mind that similar capacities are being made available in our region. Some reports indicate that Prithvi uses liquid fuel based on dimethylhydrazine with nitrous oxide-based oxidizer. Both these compounds are highly toxic and need extreme care in handling especially under field conditions.

Besides, the fueling time lends itself to detection, especially by satellites, a factor which got highlighted in the recent Gulf war. Secondly, conceptually, the battlefield

support ballistic missile should be considered as the first generation of tactical support missile. The cruise missiles are the subsequent generation of missiles performing the role of battlefield support. Because they can be launched from aircraft as well as from submarines, it makes them less vulnerable than the vehicle-borne ballistic missiles. Besides, the latter's terminal velocities being high, it becomes difficult to mount fuel are explosive warheads on missiles like Prithvi.

The anomaly which is inherent in pursuit of technology by developing countries for military self-reliance is the difficulties in sustaining indigenous high-tech development when comparative technologies can be procured by the regional rivals from the world's arms market. But in case of ballistic missiles, there is a strong concern in the West on proliferation of such technology. Consequently, a U.S.-led Missile Technology Control Regime, MTCR, was initiated in April 1987 to coordinate the national guidelines of Western countries and Japan for preventing transfer of technologies of 500 kg. Although China is not a member of MTCR, it had agreed to act in a responsible manner in order to control missile proliferation. The major contribution of the integrated guided missile project is the creation of vast missile research establishment which India did not possess seven years ago. Perhaps Prithvi's success will take us a step closer to our goal of indigenizing technologies of a next country [as heard].

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