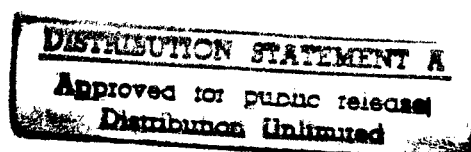


JPRS-NEA-91-066
23 SEPTEMBER 1991



JPRS Report



Near East & South Asia

INDIA

19980203 359

DTIC QUALITY INSPECTED 3

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL
INFORMATION SERVICE
SPRINGFIELD, VA 22161

Near East & South Asia

INDIA

JPRS-NEA-91-066

CONTENTS

23 September 1991

POLITICAL

International Affairs

U.S. Human Rights Study in Country Reported [THE SUNDAY TIMES OF INDIA 11 Aug]	1
Government Backs Review of Bhopal Case [PATRIOT 15 Aug]	1
Egyptian Visitor Discusses India's Role in Mideast [INDIAN EXPRESS 17 Aug]	2
Papers Report on Uzbek President's Visit	2
Press Conference 18 Aug [INDIAN EXPRESS 19 Aug]	2
Agreements Signed [INDIAN EXPRESS 19 Aug]	3
Invitation To Invest [THE TIMES OF INDIA 20 Aug]	3
Soviet Events Dismay Indian Communists [PATRIOT 29 Jul]	4
USSR Arms Sale Offer, Problems With Missiles	4
Yak-141 Offer [THE STATESMAN 29 Jul]	4
Missile Parts Shortage [THE SUNDAY TIMES OF INDIA 4 Aug]	5
Report, Comment on Indo-Soviet Treaty Renewal	5
Official Statements [THE HINDU 9 Aug]	5
Treaty Background; Soviet Changes [THE HINDU 10 Aug]	6
Militant Scores Indo-Israeli Relations [THE STATESMAN 3 Aug]	6
Venkataraman Visit Could Be Problem for Turkey [THE HINDU 5 Aug]	7
Indo-Australian Trade Agreement Signed [THE HINDU 27 Jul]	8
Results of Faleiro Visit to Portugal Reported	8
Talks, Agreements 29 Jul [THE TIMES OF INDIA 30 Jul]	8
Goans' Gold Returned [THE TIMES OF INDIA 31 Jul]	8

Regional Affairs

Sri Lankan Foreign Minister's Visit Reported [INDIAN EXPRESS 31 Jul]	9
Deportation for Sri Lankan 'Militant' Refugees [INDIAN EXPRESS 31 Jul]	10
Delegation Returns From Talks in Nepal [THE STATESMAN 6 Aug]	10
Cooperation Pact Signed With Mauritius [THE HINDU 12 Aug]	10

Internal Affairs

Rao Writes to Basu on IMF Relations [THE STATESMAN 20 Aug]	11
Analyst on Problems Faced by Prime Minister Rao [THE HINDU 22 Jul]	11
Ramamurthy Cites Reasons for Resignation [THE HINDU 31 Jul]	13
Home Minister Opens Chief Ministers' Conference [THE HINDU 4 Aug]	14
Major Foreign Policy Initiative Under Way [THE TIMES OF INDIA 16 Aug]	14
Foreign Office Coping With New Priorities [INDIAN EXPRESS 12 Aug]	15
Report on V.P. Singh's 8 Aug Press Conference [THE TIMES OF INDIA 9 Aug]	16
BJP Urges Government To Avoid Farooq Abdullah [JANSATTA 11 Jul]	16
Sole Beneficiary of Elections Seen as BJP [AJ 11 Jul]	17
BJP Said To Need Muslim's Support [JANSATTA 25 Jul]	18
Vice President of BJP on Secularism, Nationalism [THE HINDU 9 Aug]	19
Bill Defeat a 'Major' Setback for Congress-I [PATRIOT 6 Aug]	21
Gandhi Trust Decision Reveals Congress Weakness [THE HINDU 3 Aug]	22
CPI Executive Committee Meets 21 Jul [PATRIOT 23 Jul]	22
New Constitution, New Party Program for CPI [INDIAN EXPRESS 11 Aug]	23
Developments in Dispute Over Cauvery Waters	23
Supreme Court Notices [THE HINDU 1 Aug]	23
Tamil Nadu Response [THE HINDU 13 Aug]	24
Karnataka Response [THE HINDU 13 Aug]	25
Demand for Separation of Barak Valley From Assam [THE TELEGRAPH 4 Aug]	26

ECONOMIC

Government Statement on Industrial Policy [THE HINDU 25 Jul]	27
New Industrial Procedures Launched [THE TIMES OF INDIA 14 Aug]	35
Problems of Formulating Eighth Plan Discussed [THE STATESMAN 23 Jul]	35
Ministry of Industry Releases 1990-91 Report [PATRIOT 6 Aug]	36
Reserve Bank Raises Maximum Interest Rate [THE STATESMAN 27 Jul]	36
Supplementary Trade Policy Facilitates Exports	37
Commerce Minister's Remarks [THE TIMES OF INDIA 14 Aug]	37
Policy Highlights [THE TIMES OF INDIA 14 Aug]	38
Commerce Ministry Forms Trade-Policy Panel [THE HINDU 17 Aug]	38
Finance Minister on Foreign Investment Policy [THE STATESMAN 27 Jul]	39
Minister Singh's Stand on Budget Debate [THE TIMES OF INDIA 7 Aug]	39
ADB Loan To Alleviate Gulf War Effect [PATRIOT 23 Jul]	41
IMF To Grant Emergency Loan, Standby Credit [THE TIMES OF INDIA 17 Aug]	41
Budgets Provisions on Agriculture Scored [THE HINDU 5 Aug]	42
Center Announces Policy for Small-Scale Industry	44
Policy Summarized [THE TIMES OF INDIA 7 Aug]	44
Policy Highlights [THE TIMES OF INDIA 7 Aug]	45
Leftist Conference on Economic Policy Reported	46
Economists, Communists Speak [PATRIOT 20 Jul]	46
Conference Statement [PATRIOT 23 Jul]	47
BCCI Reportedly Aided Looting of Country [THE TIMES OF INDIA 3 Aug]	48
Reports on Country's Stand, Role in BCCI Scandal	49
Minister's Statement [THE TIMES OF INDIA 8 Aug]	49
BJP Leader's Stand [THE SUNDAY TIMES OF INDIA 11 Aug]	49
Janata Dal Leader's Stand [THE TIMES OF INDIA 17 Aug]	50
Uttar Pradesh Ministers [THE TIMES OF INDIA 14 Aug]	51
Kashmiri Militant Links [THE STATESMAN 24 Jul]	51
New Oil Strike Offshore of Bombay Announced [THE TIMES OF INDIA 7 Aug]	52
Breakthrough in Vital Robot Devices [THE TIMES OF INDIA 15 Aug]	52
Indigenous Foil Type Strain Gauge Developed [THE HINDU 24 Jul]	53

MILITARY

Defense Ministry Releases 1990-91 Annual Report [THE TIMES OF INDIA 2 Aug]	54
Defense Minister Meets Bombay Newsmen [THE TIMES OF INDIA 9 Aug]	54
Plans in Motion To Increase Arms Exports [THE TIMES OF INDIA 17 Aug]	55
Army Problems With Tank Projects Noted	55
Faults in Arjun [PATRIOT 26 Jul]	55
Vijayanta, Soviet T-55s [PATRIOT 7 Aug]	56
Aspects of Weapons Development Reported	57
Auditor's Report [THE TIMES OF INDIA 27 Jul]	57
Defense Minister's Report [THE TIMES OF INDIA 27 Jul]	57
Indigenous Capability [THE HINDU 24 Jul]	57

SOCIAL

Article Examines Cause of Declining Female Population [JANSATTA 6 May]	58
Rocket Scientists, Others Win India Awards [THE TIMES OF INDIA 15 Aug]	59
Major Communal Riot Statistics Released [PATRIOT 18 Jul]	60

International Affairs

U.S. Human Rights Study in Country Reported

91AS1475A Bombay *THE SUNDAY TIMES OF INDIA*
in English 11 Aug 91 pp 1, 22

[Article by Gautam Adhikari]

[Text] Washington, 10 August: There is "significant evidence" of ongoing human rights abuses against civilians by the Indian security forces. But it would not serve the U.S. national interest to support any separatist movement in India, says a U.S. Congressional study.

Two California congressmen, Mr. David Dreier (Republican) and Mr. Vic Fazio (Democrat), have released a report, prepared by the Congressional research service, outlining human rights abuses in India. "The report indicates that the overall human rights situation has deteriorated, rather than improved in the past year," Mr. Fazio said.

However, in its conclusion, titled "Options for U.S. Policy," the study observes: "Democratic India is no Iraq, and no U.S. national interest would appear to be served by supporting separatist movements in India."

Any American support for separatists could lead to the balkanisation of India, the study says. The resulting instability in South Asia would be precisely "of a kind that the United States has long sought to avoid or contain."

For these reasons, U.S. policy has supported the territorial integrity of India and other South Asian countries and left territorial disputes, such as the Kashmir question, to the parties themselves to resolve. Significantly, on Kashmir, the United States continues to support the idea of India and Pakistan solving the problem bilaterally within the framework of the Simla agreement of 1972.

Such Congressional studies do not have any legislative value though they draw attention to problems which the sponsors of the studies feel requires Congressional notice. This particular study has thus been prepared in response to a request by two Congressmen, who want to focus on human rights violations in India. But, as the study itself concludes, the U.S. administration's policy towards India would be guided by a variety of other considerations.

Citing the cases of Punjab, Kashmir and the north-east, the report notes that "separatism and civil rights have played a significant role in the growing fragmentation of Indian politics." In response, "normal constitutional guarantees have been suspended in Kashmir, Punjab and the north-east."

Releasing the report, Mr. Dreier pointed to "significant evidence of a tragic and ongoing problem of human rights against civilians by Indian security forces." The government's reaction to the violence in Punjab has led to violation of fundamental human rights. The security forces have "often overreacted to incidents by using excessive force, preventive arrests, detention, torture, 'encounter killings' and other means of repression."

The human rights situation in Kashmir has also deteriorated, the report says.

It notes: "In December 1990, a delegation from Amnesty International met senior officials from New Delhi but was denied access to Punjab, Jammu and Kashmir and the north-east on grounds of inadequate security conditions."

It says, "Harsh tactics and actions by the police are understood to lie at the heart of much of the growing alienation of moderates among Sikhs and Kashmiris."

The report mentions the argument of some that the United States could use its influence in multilateral financing agencies, like the World Bank and the International Monetary Fund, to pressure India. If other donors to India, such as Japan and the European countries, could also be persuaded to put pressure on India on human rights, this approach might work.

But this was unlikely to happen. The U.S. administration "may continue to desire to reward India for adopting more friendly foreign policy stances rather than confront New Delhi over its human rights record."

Government Backs Review of Bhopal Case

91AS1533A New Delhi *PATRIOT* in English 15 Aug 91
p 5

[Text] The new Government is supporting the review petitions challenging the \$470 million settlement in the Bhopal Union Carbide gas leak case in the Supreme Court, the Lok Sabha was informed on Wednesday, reports PTI.

Minister of State for Chemicals and Fertilisers, Dr. Chinta Mohan, told Mr. V. Sreenivasa Prasad and Mr. M.V. Chandrashekhhar Murthy that the settlement order of the Supreme Court directing the Union Carbide Corporation, United States of America and Union Carbide India Ltd. to pay the sum is the subject of several review petitions.

"The Government is supporting the review petitions. The matter is at present sub-judice," the Minister said.

He said a number of steps had been taken to assist the victims of the gas leak, including an interim relief of Rs.[rupees]200 per month to the residents of the 36 severely affected municipal wards of Bhopal, with effect from April last year.

Besides, the Minister said the Government has also approved an action plan of Rs. 163.10 crore for the rehabilitation of the Bhopal gas victims.

In reply to another question, the Minister ruled out setting up of any national commission or a high powered committee on Bhopal gas tragedy, saying various Government agencies were undertaking various functions in this regard and there was no need for a separate body.

To another question from Mr. Hannan Mollah, the Minister said the Prime Minister has received a memorandum signed by members from both the Houses of Parliament [MPs] and has met a delegation of representatives of the Bhopal gas victims.

In their memorandum, the MPs wanted the Government to take effective steps to ensure proper compensation to the victims, pursue the criminal prosecution of Union Carbide Corporation and set up a National commission on Bhopal.

Egyptian Visitor Discusses India's Role in Mideast

91AS1532A Madras *INDIAN EXPRESS* in English
17 Aug 91 p 10

[Text] New Delhi, 16 August—India has always played and continues to play an important role in finding a solution to the Palestinian problem, the Egyptian Deputy Prime Minister, Mr. Boutros Boutros-Ghali, stressed on Friday.

Answering questions at a press conference shortly after meeting the Prime Minister, Mr. Narasimha Rao, Mr. Boutros-Ghali, said that although India will not be participating in the international conference on the Middle East, which is expected to be held soon, the importance of its assistance and support for a solution should not be underestimated.

"The Palestinian problem is a problem of the Third World and the Palestine Liberation Organisation has a special relationship with India. The Arab world and Palestine need the assistance of India," he asserted.

Mr. Boutros-Ghali also underlined the continuing relevance of the Non- Aligned Movement [NAM] in the new international order. The Movement will have to change its priorities and formulate new guidelines but the Non-Aligned countries must continue to meet to exchange ideas on how to avoid the marginalisation of the Third World, he said.

The earlier policies of NAM were based on the confrontation that existed between the East and the West and the two Superpowers and the need to liberate a large section of the Third World from the yoke of colonialism and imperialism. Today, that confrontation has been replaced by cooperation and colonialism is finished.

NAM now has to concentrate on reinforcing South-South cooperation, at both the political and economic levels and also to contribute to the democratisation of international relations, the Egyptian leader pointed out.

The forthcoming NAM foreign ministers meeting at Accra in Ghana in September and the G-15 summit at Caracas in Venezuela in November are, therefore, important meetings, in his opinion. "It is important to continue the exchange of ideas and notes to be in a better position to play a role in a post-Cold War world," he said.

UN chief: In this context, Egypt feels it is important that the next Secretary General of the United Nations is from the Third World, particularly Africa. In fact, Mr. Boutros-Ghali admitted that one of the main reasons for his visit to India is to lobby for Indian support for the list of six

African candidates which is being submitted to the UN Security Council which has to choose a replacement for Mr. Perez de Cuellar.

Mr. Boutros-Ghali is one of the six candidates but he emphasised that Egypt would welcome any of the other Africans as the new Secretary General. "It is important for the ego of Africa and for the Third World as a whole, he stressed.

He revealed that Mr. Narasimha Rao had promised Indian support for the African list.

Talking on the Middle East, Mr. Boutros-Ghali said that there is a "cautious optimism" in the region about the forthcoming international conference for permanent peace in the Gulf.

The conference will be a sort of umbrella and it will move on to sub-commissions to discuss bilateral problems, he said. Although it is not expected to yield anything substantial immediately, the major benefits will be the reinforcement of the position taken by the moderates among the Arabs and the Israelis on the Palestinian problem and the establishment of a framework for continuing dialogue.

"The conference, if it comes about, will be the first step in favour of a peaceful solution in the region," the Deputy Prime Minister said.

He pointed out that the Gulf countries, Egypt and Syria are already at work for their own regional security pact to prevent future aggressions of the type committed by Iraq on Kuwait.

Papers Report on Uzbek President's Visit

Press Conference 18 Aug

91AS1535A Madras *INDIAN EXPRESS* in English
19 Aug 91 p 9

[Text] New Delhi, 18 August: Uzbekistan is seeking commercial and technical know-how from India for economic development as an independent, sovereign republic of a restructured Soviet Union.

Addressing a press conference on Sunday evening, the visiting President of the Uzbek republic of the Soviet Union, Mr. I.A. Karimov, said that the two agreements he signed on Saturday with the Indian government were "the first step for direct relations between Uzbekistan and India within the framework of Indo-Soviet relations."

He stressed, however, that these relations would be limited to the economic, social and cultural fields. Uzbekistan would not sign a political treaty with India as it sees its future with the Soviet Union in the new setup which will be ratified by the signing of the union agreement in Moscow on 20 August.

Mr. Karimov said he would be able to give more positive answers on how the new structure would function once the agreement is signed. Till now, nine republics of the Soviet Union have agreed to sign it and Mr. Karimov expressed the hope that more would put their signatures to it. "There

is no alternative to the union agreement," he stressed, adding that he and the others who were involved in drafting it worked very hard for a compromise between the various forces active in the Soviet Union today.

There were two main schools of thought, he said, one which favoured total decentralisation with each republic functioning completely independently of the others; and the other which cannot accept that perestroika "is the need of the times and corresponds to the wishes of the republics." The draft agreement was a sort of middle path between the extreme right and the extreme left, Mr. Karimov said.

Praising the Soviet President, Mr. Mikhail Gorbachev, for his skills in bringing about a compromise, the Uzbek President said that he was optimistic that the Union Agreement would be signed as scheduled on 20 August.

Asked for specific details on what Uzbekistan was seeking from India, Mr. Karimov said that although his republic was one of the richest in the Soviet Union in natural and mineral resources, its income and living standards were very low because all the natural resources were processed outside the state. Uzbekistan was thus unable to derive full benefit of its riches.

Under the new Union Agreement, the republic would have more control over its resources and Uzbekistan had turned to India for help in restructuring its economy and building an industrial infrastructure to process its natural resources and export finished goods rather than raw material.

"You have a lot of experience and knowledge of market economy and it is interesting for us to study your experiences and exchange ideas with you," he pointed out, adding that he had visited Noida and met members of FICCI [Federation of Indian Chambers of Commerce and Industry] on Sunday to discuss possible tie-ups with Indian businessmen.

India was of particular interest to Uzbekistan, he said, because of the historic ties between the two peoples, dating back to over 1,000 years. Even today, he revealed, Indian films are box office hits in the republic and American films are simply no match for the popularity of their Indian counterparts.

Agreements Signed

91AS1535B Madras *INDIAN EXPRESS* in English
19 Aug 91 p 6

[Text] New Delhi, 18 August (PTI): India today signed two agreements with Uzbekistan on enhancing cultural, economic, scientific and technical co-operation and expressed the hope that this would be a harbinger of its relations with other Soviet republics within the framework of the new union treaty.

The visiting Uzbek President, Mr. I.A. Karimov, said a beginning had been made in "integrating the economy and intellectual potential of our peoples."

Mr. Karimov and the Prime Minister, Mr. P.V. Narasimha Rao, applauded as senior officials signed the agreements.

Mr. Karimov called on the President, Mr. R. Venkataraman, and sought India's co-operation in the economic field, particularly in consumer industries, small-scale sector and self-employment schemes.

Stating that his first visit abroad as President of Uzbek had become possible as a result of perestroika, Mr. Karimov said he had chosen New Delhi for the visit because of cultural and traditional links between India and Uzbekistan.

The agreements aim at promoting co-operation in the fields of tourism, sports and mass media.

Mr. Karimov had a meeting with the Vice-President, Dr. Shankar Dayal Sharma. They discussed steps to tap the large potential of mutually beneficial co-operation.

Invitation To Invest

91AS1535C Bombay *THE TIMES OF INDIA*
in English 20 Aug 91 p 13

[Text] New Delhi, 19 August (PTI): The president of the Uzbek republic of the Soviet Union, Mr. Islam Karimov, has invited the Indian private sector to invest in his country, especially in setting up joint ventures for agro processing and setting up manufacturing units using raw materials like cotton fabrics, silk, non-ferrous metals.

Addressing businessmen at a meeting organised here by Federation of Indian Chambers of Commerce and Industry (FICCI) today, Mr. Karimov said privatisation measures especially in the fields of services, trade and the like initiated by his government would open opportunities to private sector.

The visiting dignitary informed that recently 3.5 lakhs hectares of land were given to private sector in Uzbekistan free of cost on perpetual use. Also, an association of entrepreneurs has been set up with an initial outlay of one billion rouble in Uzbek SSR, he added. These steps, he hoped would unleash the forces of competition and would open up floodgate to foreign investment.

Calling for greater cooperation between India and Uzbekistan, Mr. Karimov said during the Tashkent business meeting held recently, the foreign investment laws had been recast to provide for necessary impetus to the investors to bring their capital to that country.

The foreign partner could also repatriate the profits to any part of the world, he added. He wanted to know from Indian businessmen the hurdles being faced by them in trading with the USSR in general and Uzbekistan in particular.

Mr. Karimov said his country was endowed with rich minerals including non-ferrous metal, copper, zinc and gold. To begin with, they could be exported as raw materials.

Earlier, welcoming the visiting president, Mr. R.V. Kanoria, committee member, FICCI, said India and Usbek SSR could strive towards greater economic cooperation.

India, he said, has competitive technologies and products, which could be supplied to Usbek SSR with price advantage. He urged the two countries to set up joint ventures in third countries.

Soviet Events Dismay Indian Communists

91AS1457A New Delhi *PATRIOT* in English 29 Jul 91
p 5

[Article by Shameem Faizee]

[Text] The approval by the CPSU Central Committee of the draft programme proposed by general secretary M.S. Gorbachev seeking to transform the Communist Party into a Western style social democratic organisation has caused dismay in the two mainstream Communist organisations in India.

The policy perestroika and glasnost initiated by Mr. Gorbachev has been a point of the debate in both the CPI [Communist Party of India] and the CPI-M [Communist Party of India-Marxist]. The latter has adopted a formal document disassociating itself from most of the things going on in the Soviet Union and other East European countries in the name of reforms.

Although the CPI at its Calcutta Congress adopted a resolution supporting the main direction of perestroika, but it left details to be debated in the party journals. After that a number of articles for and against perestroika appeared in the party press.

But last week, when the news about the Gorbachev draft programme questioning the validity of the ideology of Marxism-Leninism as the sole guiding ideology appeared, the CPI and the CPI-M reiterated their commitment to Marxism-Leninism. The occasion was the visit of general secretary of the Portuguese Communist Party [PCP], Alvaro Cunhal to India. He had discussions with top leaders of the CPI and the CPI-M, after which the two parties issued separate joint communiques along with the PCP.

The joint communique issued by the PCP and the CPI says: "Basic understanding that capitalism is a society of exploitation, force and violence remains valid. We consider that a deeper investigation and analysis of these questions in separate countries and on a global scale by Communists is very necessary.

"It is our parties' position that Marxism, its theory and socialist transformation and perspective of socialism as the future are very much valid today. The present crisis is the outcome of grave departure from its theory and principles in the practice of former leadership of the Socialist countries."

Dealing with the changes in East Europe, the joint communique issued by the PCP, the CPI-M says: "Both the parties assessed the severe setback faced by world socialism, following the collapse of East European governments. These do not constitute a failure of socialism. It was the result of distortions and departures from the communist ideals. Both the parties underlined that Marxism-Leninism is intrinsically dialectic and anti-dogmatic and, as such, it should continue to develop and enrich itself by studying new and relevant situations, phenomena, processes and experience..."

The CPI-PCP communique refers to the danger of global assertion of capitalism and condemns the ideological offensive selling the idea that capitalism is the future of the world and asserts that the Gulf war has focussed on the fact that imperialism continues to remain a serious danger.

The communique issued by the CPI-M is more specific on this count. It says that the imperialism has acquired "new aggressiveness following the U.S. war in the Gulf. Utmost vigilance needs to be exercised and stronger peoples movement will have to be built in order to resist imperialist attempts to impose its 'new world order' which it seeks for its objectives of global hegemony and economic subjugation of the developing world."

USSR Arms Sale Offer, Problems With Missiles

Yak-141 Offer

91AS1484A Calcutta *THE STATESMAN* in English
29 Jul 91 p 7

[Text] New Delhi, 28 July: Commenting on the recent Soviet offer of providing the advanced vertical short take-off and landing (Avstol) fighter, the Yak-141 to India, which is at least five years ahead of any Western Avstol equivalent, defence experts here said India could consider the proposal since most of the Soviet arms-manufacturing units have run into funding problems, reports PTI.

They noted that it was unusual that the Soviet Union was offering a military equipment while the aircraft was still only at the development stage. The details of the fighter were revealed for the first time at the recent Paris air show.

The supersonic Yak-141 is nearing the end of its development against a Soviet Navy specification, but doubts exist about whether it will go into large-scale production owing to the drastic cash squeeze facing the Kremlin, according to a leading defence journal.

It said the offer was made by the Soviet Defence Ministry for a second time to the Indian Navy and the Yakovlev Design Bureau is anxious for foreign participation in the programme and is hoping that India, already a naval V/Stol operator with a small fleet of Sea Harriers and two aircraft carriers might be tempted to consider the Yak-141.

A small order of pre-production aircraft built to production standard is expected soon from the Soviet Navy.

Missile Parts Shortage

91AS1484B Bombay THE SUNDAY TIMES OF INDIA
in English 4 Aug 91

[Article by Seema Guha]

[Text] New Delhi, 3 August: The inability of the Soviet Union, India's main arms suppliers, to provide spares for short-range surface-to-air missiles, now in use by the army, is posing a major problem to defence planners.

The Soviet-made Kvadrat missile and the Schilka gunfire missile, which have been in use by the air defence units of the army for over a decade, may have to be pulled out unless a third country, able to maintain uninterrupted supply lines, can quickly be found to replace the Soviet manufacturers.

The defence ministry is looking for an alternative source, mainly from among former Soviet satellite countries, who have been licensed to produce the Kvadrat and Schilka missile. So far, no country has been short-listed, though the government is trying to tap all East European countries and Soviet allies in Asia like North Vietnam and North Korea.

A Soviet team, which flew in a month ago to take stock of the situation, has said that the problem is not as acute as was first projected by the Indian side. Many more missiles can be overhauled with the existing spares in the ordnance factory at Meerut.

The Soviet team also assured the defence ministry that they would go back and find out whether any factory in the Soviet Union was in a position to supply the spares. The Kvadrat missile is still in use in the Soviet army, while the Soviets are phasing out the Schilka.

Generally, even when the exporting country has stopped using the arms provided to others, it maintains its production line for spares because of past commitments. The problem today is not that the Soviets are unwilling to supply the spares but because of internal turmoil in the country, factories are either not producing at all or the communication system has been so badly disrupted that supply lines are being affected.

While there is still hope to obtain the spares for the Kvadrat, the possibility of getting the Schilka parts appear rather remote at the moment.

Both the Kvadrat and Schilka missiles are overhauled to extend their shelf lives in the Meerut factory. In the past, whatever spares were required were flown in from the USSR. India had not obtained the technology for these two missiles, though it had been allowed manufacturing licences for a large number of Soviet equipment, including the MiG-21s.

Report, Comment on Indo-Soviet Treaty Renewal

Official Statements

91AS1477A Madras THE HINDU in English 9 Aug 91
p 9

[Boldface words as published]

[Text] New Delhi, 8 August: The Indo-Soviet Friendship Treaty signed on 9 August 1971 will be renewed for

another 20 years at midnight tonight. Officially described as a momentous and historic step forward in deepening traditional ties, the treaty clubbed with the New Delhi Declaration of 1986 will provide the framework for further evolution of Indo-Soviet ties.

Expressing confidence in the recent changes in the Soviet Union, the President, Mr. R. Venkataraman in a statement said India was convinced that a restructured USSR which has been emerging shall be stable, vibrant and dynamic. He added that the Soviet Union will contribute positively and constructively in the attainment of peace, security, co-operation and a just and equitable international order.

In a message to the Soviet President, Mr. Mikhail Gorbachev, the Prime Minister, Mr. P.V. Narasimha Rao, paid tributes to the farmers of the treaty and added that the treaty was based on universally recognised values and abiding principles of conducting relations between countries.

Mr. Madhavsingh Solanki, India's Minister of External Relations in a message to his Soviet peer, Mr. Aleksandr Bessmertnykh said the treaty was in mutual interest and not directed against third countries. He hoped that the treaty would be helpful in reaching complete disarmament and an international order based on equity and fair play.

Solid foundation: Mr. Gorbachev, in a message to Mr. Venkataraman and Mr. Narasimha Rao referred to the treaty as a "solid foundation of the relationship which especially in the last five years has reached new levels of confidence, accord and real interaction."

He also referred to the linkage of the treaty with the Delhi Declaration of 1986 describing both documents as reflection of political, humanitarian and spiritual essence of the relationship of the two countries.

Referring to the treaty as a factor contributing to regional and international stability, Mr. Bessmertnykh described it as a remarkable stabilising influence in Asia and the whole world.

The leader of the two nations are taking several steps including a joint project for publication of all Indo-Soviet documents of historical relevance since 1947 when diplomatic relations between the two countries were established.

In addition, an extensive programme of cultural exchanges has been planned including visit of an 86 member cultural troupe from India to Soviet Union between 1 October and 20 October to be followed by visit of a dance troupe to the USSR.

The Soviet side will reciprocate by sending two ballet troupes, Giselle and Don Quixote and 20 singers of the Leon Tievi group. In addition, a Soviet exhibition of 19th century classical Russian art will be organised and the Soviet circus will perform in December.

Starting from midnight tonight till 12 August, a Soviet ship "Spiridinov," will pay a goodwill and friendly visit at the port of Bombay. To mark the treaty renewal, India will send an Indian Soviet Cultural Society (ISCUS) delegation

led by its secretary general and another from the friends of the Soviet Union led by Mr. Bali Ram Bhagat. The two delegations will participate in the joint celebrations on India's Independence Day with their Soviet counterparts.

From the Soviet side, the Vice-President of the Indo-Soviet Friendship Society, Cosmonaut Klimuk along with the Tadjik branch of the Indo-Soviet friendship Society will visit India.

Treaty Background; Soviet Changes

91AS1477B Madras *THE HINDU* in English 10 Aug 91 p 8

[Editorial: "Indo-Soviet Friendship"; quotation marks as published]

[Text] One can be reasonably certain that while the renewal of the Indo-soviet Friendship Treaty for another twenty years will be widely welcomed in the country, even those who have long been allergic to India's close ties with the Soviet Union will now be hardly inclined to oppose it. The breathtaking changes which have taken place in recent years in the Soviet Union and Eastern Europe should have dissolved all the ideological hang-ups which had snarled up attitudes towards the centrally planned economies.

It is worth recalling that India signed the Treaty of Friendship with the Soviet Union in August 1971 almost entirely because of the attitude which the U.S. President Mr. Richard Nixon had taken towards this country and his unabashed support to Pakistan which had unleashed a reign of terror in what was subsequently to become Bangladesh. Both Mr. Nixon and his aide, Dr. Henry Kissinger who were wholly blind to India's predicament in having to handle a staggering influx of refugees hounded out of their homes by Islamabad's genocide had brazenly put themselves in an impossible position by a notorious public commitment to the policy of U.S. 'tilt' to Pakistan. There was, of course, a debate in the country at the time whether this really had left India so very helpless and made it necessary for it to sign the Treaty with the Soviet Union because of the commitment it imposed on India by Article IX which said, 'In the event of either Party being subjected to an attack or a threat thereof, the High Contracting Parties shall immediately enter into mutual consultations in order to remove such threat and to take appropriate effective measures to ensure peace and the security of their countries.' This implied that India could seek active Soviet intervention during a military engagement with Pakistan and also that it was violative of the principles of Non-Alignment of not entering into any military alliance with either of the superpowers. The liberation of Bangladesh achieved within a fortnight in December 1971 by the Indian armed forces did, however, render this commitment under Article IX wholly of academic interest. Nevertheless the highly intimidatory moves made at the time by President Nixon to sail the U.S. Seventh Fleet towards the Bangladesh coast revealed that the threat of an active U.S. intervention in the sub-continent had to be taken seriously and ensured against by India.

The wind of change in the USSR and Eastern Europe ushering in democracy, the dissolution of the Warsaw Treaty of the Cold War era and the signing of the Strategic Arms Reduction Treaty (START) between the U.S. and the Soviet Union all virtually amount to the burying of the hatchet by what were rival power blocs. This should remove all the complexes which have clouded the attitude of the U.S. towards India and the other Third World countries which have developed close relations with the Soviet Union. The renewal of the Indo-Soviet Treaty for another 20 years would help in strengthening further the economic and cultural relations between the two countries. It will be ridiculous to imagine that there is a military threat inherent in the Treaty against any country through it is a fact that India is not being left in any peace by the persisting provocations in Kashmir and Punjab.

The far-reaching political and economic changes in the Soviet Union being managed with superb statesmanship by Mr. Gorbachev are bound to impart a qualitative change to whatever agreements India will be signing with that country for promoting trade and economic development and make them very much alike the agreements it has reached with other countries. This should remove the suspicions about the 'exclusiveness' about Indo-Soviet relations which had been prevailing not only abroad but also among U.S. and Western-oriented segments of opinion within India itself.

Militant Scores Indo-Israeli Relations

91AS1461A Calcutta *THE STATESMAN* in English 3 Aug 91 p 5

[Article by Ayalur Balakrishnan]

[Text] Jeddah, 2 August: The leader of Hizbe-Mujahidden, one of the 20-odd militant groups in Jammu and Kashmir, has alleged that India is seeking Israeli help in training its security forces.

Rejecting the Indian claim that the Israelis, caught recently by the rebels, were tourists, Mr. Ghulam Muhammad Safi told a Press conference in Riyadh yesterday that the Israelis were actually "undercover agents."

What are Israeli tourists doing in Kashmir when tourism has already collapsed in the region? he wanted to know. The truth is that Indian commandos are being trained by the Israelis, since India is fighting a losing battle in Kashmir, he added.

Unholy Alliance

Describing the Indo-Israeli relationship as an "unholy alliance," Mr. Safi said the nexus is well-known and established despite claims to the contrary.

The rebel leader, who is touring Saudi Arabia after performing the annual Haj pilgrimage, said the Kashmir problem stemmed from India's refusal to hold a referendum in the valley as stipulated in the U.N. Resolutions. He claimed that New Delhi's repressive policies had resulted in the death of 21,000 people in the valley while several hundred political activists were behind bars. Yet,

he added, the Islamic spirit and firm resolves had remained anchored in everyone's mind.

Islamic Support

Praising Saudi Arabia for its moral and political support, Mr. Safi hoped that other Muslim countries would also extend their support since India, like Israel, "has chosen not to pay any heed to world opinion and continues to suppress the people of Kashmir using brutal force."

Asked if the Kashmiris were being armed by Pakistan, Mr. Safi said there was only moral and political support coming from across the border. The arms were either being procured internally or from Afghanistan. As for the exodus of Kashmiri Hindus, Mr. Safi said this was master-minded by the former Governor, Mr. Jagmohan, who wanted to train the Indian guns on Muslims after getting Hindus out of the way.

Venkataraman Visit Could Be Problem for Turkey

91AS1410 Madras *THE HINDU* in English
5 Aug 91 p 6

[Article by F.J. Khargamvala; quotation marks as published]

[Text] Istanbul (Turkey), Aug 4—The President, Mr R. Venkataraman, is to pay a state visit to Turkey, probably in September. The dates for the event are still being finalised and its bilateral significance can be analysed later. In the immediate future this presents an interesting problem for the Turks who find themselves in a situation where they have to satisfy Pakistani ambitions without drawing a dark cloud over ties with New Delhi on the eve of a top level visit.

One senior Turkish journalist disclosed the planned Indian visit and a Turkish official confirmed that both countries were working hard on making it a 'memorable event.' Pakistan has made some significant gestures towards the breakaway part of Cyprus in the hope that Turkey will use its host and chairman's status at the OIC [Organization of the Islamic Conference] Foreign Ministers meeting to meet Islamabad's requirements at the conference. Turkey, in turn, is exploring prospects to upgrade the status of its client 'government' in northern Cyprus at the Istanbul meeting now in its early stages.

Iran is firmly opposed to such recognition and chances are Turkey may not push it too vigorously but aside from that Ankara confronts two closely related problems. (a) How is it going to satisfy the urges of a traditionally strong relationship with Islamabad which has gone out of the way in the last few weeks to cultivate Ankara's client state in an effort to make a conference trade off? (b) How will Turkey achieve the latter and yet not vitiate the climate before Mr. Venkataraman's visit? In public Indian officials will probably try to delink the two but that is in the realm of diplomatic 'speak.'

Lobbying: Conference sources here say that Turkey is gingerly trying to lobby support for the breakaway part, the so-called Turkish Republic of Northern Cyprus (TRNC)

whose current status in the 45-member OIC is restricted to that of an observer acquired in 1976. In the international community only Turkey grants full recognition to the TRNC. Otherwise it is on a level with the four self-governing 'homelands' in southern Africa. Pakistan has a TRNC office in Islamabad but it is cloaked in the form of a tourist office. Last month the Government of Mr. Nawaz Sharif went a step further in its dealings with the break-away TRNC.

On July 17, Pakistan hosted the 'Defence and Foreign Affairs' Minister of TRNC, Mr. Kenan Atakol. His host was the Secretary General in Islamabad's Foreign Office, Mr. Akram Zaki, and he was also received by Mr. Nawaz Sharif. In official statements Islamabad referred to Mr. Atakol as the 'distinguished representative of Turkish Cyprus' but through the well known ploy arranged that the Pakistani press referred to him as the 'Foreign Minister' of TRNC. During his visit he heard Mr. Sharif talk about the solidarity of the people of Pakistan with the Muslims of Cyprus. As a measure of gratitude for this recognition the head of the breakaway republic, Mr. Rauf Denktash and the guest who went to Islamabad have been speaking out in public about the sufferings of the Kashmiris. In a message to the Government of Pakistan last year, Mr Denktash supported the right of self-determination for the people of J & K [Jammu & Kashmir].

Flouting of U.N. Resolution: In feeling its way towards elevating the status of the TRNC, Turkey is no doubt aware of further flouting a strong U.N. Security Council Resolution that declares "the attempt to create a 'Turkish Republic of Northern Cyprus' is invalid and will contribute to a worsening of the situation in Cyprus." The Security Council Resolution 541 of November 1983 was carried by 13 votes in favour, one abstention (Jordan) and, one against, significantly, Pakistan. Among other things this document "deplores the declaration of the TRNC purporting to secede" and "calls upon all states not to recognise any Cypriot state other than the Republic of Cyprus." Turkey is thus already in violation of the Resolution and Pakistan has covered its flanks by according de facto recognition but maintaining the charade of de jure observing the Resolution.

Pakistan's motive in hosting the 'foreign minister' is transparent but more intriguing is Turkey's attitude, especially when this is related in context to J & K. Turkey has firmly ruled out U.N. participation in resolving the Cyprus tangle, insisting on four party talks comprising itself, Greece, the Republic of Cyprus and the 'TRNC.' Equivalence does not always apply in international relations, but Turkey would still find it difficult to flout a U.N. Security Council Resolution in one case and support in another, viz Pakistan position on J & K. Publicly Ankara's position is in low key, referring like the PLO and like Iraq to Pakistan as a 'Muslim brother' and India as a 'friend.' Behind the scenes at last year's OIC meeting in Cairo it was quite active, batting for Islamabad. When not hosting the meeting it is not difficult to do that, yet emerge clean but as host its responsibilities make such ambivalence challenging. Things become even more difficult when just

before a Presidential visit it may have to work towards taking responsibility for conference passages considered unfriendly by the state making such a high level visit. In diplomacy a Presidential visit is considered the ultimate accolade in bilateral ties.

Indo-Australian Trade Agreement Signed

91AS1404A Madras *THE HINDU in English* 27 Jul 91 p 7

[Text] New Delhi, July 26—India and Australia signed a comprehensive agreement in Canberra on Thursday which is expected to increase trade between the two countries. The agreement which was signed by India's High Commissioner to Australia, Mr. Akbar Mirza Khaleeli, and the Treasurer, Mr. John Kerin, prevents double taxation by allocating taxing rights between the two countries over all forms of income flows between the two.

According to a Australian High Commission press release, the agreement provides for certain types of income, such as that derived from real property or business profits attributable to a substantial business presence, to be taxed in full by the country in which the income has its source. Other types of income, such as shipping or airline profits derived from international operations and pensions, may be taxed only by the country of residence of the receipt.

New tax rate limits are to be introduced for income comprising dividends and interest taxable in both countries and for Australian withholding tax on unfranked dividends paid by Australian resident companies to Indian residents—Our Correspondent.

Results of Faleiro Visit to Portugal Reported

Talks, Agreements 29 Jul

91AS1458A Bombay *THE TIMES OF INDIA in English* 30 Jul 91 p 11

[Article by L.K. Sharma]

[Text] London, 29 July: India and Portugal signed an agreement on co-operation in the field of tourism as Mr. Eduardo Faleiro, Indian minister of state for external affairs, continued his discussions with Portuguese leaders in Lisbon today.

The Portuguese President, Mr. Mario Soares, a veteran socialist leader, will pay a state visit to India and be the chief guest at the Republic Day celebrations next year. The invitation was extended on behalf of the President, Mr. R. Venkataraman, by Mr. Faleiro. He and India's ambassador in Lisbon, Mr. Hardev Bhalla, attended a private dinner hosted by Mr. Soares.

Mr. Faleiro met the Portuguese foreign minister, Mr. Pinheiro, and discussed Indo-Portuguese relations. India's relations with the EEC were also reviewed. Portugal is a member of the EEC troika and the next ministerial-level meeting between the two sides is to take place in New Delhi. Portugal, as the next president of the community, is taking a keen interest in the EEC's relations with India.

On the bilateral front, the tourism agreement marks a further move towards more intense ties between the two countries. Tapair Portugal is pursuing its proposal to start a service to India.

Delays in the issue of visas to Indians intending to visit Portugal are expected to be cut down. Such delays cause hardship to many people in Goa who wish to visit their relatives in Portugal. It takes four to six weeks to get a Portuguese visa. The Indian side has already streamlined arrangements for granting visas to the Portuguese.

Mr. Faleiro also met prominent members of the Indian community, some of whom are involved in a project to build a Hindu temple complex. The subject of NRI [non-resident Indian] investments in India figures prominently in the talks. Representatives of the Indian community reiterated their demand for dual nationality. The minister said the issue was being examined by the government.

Meanwhile, the Banco Nacional Ultramarino (BNU) has completed formalities for the return of gold ornaments belonging to the Goanese account holders to India. The ornaments, which were in the safe deposit vault of the Portuguese bank in Goa, were secretly shipped to Lisbon at the time of Goa's liberation. A brief ceremony to initiate the return will be held in Lisbon tomorrow as per an agreement between the BNU and State Bank of India.

Goans' Gold Returned

91AS1458B Bombay *THE TIMES OF INDIA in English* 31 Jul 91 p 9

[Article by L.K. Sharma]

[Text] London, 30 July: Portugal returned the gold to India today at a Lisbon bank in the presence of India's minister of state for external affairs, Mr. Eduardo Faleiro, removing a minor irritant in Indo-Portuguese relations.

The Goans who were once account holders of the Portuguese bank, Banco Nacional Ultramarino, and their successors had awaited this event for nearly 30 years. The gold ornaments belonging to about 6,000 families were in the safe deposit vaults of the bank at the time of the liberation of Goa.

Before the Indian security forces could take charge, the bank manager in Goa secretly shipped the ornaments to the BNU [Banco Nacional Ultramarino] headquarters in Lisbon.

The issue remained unsettled all these years despite a sympathetic view taken by the Portuguese government. After protracted bureaucratic formalities involving the BNU and State Bank of India, this chapter was closed today.

The representative of State Bank of India received the key to the vaults containing the ornaments which will now be transferred to India. The bank settled the outstanding loans on behalf of those who had taken these from BNU against their ornaments. The other ornaments were given to BNU for safe-keeping.

Mr. Faleiro welcomed the return of the gold saying that it would help the families who were not rich. About 6,000 families had made such deposits but some of the account-holders or their inheritors who could come to Portugal and substantiate their claims had started recovering their ornaments.

The minister earlier called on the Portuguese Prime Minister, Mr. Cavaco Silva. The two countries could now begin a new relationship and intense co-operation in the economic field, the two men said. The Indian ambassador, Mr. Hardev Bhalla, was present during the meeting.

Mr. Faleiro explained to Mr. Silva India's economic liberalisation and Mr. Silva said such vital economic reforms initially hurt the vested interests who were expected to fight back. However, these would lead to the prosperity of the country and the good of its people, he added.

During this visit, Mr. Faleiro had talks with the President, Mr. Mario Soares, who accepted the invitation for a state visit to India where he will be the chief guest at the Republic Day celebrations next year.

Mr. Faleiro discussed bilateral relations with the Portuguese foreign minister, Dr. Pinheiro, and the secretary of state for foreign affairs, Dr. Jose Barroso. Economic co-operation between the two countries was also discussed and the minister briefed his hosts about the new Indian economic policies and incentives for foreign investments.

An Indo-Portuguese agreement on co-operation in the field of tourism was signed during the visit. A joint commission will be established to monitor the progress in this area. Air Portugal is keen to start a service to India.

Mr. Faleiro also met the Indian community and briefed it about the policies on investments by NRIs [nonresident Indians]. The community reiterated its demand for dual nationality.

Regional Affairs

Sri Lankan Foreign Minister's Visit Reported

91AS1459A Madras INDIAN EXPRESS in English
31 Jul 91 p 8

[Boldface words, quotation marks as published]

[Text] New Delhi, 30 July: India furnished a detailed list of Sri Lankan Tamil refugees in this country to the visiting Sri Lankan Foreign Minister, Mr. Harold Herat, on Tuesday as part of the agreed effort to encourage their "early and voluntary return to the island."

The Foreign Office spokesman told correspondents at the end of two days of official talks between the Foreign Ministers of the two countries that the list gives a "complete breakdown village-wise" of Tamil refugees in India. The idea is to enable Sri Lanka to locate places close to the homes of the refugees to which they can return "safely and speedily." There are over 200,000 refugees," the spokesman said.

Sri Lanka is also reported to have indicated during the discussions on Tuesday some of the steps it is taking for the safe return of the refugees. Both sides chose to remain silent on details, saying that these would be revealed at "an appropriate time."

Describing the talks as "successful," the spokesman said the emphasis was on "safe and voluntary return" and both sides have agreed on the need to work out the details to achieve this.

As on the previous day, the issue of the Tamil refugees, the ethnic strife in Sri Lanka and the activities of the LTTE [Liberation Tigers of Tamil Eelam] dominated the discussions on Tuesday. Both sides once again reiterated the need to find a "political solution" to the problem.

The spokesman stressed that both countries are aware of the threat which terrorist activities pose to their polities and they have a "clear and shared perception" on this issue.

TN [Tamil Nadu] to be briefed: He said India and Sri Lanka will now continue to discuss these problems and the Tamil Nadu Government will be kept informed of developments on the refugee issue.

Apart from the political issues, the talks had a significant economic content in terms of suggestions for improved trade and joint ventures. In this context, the Sri Lankan Foreign Minister met the Finance Minister, Dr. Manmohan Singh, and the Minister of State for Commerce, Mr. P. Chidambaram, during the course of the day.

Dr. Manmohan Singh briefed Mr. Herat on the steps India has taken to liberalise its economy and open it up to the world while Mr. Chidambaram promised full support to Sri Lanka for the setting up of joint ventures in the island to produce rock phosphate and tyres.

The spokesman said that another area of focus in the talks was the agenda and possible dates for the forthcoming meetings of the Indo-Sri Lankan Joint Commission and its two sub commissions. The two sides agreed that the sub-commissions should try to meet by mid-November or earlier to make adequate preparations for the first meeting of the joint commission which is slated to take place by the end of the year.

India and Sri Lanka also agreed on the need for both countries to keep in touch on developments in the United Nations General Assembly and coordinate on the proposal to make the Indian Ocean a zone of peace.

The issues that are likely to come up at the forthcoming SAARC [South Asian Association for Regional Cooperation] summit were also discussed.

Mr. Herat is scheduled to leave for Sri Lanka on Wednesday.

Deportation for Sri Lankan 'Militant' Refugees*91AS1406A Madras THE HINDU in English 2 Aug 91 p 1*

[Text] New Delhi, Aug. 1—The Home Minister, Mr. S.B. Chavan, said in the Lok Sabha today that Sri Lankan refugees with "militant links" would be deported.

Replying to a supplementary by Mr. Digvijay Singh during question hour, he said any Sri Lankan national found without valid immigration documents in the course of the house-to-house searches being conducted in Tamil Nadu would also be deported.

The Minister of State for Home, Mr. M.M. Jacob, said that according to Government estimates there were around 75,000 Sri Lankan nationals without valid documents in Tamil Nadu.

He told Mr. Mukul Wasnik that even the alleged links of some DMK [Dravida Munnetra Kazhagam] politicians with the LTTE [Liberation Tigers of Tamil Eelam] were under investigation.

About 2,000 suspected militants were living in camps for Tamil refugees in the country and evidence was being collected for their possible deportation, Mr. Jacob said. The number of Sri Lankan Tamil refugees residing was 210,951.—UNI, PTI.

Delegation Returns From Talks in Nepal*91AS1464A Calcutta THE STATESMAN in English 6 Aug 91 p 7*

[Text] New Delhi, 5 August: The Indian delegation to the high-level task force in Kathmandu came back this morning satisfied at the talks with Nepali officials in giving a new thrust to the joint cooperation between the two countries in the areas of water resources development, trade and transit and industrial co-operation.

The task force has set up a technical committee and specific groups to work out details of specific projects which would be presented to the task force which in turn would submit it to the India-Nepal joint commission.

The objective is to set up a new forum for India-Nepal relations with a clear perception of what needs to be done and there has been a forward movement in this direction.

The task force was set up as a result of the Foreign Minister's visit to Nepal earlier this year. The force has a mandate of comprehensive programme of economic cooperation and would work under the overall guidance of an India-Nepal joint commission headed by the Foreign Minister of the two countries.

The Cabinet Secretary, Mr. Naresh Chandra, the Foreign Secretary, Mr. Muchkund Dubey, the Finance Secretary, Mr. R.P. Shukla and the Commerce Secretary, Mr. Mantek Singh Ahuwalla constitute the Indian side of the task force. In place of the Finance Secretary, the Revenue Secretary, Mr. P.K. Lahiri, joined the delegation to Kathmandu which had had talks spread over two days.

The task force was to have actually started work in March-April 1991, but the meeting was postponed because of elections in the two countries.

When the then Prime Minister of Nepal, Mr. K.P. Bhattarai, came to India in June 1990 it was decided to give a new impetus to bilateral relations, subjects like waters of common rivers and protection and management of environment.

The task force would meet again in September or October after the technical committee and specific groups finish their tasks.

Cooperation Pact Signed With Mauritius*91AS1476A Madras THE HINDU in English 12 Aug 91 p 11*

[Text] Port Louis, 11 August: India and Mauritius on Saturday signed a scientific and technological cooperation programme for 1991-92, opening a new era of bilateral cooperation in specialised fields such as biotechnology, renewable energy, and environmental protection.

The agreement was signed after the conclusion of the sixth session of the Indo-Mauritius Joint Commission attended by the Indian External Affairs Minister, Mr. Madhavsingh Solanki and the Mauritius Minister for Economic Planning and Development, Dr. B. Ghirburrin.

At the two-day session, India agreed to provide Mauritius project aid to develop agriculture, industry, infrastructure, health, education, arts and culture in the island nation.

In the health sector, the Indian side agreed to treat in Indian hospitals cardiac patients from Mauritius. India will also provide consultancies for the setting up of an ayurvedic centre at Montagne Longue, and assist in the computerisation of the pharmaceutical store of the Mauritius Ministry of Health.

In education, India will support the island nation's efforts towards strengthening the educational, cultural and curriculum development activities of the Mahatma Gandhi Institute and facilitate links with the Indian Council for Cultural Relations.

The Mauritius Ministries for Agriculture and Industry will benefit from the Indian experience in such fields as water storage and irrigation, tea production, marketing and light metal industries.

India offered to share with Mauritius its know-how in remote sensing and computerisation. In these fields, Mauritius will receive technical assistance, software and equipment from India.

Mr. Solanki described the sixth session as a significant landmark in continuity of bilateral co-operation. "Our mutual effort has been to match requirements and capabilities, and in this session the thrust has been on human resource development relating to a number of high priority Mauritian sectors. We have also sought to make optimum use of the available resources."

Internal Affairs

Rao Writes to Basu on IMF Relations

91AS1542A Calcutta *THE STATESMAN* in English
20 Aug 91 p 3

[Text] The Prime Minister has sent a letter to Mr. Jyoti Basu assuring him that the International Monetary Fund [IMF] was not dictating the country's economic policy. In the letter, which was released to the Press at Writers' Buildings in the city on Monday, Mr. P.V. Narasimha Rao lauded the achievements of the State government in the area of land reforms and added that "such efforts were needed elsewhere in the country as well." Mr. Rao said that he had abided by the wishes of Mr. Basu and requested the ONGC [Oil and Natural Gas Commission] to "examine the potential for hydrocarbons" in West Bengal once again and send a report to the Union Government at the earliest.

The Prime Minister's correspondence is in reply to a letter sent by the Chief Minister earlier outlining the State's alternative economic policy. This alternative policy will feature in the discussion between the Chief Minister and the Union Finance Minister, Mr. Manmohan Singh, slated at the end of this month. The State Finance Minister, Mr. Asim Dasgupta, will assist the Chief Minister at the talks.

Mr. Rao has written that some of the points mentioned by Mr. Basu in the note had already been reflected in the Union Budget proposals. "We have tried to shift the emphasis in revenue collection from indirect to direct taxes" the letter stated. Additional imports on essential commodities and tax increases have, by and large, been confined to luxury items. The proposals, according to the Prime Minister reflected the Government's endeavour to eliminate tax evasion.

The Prime Minister said that interests of the weaker sections of the population had been protected through measures such as the increase in the outlay on food subsidies. While subsidies on fertilizers had been reduced, the status quo had been maintained for small and marginal farmers. On the other hand, the industrial policy that had been announced is an attempt "at bringing a new ethos of efficiency, productivity and competitiveness in Indian industry." He pointed out that though it was stated before the Budget that a reduction in import duties and food subsidies was inevitable, this did not happen.

Mr. Rao assured Mr. Basu that the Finance Minister, Mr. Singh had already mentioned that we would place the letter of intent that will be signed with the IMF in Parliament. This would make it clear that "we have done nothing to compromise the nation's interests, while seeking assistance from abroad."

He felt that West Bengal's experiment in democratic decentralization deserved emulation elsewhere. Mr. Rao agreed with the Chief Minister that the purchasing power of the common people had to increase and the domestic market must grow.

The Prime Minister thought that Mr. Basu's note contained many thought provoking ideas and said "we need to work together to see how they can be given concrete shape and operational content."

Analyst on Problems Faced by Prime Minister Rao

91AS1369A Madras *THE HINDU* in English 22 Jul 91
p 8

[Article by K. K. Katyal: "Tough Days Ahead for P.M."]

[Text] Mr. P. V. Narasimha Rao has provided ample evidence of his style of political management as the Prime Minister but not yet as the Congress(I) president. Involved in the first case are his dealings, as head of the minority Government, with the Opposition parties—and his two major speeches in the Lok Sabha, one on the motion of confidence and the other while replying to the debate on the President's address, indicated his preference for an issue-based consensus. Party affairs will draw concentrated attention around the time the AICC [All India Congress Committee] meets soon after the Budget session of Parliament.

The Congress(I) had had its way on two crucial issues. Its nominee, Mr. Shivraj Patil, was elected Speaker and its Government was able to establish its majority in the Lok Sabha, as required by the President, Mr. R. Venkataraman. It owed its success, in one case, to the support by one section of the Opposition and, in the second, to the negative strength, derived from another set of its opponents. What stood out in both the instances was the fact that the ruling party could not exclude from its calculations the behaviour of the non-Congress(I) parties.

This was a manifestation on the floor of Parliament of the logic of the electoral verdict. The Congress(I), along with its allies like the AIADMK [All India Anna-Dravida Munnetra Kazhagam] and the Muslim League, is 15 short of the majority mark. Outnumbered, the ruling party ran the risk of a defeat, if only its opponents were to unite with the shared objective of rocking the boat. That they are disinclined to do so—primarily because of the fear of plunging the Centre into another bout of instability and the country into another election—is a different story. Mr. Rao was quick to grasp this central point even as election results were being announced and there was little doubt about the Congress(I)'s inability to manage the majority. His party, he said, would have to decide on the form of cooperation, whether it be an omnibus arrangement or be based on issues. He had now embarked on the path of consultation and consensus in all seriousness. The election of the Speaker and the vote of confidence confirmed that the Opposition had to be reckoned with.

Take the Speaker's issue. Keen to have its nominee as the presiding officer in the Lok Sabha, the Congress(I) was not prepared for a compromise. In support, it cited the convention under which the ruling party had the privilege of having the Speaker from within its ranks—even when it, as in 1989, was not in a majority. The thought that the Speaker's role could be crucial in, say, interpreting the

provisions of the anti-defection law could not have been far from the minds of its parliamentary managers. An "Opposition Speaker," it realised, could work havoc with the minority Government. To say this is not to cast reflection on the impartiality and rectitude of any individual but to take into account the manner this institution was misused in the States—and regrettably in a few cases, at the Centre.

The Congress(I) however failed to evolve an all-party consensus. Its approach to the National Front-Left alliance was half-hearted, confined as it was to the call of the Minister for Parliamentary Affairs, Mr. Ghulam Nabi Azad, a political lightweight, on the former Prime Minister Mr. V. P. Singh. On its part, the alliance shut its eyes to the realities and stuck almost till the last moment to its plan to field the outgoing Speaker, Mr. Rabi Ray, for another term. The BJP [Bharatiya Janata Party], on the other hand, took a realistic view—it decided to back Mr. Shivraj Patil and in exchange got the assurance of support for its candidate for the Deputy Speaker's post. The alliance was rendered irrelevant and chose, at the last stage, not to press for a contest. Whether it was a deal or the convergence of interests of the two parties, the fact remained that the Congress(I) victory was possible because of help from the other side of the fence.

It was a different story as regards the motion of confidence—but here again, the Congress(I) would not have carried the day but for help—though negative, as already pointed out—from the Opposition. Yes, the BJP did cast its vote against the motion—but only after making sure that it would not harm the Government. Aware of the National Front-Left alliance's plan to abstain from voting, the BJP went ahead—despite the "deal"—with its resolve to resist the confidence motion. This course, the BJP calculated, would project it as the only genuine Opposition force and, at the same time counter the impression that it had moved close to the Congress(I).

Consensus Offensive

Up to this point it was a case of inter-play of the ruling party and different components of the Opposition which, whatever their stance, took special care not to destabilise the new set-up. With the ground appropriately prepared, the Prime Minister launched his consensus offensive. He showed due deference to his opponents in Parliament and outside. Master in the art of rationalising political trends and situations, he drew attention to the logic of the poll verdict—that while the Congress(I) was to be at the helm, it could not ride roughshod over the Opposition. It was music to the ears of his opponents.

But a challenging phase is ahead, now that he has begun a dialogue with the Opposition on specifics—Punjab, Jammu and Kashmir, Assam, Ayodhya temple issue and the like. It is not going to be an easy job, given the partisan rigidities that had developed in the runup to the elections. He counts on the relaxed mood in the post-poll situation to induce moderation or a spirit of give-and-take in the Opposition camp. It is easier said than done. True, there

had been a movement from confrontation towards consensus. This was evident from the response for the Opposition to the Prime Minister's invitation for talks as also its conduct at the time of voting on the motion of thanks to the President for his address to Parliament—it did not press for a division and let the motion be adopted by voice vote. But on substantive issues, both political and economic, the advance towards like-mindedness is bound to be slow, if not negligible.

Partisan Angle

Witness what the CPI(M) [Communist Party India-Marxist] leader, Mr. Harkishen Singh Surjeet, has to say on Mr. Rao's initiative. Writing in his party's journal, PEOPLE'S DEMOCRACY, he commented thus: "From economic affairs to issues concerning national unity and integration, everything is sought to be viewed from the partisan angle of the Congress(I). 'Consensus' has become a most abused word, the Congress(I) unilaterally deciding matters and then asking the non-Congress(I) parties to rally behind it—this is what the term 'consensus' has come to denote." Mr. Surjeet was the first leader called by Mr. Rao in his latest round of dialogue with the Opposition.

There are limits to which the consensus could be stretched. It could reach a breaking point if the Congress(I) forgets that it presides over a minority Government, that it is a hung Lok Sabha they are operating in. The Prime Minister is conscious of it but not all the Cabinet Ministers—some of them have chosen to live in the make-believe world, taking stability for granted. The complacency has already led to arrogance—the very trait they had displayed during their last tenure as members of Rajiv Gandhi's Council of Ministers. The juicy stories of how they used to conduct themselves in their old offices have travelled to the new Ministries under their charge exposing them to ridicule.

The Congress(I) at the moment is in no mood for a coalition with any section of the Opposition. In other words the option of an omnibus arrangement is not to be exercised. To meet the deficit of 15, the ruling party counts on better luck in some of the counter-manded elections, apart from support from tiny groups. The thought of defections from other parties is not far from its mind either. This is neither realism nor statesmanship.

The pattern set by the Prime Minister in his dealings with the Opposition is clear, despite its inadequacies, but what about the Congress(I) as an organisation? Some in the ruling party may not like the use of the words like the coterie, the dynasty but they are very much a part of the current political vocabulary and have come to symbolise factional factors. What else is the meaning of the continuous talk, emanating from sources, not hard to identify on the role of Mrs. Sonia Gandhi, the widow of the former party president and Prime Minister, Rajiv Gandhi? This could not be explained away as a case of sentimental attachment, considering what had happened soon after his assassination.

At the instance of those claiming to be the confidants of the late leader, some of them apolitical, the Congress(I)

Working Committee unanimously elected her as the party president. What was their motive? To preserve their importance, to exercise real power, distribute patronage. Because of obvious constraints, Mrs. Sonia would not have been able to communicate directly with other leaders barring a few, and as a result, the former "confidants" or the coterie would have acted as her eyes and ears, a captive organisation. At the second stage of the planned operation, she was to be chosen the leader of the Congress(I) Parliamentary Party—to enable her to become the Prime Minister.

Sonia Declines Offer

The plan aborted not because the coterie did not put in sufficient efforts but because Mrs. Sonia declined the offer. As it turned out later she had not been sounded in advance and her consent not secured. She was firm and brushed aside all pleadings, some bordering on the abject, to change her mind. Pressures had since been mounted through various means, some crude, some subtle, to persuade her to take to public life. The line of approach is different—she is being requested to contest from Amethi as a gesture to the constituency which had stood by her husband. She, so goes the calculation, may find it hard to resist the sentimental appeal and once she enters the contest—and the Lok Sabha—the rest of the plan would not be a problem. Mrs. Sonia is yet to decide—though those claiming to be privy to the discussions between her and others are confident she would take to public life. The purpose in narrating these details is to draw attention to the tireless efforts, that continue to be mounted with a purpose, not difficult to fathom.

Then there is the lobby that tired to capture the Prime Minister's post but failed. The reference is to Mr. Sharad Pawar, who gave up the Chief Ministership of his home-State, Maharashtra, to become Defence Minister at the Centre. His supporters and Associates make no secret of their ambitious plans. The stay at the Defence Ministry is only a stepping stone for bigger goals, they say. It is counted upon to give him the national standing he lacked.

None of these lobbies may mount frontal attacks from their citadels. They will, instead, try to exploit other issues, some genuine like the resentment over the IMF approach, price rise, etc, others not so genuine as those arising from the composition of the Cabinet. Mr. Rao will need to take urgent steps to set the organisational house in order.

Ramamurthy Cites Reasons for Resignation

91AS1409A Madras THE HINDU in English 31 Jul 91 p 1

[Text] New Delhi, July 30—The President, R. Venkataraman, has accepted the resignation of the Union Minister of State for Labour, Mr. K. Ramamurthy. A Rashtrapati Bhavan communique said the President had accepted it on the advice of the Prime Minister, Mr. P.V. Narasimha Rao.

Mr. Ramamurthy had submitted his resignation on Monday night over the Centre's decision to refer the

Cauvery waters issue to the Supreme Court. Earlier on Sunday, he had made a statement sharply criticising the decision. This had led the Opposition parties to accuse him of violating the principle of collective responsibility and demanded his resignation.

In a statement in the Lok Sabha today, Mr. Ramamurthy said he had resigned because Tamil Nadu had been denied justice with regard to Cauvery waters for a long time, and it was a matter of "life and death" for the people of the State.

'Commitment to cause': For 25 years, the matter had been hanging fire and it concerned the emotions of the people of Tamil Nadu who had been continuously denied justice, he said in a much-awaited statement. He had resigned from the Union Council of Ministers because of his commitment to the cause (Tamil Nadu's demand for a fair share of Cauvery waters). However, he would continue to serve the party as a "loyal soldier" and would take part in all its programmes. He said he stood by his statement that appeared in the Press.

Earlier, when members raised the issue during the 'zero hour' the Leader of the House, Mr. Arjun Singh, confirmed that Mr. Ramamurthy had submitted his resignation to the Prime Minister and the latter had forwarded it to the President. Mr. Ramamurthy indicated that he wanted to make a statement to which the Speaker, Mr. Shivraj Patil, said he must first give the written statement to him. Mr. Ramamurthy immediately went up to the Speaker and gave him a statement.

As members insisted that since Mr. Ramamurthy had handed over the statement to the Speaker he should be allowed to read it. Mr. Patil said that he would first go through it himself. He did not like the manner in which Mr. Ramamurthy had gone about it, and the CPI(M) leader, Mr. Somnath Chatterjee, was also heard saying that this was not the way to do it. Mr. Ramamurthy then took back the statement from the Speaker, and re-submitted it in a more formal manner.

The demand for statement was first made by Mr. Madan Lal Khurana (BJP) [Bharatiya Janata Party] and taken up by others.

Not to change decision: Mr. Ramamurthy, declared that he will not change his decision even if the Centre were to take steps at this stage and successfully persuade the Karnataka Government to revoke the ordinance and implement the interim order passed by the Tribunal.

Stating that his decision was irrevocable he said he has been opposing the move to refer the issues to the Supreme Court when the Centre itself could have intervened and prevailed upon Karnataka. He also said though the threat of resignation of the Tamil Nadu Congress(I) MPs [members of Parliament] still holds, they did not want to precipitate the situation now and would wait. However, he said they would not hesitate to take the extreme step of resigning en masse putting the fate of the Congress(I) Government at the Centre in jeopardy if Tamil Nadu did not get water as per the Tribunal's interim order.

On the question of some of the Congress(I) leaders endorsing the Centre's stand, Mr. Ramamurthy said in a democratic party different views are not unusual but he clearly stated that if in the ultimate analysis, they did not fall in line with the commitment on Cauvery, 'we will not hesitate to take any hard decision'.

'Not a Political Stunt'

PTI reports:

Mr. Ramamurthy said that he would go along with his party (Congress-I) on other matters and would never be a party to any move to topple the Government.

"I am not only a Congressman but I am president of the Tamil Nadu Congress(I) Committee," he said in an informal chat with newsmen.

Asserting that his resignation was not 'a political stunt', Mr. Ramamurthy said that the step had brought the case of Tamil Nadu on the Cauvery issue to the national level. The dispute was now not confined to two States only.

'Informed Jayalalitha': Replying to a question, Mr. Ramamurthy said his first act after submitting his resignation to the Prime Minister, was to inform about the step to the Tamil Nadu Chief Minister, Ms. Jayalalitha. "She was taken aback and told me why I have taken such a hasty decision," Mr. Ramamurthy said adding his decision was not hasty. "I have given deep thought to the consequences before tendering my resignation."

"Let us wait and watch the developments. I have jumped in the sea, I will try to swim. Let us see if sharks come in the way," he said.

Asked if the Prime Minister did not dissuade him from taking an extreme step, Mr Ramamurthy said "Mr Rao asked me not to resign and explained in detail the efforts being made to solve the problem. He was very kind to persuade me not to step down."

Home Minister Opens Chief Ministers' Conference

91AS1462A Madras THE HINDU in English 4 Aug 91 p 1

[Text] New Delhi, 3 August: The Union Home Minister, Mr. S.B. Chavan, has called for an integrated strategy combining administrative, political and social measures to curb the left wing extremism in the country.

Inaugurating a conference of the Chief Ministers of Andhra Pradesh, Bihar, Maharashtra, Madhya Pradesh and Orissa here today, Mr. Chavan expressed serious concern over the spurt of extremist violence and the use of sophisticated weapons in these States. He urged the Chief Ministers to draw up action plans incorporating measures for maintaining law and order and alleviating poverty to tackle the situation.

The conference was essentially about the co-ordination among the States facing the problem and between the

States and the Centre. Increase in the number of kidnappings in these States was the immediate provocation for the conference. The Chief Ministers made several suggestions for the consideration of the Union Home Ministry. The Union Government is expected to process the suggestions and give a concrete response in due course.

In his inaugural address the Union Home Minister assured the State Governments that the Centre would give utmost priority to meet their requirements in tackling left wing extremism. Mr. Chavan warned the States that there was a conscious effort by various radical left groups to join hands and such elements were trying to find common cause with some secessionist groups.

Pointing out that left wing extremist movements were basically a product of a composite set of socio-economic factors, the Minister urged the State Governments to compensate the victims of left wing violence and expose the misdeeds of such elements.

The Minister said that at the same time the State Governments should take prompt action against reports of police harassment and ensure that the police administration was more responsive at the grassroots level.

PTI reports:

The Centre is likely to set up a nodal agency to tackle the naxalite menace in response to a demand made by the Chief Ministers. The headquarters of the proposed nodal agency will be located either in Nagpur or Hyderabad.

The Union Home Minister told PTI after the meeting of the Chief Ministers that the agency would be entrusted with the task of intelligence gathering.

Major Foreign Policy Initiative Under Way

91AS1482A Bombay THE TIMES OF INDIA in English 16 Aug 91 pp 1, 9

[Article by Subhash Chakravarti]

[Text] New Delhi, 15 August: A major policy initiative to forge new links of co-operation in political, strategic and security areas is now under way and the initial response from the concerned countries is rated as encouraging.

The Prime Minister, Mr. P.V. Narasimha Rao, is known to have been pursuing the new policy initiative in this sensitive field with the same determination and firmness he had shown while formulating the new economic policy. The visit of the chief of the army staff, Gen. S.F. Rodrigues, to the United States attains special relevance in view of the ongoing high level exchanges between New Delhi and Washington.

In the emerging policy formulation, which is seen as a response to the changed global power structure, special priority is being accorded to India's co-operation with the United States and some Gulf countries.

Special emphasis is also being given to India's co-operation in the political and economic fields with Germany and Japan without in any way affecting the existing status of Indo-Soviet ties.

Significantly, the political understanding between India and the United States on long term co-operation in political and strategic areas has reached an advanced stage. But both sides have preferred to go in measured steps.

The number of Gulf countries covered by the new policy initiative is not being disclosed, but they are important in terms of their strategic location and influence.

The Indian policy-makers, who are being encouraged by Mr. Rao, are credited with the view that in the changed context of the Soviet Union losing its eminent position as a rival super-power and the United States having emerged as the most influential power, India has very little option, but to reshape its priorities to serve its national interests now and in the future.

The Indian policy planners are particularly happy over the response from some Gulf countries to give a new thrust, both political and strategic, to their relations with India. In other words, they, too, have grasped the compulsion of circumstances and recognised India as a dependable partner in ensuring peace and security in the region.

Obviously, they want to introduce a more tangible content in the relationship than at present. This development may well mark the beginning of a new pattern of regional co-operation and understanding on strategic issues and in the process help counter the overwhelming dominance of the superpower. This is likely to have some bearing on the thrust of the new world order being fashioned by President Bush.

Indian policy planners are acutely alert of the challenge of building a relationship on the basis of commonality of interests to contain religious fundamentalism, drug trafficking, terrorism that has ethnic and sectarian overtones and to reinforce democratic polity.

Foreign Office Coping With New Priorities

91AS1545A Madras INDIAN EXPRESS in English
12 Aug 91 p 9

[Boldface words as published]

[Text] Bombay, 11 August (UNI): Non-resident Indians [NRIs] may see a ray of hope in the State Bank of India's [SBI] offer to allow them to transfer their deposits to it from the crisis-ridden Bank of Commerce and Credit International (BCCI), if the official liquidator so permits.

SBI, which had been appointed as provisional liquidator for BCCI funds at its branch in Bombay, had even wired a message to its overseas branches and representative banks abroad intimating that "NRI's who desire to transfer the NRE [expansion not given] and FCNR [Foreign Currency Non-Resident Account] term deposits from BCCI, may be

requested to deliver their original deposit certificates with a separate letter to the official liquidator," authorising such transfers.

However, the offer is still on paper as no legal sanction had given as yet for this purpose, a high ranking official said on condition of anonymity.

There are an estimated 4,000 NRI's holding term deposits in BCCI, while 65 percent of its total deposits of Rs.[rupees]385 crore is also held by them.

Banking circles are of the opinion that if such an offer was given due legal sanction, a huge sum of foreign exchange could be transferred to SBI's coffers, which, coming as it does on the heels of a severe foreign exchange crunch, could do the country more good than harm.

A section felt that SBI's offer was in violation of the existing norms as the branch was under liquidation and there was no provision in the rules to withdraw or transfer part of its deposits.

The bankers said the transfer offer was in anticipation of a favourable decision to be taken by the official liquidator in order to make a last ditch effort to restore normalcy in BCCI, which had badly shaken the confidence of the Asian and Indian community worldwide following the virtual collapse of its operations.

A group of NRIs, who had received the SBI circular from their overseas banks, were apprehensive that any move fraught with long delays was bound to prove counter productive.

The Reserve Bank and other banking authorities in the country should make up their minds quickly if they desired such a transfer of funds and take full responsibility for the smooth functioning of the Indian branches of the beleaguered bank.

BCCI's Bombay branch was closed down since 5 July when the full impact of the scandals rocking it, including illegal laundering for arms and narcotics, came to light following a series of exposures in the international news media and world monetary circles.

Patels, main victims: Patels, who fled Idi Amin's Uganda in the early seventies, are the main victims of the failure of the Bank of Commerce and Credit (BCCI) in London.

The BCCI gained its first block of Asian customers in Great Britain when Idi Amin, then President of Uganda, threw thousands of Indian businessmen and traders out of the African nation in the early 1970s, says the WASHINGTON POST.

These exiles, who arrived in England without a lot of money but with a desire to rebuild their lives, were shunned by mainstream banks.

Now those same exiles form the backbone of a thriving community of small mon-and-pop stores, street-corner

shops that can be found in almost every British neighbourhood. Many of them originally hailed from an area near Bombay and they have become a minor political force in England.

The paper quoted Geoffrey Pattie, a Conservative MP [member of Parliament] and former trade minister in Margaret Thatcher's government having said "those corner shop Patels who are in every one of our constituencies" carry a lot of political appeal.

They came to the BCCI because it was a touch of home, with managers and loan officers who literally spoke their languages and because it was more responsive to their needs than traditional British banks.

Report on V.P. Singh's 8 Aug Press Conference

91AS1474A Bombay THE TIMES OF INDIA
in English 9 Aug 91 pp 1, 11

[Italicized words as published]

[Text] New Delhi, 8 August: The former prime minister, Mr. V.P. Singh, today said that the Janata Dal will do "whatever it can in its power," including undertaking a peaceful satyagraha and pressing for legislation in Parliament, to see that the rule of law is respected in the Ram Janambhoomi-Babri Masjid controversy.

Participating in a meet-the-press programme here, Mr. Singh said the Vishwa Hindu Parishad's (VHP) decision to set a deadline for the construction of a temple at Ayodhya was a challenge to the foundation of the country's constitution, specially since the matter is pending in court.

While urging the government to find a solution to this problem, he said it was also the responsibility of the VHP and the Bharatiya Janata Party (BJP) not to precipitate the situation, stating that they should await the court's decision.

As for the Janata Dal, he said, it would try to uphold the integrity of the constitution, and will do whatever it can in this direction. He said the Dal was pressing for enactment of a legislation to ensure the *status quo* of religious shrines as on 15 August 1947. In addition, it would also resort to direct action, including satyagraha, to press its viewpoint.

Regarding the controversy over the civil aviation minister, Mr. Madhavrao Scindia's description of the BJP as "traitor," he maintained that though his party had strong differences with the BJP, he did not think it proper for anyone to refer to another party as "traitor."

Mr. Singh, who also answered a spate of questions on the economic crisis facing the country and the scandal regarding the Bank of Credit and Commerce International's (BCCI) operations in India, demanded that the government order a thorough inquiry into bank's activities.

In response to a specific query, he said that though he did not remember the details, he recalled vaguely that there was some complaint about the BCCI when he was the finance minister, adding that appropriate action was initiated

then. In any case, he said, the government should investigate this issue thoroughly and wondered why it was fighting shy of ordering a probe.

As for the country's financial crisis, Mr. Singh said that as far back as 1986 when he was the finance minister, he had brought a paper before the cabinet in which he had warned that if they did not apply the brakes immediately, there would be a deep economic crisis by 1990 and also pointed out that opening the floodgates to short-term loans would prove disastrous.

He said as long as he was the finance minister, he did not give permission for short-term loans despite the pressure on him, but after he was divested of the portfolio, this policy was reversed. "I did my duty as finance minister," Mr. Singh added, stating that the present economic situation had been in the making for the last decade.

He said that a realignment of political forces was taking place at a social level as the Congress party's base had already undergone a change, while other political parties, including the Janata Dal, were acquiring new bases, thus leading to a change in the political equilibrium in politics.

The Dal leader declined to discuss the "internal affairs" of the party when questioned on Mr. Ajit Singh's differences with him and whether the party would split.

Asked as to how long the minority Congress government would survive, Mr. Singh said it depended on its "survival instincts" and cited the example of the government's decision to withdraw the proposed Rs.[rupees]100-crore allocation for the Rajiv Gandhi foundation following the opposition's threat to press a cut motion on the issue.

He stated that his party had a positive programme to win back the middle classes, who had drifted away from the Janata Dal, following its decision to implement the Mandal commission report, by highlighting other issues like corruption and electoral and judicial reforms. The middle classes constituted an important segment and the Dal did not want a confrontation with them.

BJP Urges Government To Avoid Farooq Abdullah

91AS1275A New Delhi JANSATTA in Hindi 11 Jul 91
p 10

[Article: "Government Should Avoid Talks With Farooq Abdullah"]

[Text] New Delhi, 10 July—The Bharatiya Janata Party [BJP] has demanded that the government should stop talking to leaders such as Farooq Abdullah. These leaders are responsible for the situation in Jammu and Kashmir. Dr. Murli Manohar Joshi, chairman of the BJP, told newsmen that the party had followed parliamentary tradition by endorsing Shivraj Patil of Congress (I) to be the chairman of the Lok Sabha.

Mr. Joshi said that no talks should be held with separatist and extremist elements on the Kashmir issue. He said that he had just returned from Jammu after participating in the

state's BJP working committee meeting. According to him, the situation in the Kashmir valley was deteriorating rapidly. There was no such thing as government or administration. Mr. Joshi said that the government should make arrangements to stop extremists from entering the Kashmir valley to Jammu and Laddakh.

Mr. Joshi said that holding talks with Farooq Abdullah would cause fears in the minds of people in Jammu and Kashmir. They fear that the people who are responsible for destroying their state may return again. He said that the 250,000 refugees coming from the Kashmir valley were in a very pitiful condition. They are living in pathetic conditions in Jammu.

Mr. Joshi requested Mr. P.V. Narsingh Rao to visit Kashmir after getting the confidence motion in the Lok Sabha and inspect the situation there with his own eyes, and that he should also see the pitiful situation of the refugees in Jammu. He said that the three previous prime ministers, Rajiv Gandhi, V.P. Singh, and Chandra Shekhar, did not visit Jammu despite their promises.

Mr. Joshi suggested that Jammu should be declared the second capital of the state in view of the situation in the Kashmir valley. The entire government in the state has come to a standstill. All government offices are in Sri Nagar, and people cannot go there. He said that regional committees should be established for development in Jammu and Kashmir. There should be three separate regional committees for Jammu, the Kashmir valley, and Laddakh. This would help developmental work in these regions, and solve problems more effectively.

He added that Vidhan Sabha seats for Jammu should be increased, keeping in view the increased population due to the refugees. In addition, three new districts should be added to Jammu as recommended by the Wazir Commission. Work on the proposed cantonment in Madarwah should be started immediately, he said. Khud Batot, Patri-top, and other places should be developed as tourist attractions. The refugees from western Punjab that have been living in Jammu since 1947 should be given citizenship, and work at a war footing should be started to rehabilitate Kashmiri refugees.

The BJP chairman said that there is no such thing as government or administration in Kashmir. More soldiers should be sent there immediately. He expressed anger at the fact that the government employees that had emigrated to Pakistan were reinstated in their previous positions on their return, and some were even promoted. Dr. Joshi said that many Hindus and Muslims met him during his stay in Jammu. They all wanted to fight the extremists; however, they were not getting government support.

When asked what the BJP would do if the government did not take any action, he said that it was the job of the government to rectify this problem. If the government did not do it, then it did not have any right to remain in power. Answering another question, Dr. Joshi said that the Indian soldiers did not commit any atrocities in Kashmir. According to a report issued recently, these soldiers were

accused of committing gang rape in a village. He said that the report was a baseless lie. He said that he has made an appeal to observe a total strike in Jammu on 21 September in support of the situation in Kashmir and for more help for the refugees.

When asked about the release of ULFA [United Liberation Front of Assam] terrorists and the Duraisawami affair, Dr. Joshi said he always opposes such actions. This gives wrong ideas to the extremists. That is what happened in the Rubiya incident. How can we say that the Duraisawami affair will be the last one of its kind? He expressed great concern that an effective answer to the activities of Kashmiri extremists, Pakistani agents, and Pakistan's false propaganda could not be given at the government level.

Sole Beneficiary of Elections Seen as BJP

91AS1272A Varanasi AJ in Hindi 11 Jul 91 p 6

[Article: "Only BJP Will Become Stronger"]

[Text] The BJP [Bharatiya Janata Party] got 11 percent of the vote in the 1989 election. This percentage was increased to a respectable 20 percent this year. The party has become number-two after Congress (I). All in all, 190 BJP candidates won seats and 130 came in second in the election. In other words, the BJP got first or second place in 250 election races in 1991. In 1989, the BJP ran for elections by forming coalitions with other parties. This time the party ran alone and pushed the Janata Dal to number-three in this race. The BJP also made its presence known in Karnataka, Andhra Pradesh, Orissa, West Bengal, and Assam.

At a national level, the percentage of votes for the BJP increased from 11.4 to 19.9 percent. In various states, the BJP improved its position as the following statistics show: in Andhra Pradesh, from 2 to 8 percent; in Assam, [text illegible] to 8.6 percent; in Bihar, from 11.7 to 17 percent; in Gujarat, from 30 to 51 percent; in Haryana, from 8.3 to 10.3 percent; in Karnataka, from 2.6 to 28.8 percent; in Kerala, from 4.5 to 4.7 percent; in Madhya Pradesh, from 39.7 to 42 percent; in Maharashtra, from 23.7 to 20.6 percent; in Orissa, from 1.3 to 9.7 percent; in Rajasthan, from 29.6 to 41 percent; in Uttar Pradesh, from 7.6 to 33 percent; in West Bengal, from 1.7 to 9.5 percent; and in Delhi, from 26.2 to 40 percent.

It is clear that, except for Maharashtra, there was an increase in BJP votes by a record number. The BJP is the only party that got votes in every state. The Congress (I) lost 2.21 percent of the vote. In the 1989 elections, the Congress got 39.5 percent votes, while it got only 37.3 percent this time. There was a decrease of 7 percent in Janata Dal votes. It got 17.8 percent of the vote in the 1989 election; this time around, it only received 10.8 percent. It lost some margin even in Bihar. The Janata Dal got 37.7 percent of the vote in the 1989 elections in Bihar. However, this time it only got 31.7 percent of the vote. Based on the vote base and the number of seats, it would not be wrong to say that the BJP is ready for the next elections in Delhi. The BJP will be much stronger in the next elections in its attempt to jump at the Delhi throne. The BJP made

a lot of noise over this in the last election, too. It was the first time the BJP dreamed of establishing its government in Delhi on its own. However, no one had thought that this party could attain a majority in the Lok Sabha. Even the party leadership did not have such self-confidence. We can call it a victory for the BJP that while it was aiming for Delhi, it succeeded in establishing a government in Uttar Pradesh and has a solid vote base for the next election. The defeat of the Congress Party in two very important northern states—Uttar Pradesh and Bihar—will help the BJP in the long run. Now that the stronghold of the Indira-Rajiv family in the Congress is gone, the BJP will benefit.

We must wonder if the BJP will gain strength in the future or lose its 1991 vote base. This question arises because the 1991 elections were easy for the BJP. Some analysts believe that the May 1991 elections were held when the BJP was at the pinnacle of its power. It means that it would either establish its own government, or it would never be able to do this again. The strong wave caused by Ram Janambhumi on which the BJP rode to victory will not be seen again. The BJP had very strong goals, leaders, resources, and unity. Despite this ideal situation and circumstances, the BJP's winning of some 150 seats is, according to some analysts, its climactic point.

This kind of thought is not realistic. Politics is a game of chance. According to chance, the BJP has not lost its opportunity. It appears to be in a better position than the Congress, the National Front, or the left-wing coalitions. We cannot deny the fact that the BJP's graph has been gradually going up. The 20-percent voter base, strong organization, good leaders, and very effective slogans can help the BJP continue its ambitious march toward Delhi. However, more important than all this is the BJP's own performance and the performance of other political parties. The BJP has governments in four states. It also established government in Uttar Pradesh after the May 1991 elections. It has the majority in the Vidhan Sabha and has 50 out of 85 Lok Sabha seats in this state.

While the results of the elections in Uttar Pradesh were positive for the BJP, it also learned some lessons in Madhya Pradesh, Rajasthan, and Himachal Pradesh. The BJP has established government in this state; however, the voters voted in more Congress candidates. This happened because of the unsatisfactory performance of the BJP government. The BJP chief ministers were making exaggerated claims about their state governments. They were ignoring the facts and were hoping for a victory. The decision of the voters was contrary to their expectations. We can say that the voters brought the chief ministers and the BJP party back to earth. In a way, the decision of the voters is like a lesson for the BJP. If it learned its lesson and did a good job in Uttar Pradesh and improved its performance in Madhya Pradesh and Rajasthan, then the party would be able to go back to the voters with confidence in the next election. However, if it bungled in Uttar Pradesh as it did in Madhya Pradesh and Rajasthan, then the BJP will lose its 1991 investment in the next election.

Uttar Pradesh and Bihar will prove decisive for the political parties in the future. Even though a Congress government was established at the Center despite losing Uttar Pradesh and Bihar, it will not be able to rule firmly without these two states. There will be no sympathy movement in Maharashtra and southern states. The Congress Party will not be able to repeat its 1991 success the next time. The power base that the BJP has demonstrated in its 250 seats during the last election will affect the next election.

In any case, the other political parties are viewing the BJP rise seriously. The Congress, Janata Dal, and left-wing parties are thinking about breaking up the BJP. However, they have been unable to formulate a successful strategy. The non-BJP parties are in a dilemma. On one side, the National Front and the left-wing parties want to maintain the Congress government at the Center, and on the other side, they want to strengthen their base in the opposition. Direct or indirect support of the Congress party can get the Janata Dal the role of a supporting party. If this happens, then the BJP would have the image of the opposition party, and it would be made the major opponent in the next elections. The National Front and left-wing party coalitions are important for the government. Without them, the government can neither have a majority in the Lok Sabha, nor can it carry out important legislative tasks. The absence of these parties during the confidence motion in the Lok Sabha will be considered as support to the government. This will benefit the BJP. Becoming the major opposition party could be a major election victory for the BJP.

BJP Said To Need Muslim's Support

*91AS1274B New Delhi JANSATTA in Hindi 15 Jul 91
p 6*

[Article by Shatrughn Shukla: BJP Will Have To Win the Confidence of Muslims“]

[Text] All political parties are in suspense over the Bharatiya Janata Party [BJP] government in Uttar Pradesh. The Janata Dal, Janata Party (S), and the Congress Party are hoping that this government will soon fall. However, how could the BJP government, which won 211 out of 404 Vidhan Sabha seats, fall? None of these parties have an answer to this question. All are saying that the BJP government will fall over the temple-building issue.

Actually, this is a kind of negative thinking. Looking at another's victory negatively and not analyzing the causes of one's own defeat is ignoring the truth. However, this shamelessness is what all politicians wear as a jewel. They are not trying to identify the reasons for the BJP victory. The BJP victory is not the victory of extremist Hindus or Hindus with communal mentalities. This victory does not prove that the people who voted the BJP into government want to replace the Babri Mosque with Rama's temple in Ayodhya. Calling the BJP victory just "Rama's wave" would be unfair to the voters. The BJP got 32 percent of the vote, calling all these votes just a kind of wave vote is nothing but negative thinking.

One reason for the BJP's landslide victory was the inept government of Mulayam Singh in Uttar Pradesh. The second reason was V.P. Singh's politics of hate. The Mulayam Singh government was such a stigma on Uttar Pradesh, which will require a long time to be cleaned. The tree of poison that contained loot, corruption, and violence was so deeply rooted that it was important to dig it out. The Janata Dal also started the campaign about backward classes that the castes that were not classified as backward or Muslims were called untouchables. Only the Rajputs were spared, because the messiah of the backward castes, V.P. Singh, is himself a Rajput.

The intellectuals sitting in and around Delhi must have thought Janata Dal's social justice to be a new revolution. However, those who had witnessed the real social revolution in the villages knew that this social revolution only affected the groups that had enjoyed the luxuries of the landlord system during the British empire and who had forced all government projects to work to benefit them.

The Janata Dal people complained that had not Mulayam Singh betrayed the party, then the Janata Dal would have put the BJP in its own place. However, the Janata Dal and the Janata Party (S) won only 121 seats in Uttar Pradesh. They won only 22 and 4 seats in the Lok Sabha, respectively. Even if these two parties had joined their forces, then except for a few seats in Mainpuri, Etta, and Farukhabad, they would not have beaten the BJP anywhere. On what basis are they claiming victory?

As for Congress (I). First, the memories of the inept and inactive leadership of Congress (I) could not be washed away even after one and one-half years. Second, the Congress (I) shot itself in the foot by endorsing the Mulayam Singh government in Uttar Pradesh. Its politics of Harijans, Muslims, and Brahmins also failed. When the Harijans divided between the BSP [Bahujan Samaj Party] and the Janata Dal, then the Muslims also deserted the Janata Dal. The Brahmins also joined the BJP. Thus it had to be satisfied with five Lok Sabha seats and 46 Vidhan Sabha seats. The BJP greatly benefited from the inefficiency of the three other parties in the state. Therefore, calling its victory the victory of "Rama's wave" is childish.

Mulayam Singh's government had persecuted the BJP most in Uttar Pradesh. It had targeted the BJP in the name of protecting the Babri Mosque. Mulayam Singh believed in personal politics. First he showed too much of a pro-Muslim attitude to uproot his political rival, V.P. Singh, in order to pull all the Muslim votes. Later, when Rampujan Patel was appointed the chairman of the Janata Dal in Uttar Pradesh, he felt that V.P. Singh had made an untouchable the chairman of the Janata Dal just to get even with him. Soon he had him thrown out. He jailed Mr. Kalyan Singh, leader of Uttar Pradesh's legislative assembly, just because he belongs to a backward caste. Mulayam Singh wanted to be the sole messiah of the downtrodden castes, just like Charan Singh. Therefore, whenever a leader belonging to backward castes emerged, he would cut him to the short. However, Mulayam Singh's derogatory treatment of Kalyan Singh made the latter even more popular.

Against this background, a large segment of Lodhis and Kurmis joined the BJP under the leadership of Kalyan Singh. At the same time, the wholesale vote bank of Brahmins, under the Vishwa Hindu Parishad flag, also got into the BJP's hand. Twenty-five percent of the votes in Uttar Pradesh are high-caste votes. Of this, half is from Brahmins alone. The Uttar Pradesh Brahmins do not have much respect for the BJP. However, the way Mulayam Singh sent Brahmins to jail, accusing them of volunteering for the temple demonstrations during riots, pushed the Brahmin vote toward the BJP. When Atal Bihari Bajpai and Kalyan Singh came forward, the Brahmin and non-Yadav backward vote also came into the BJP account and helped in the miraculous victory.

The BJP made a backward-caste farmer a chief minister for the first time. Kalyan Singh comes from a real farming family. Kalyan Singh, who was born in Madhauri, of Aligarh's Andruhi county, belongs to the Lodhi caste. The Lodhis are traditional farmers living in western and central Uttar Pradesh. God-fearing by nature, the Lodhis are very proud and independent people.

Kalyan Singh is also more experienced than Rajinder Kumar Gupta and Kalraj Misra, both of higher castes. In 1977, when the Janata Party government under the chief ministership of Ram Naresh Yadav was established in Uttar Pradesh, he was appointed Health Minister. He had emerged as a firm and honest administrator at that time. A political party must be very careful in a state where it has won elections for the first time. Even though the challenges that the party is facing in Uttar Pradesh are not easy ones to tackle.

Vice President of BJP on Secularism, Nationalism
91AS1473A Madras THE HINDU in English 9 Aug 91
p 8

[Article by K.R. Malkani; italicized words and quotation marks as published]

[Text] Since the BJP [Bharatiya Janata Party] did even better in the poll all alone by itself in 1991 than it had done in alliance with other parties in 1989, our friends in the "secular," "socialist" and "scientific" circles are deeply worried. They like to treat it as a passing phenomenon whose exit from the national scene they would like to hasten. Prominent in this genre are the writings of our good friend, Bipan Chandra of JNU [Jawaharlal Nehru University] (vide THE HINDU 27 July and 29 July).

The learned author argues that apart from Partition time, "Hindu communalism" had been a "marginal force" in India until 1977. He is alarmed that this "Hindu communalism" has been successfully joined to the religious appeal through the Ramajanmabhoomi issue. He is even more alarmed by the BJP's attack on secularism as "minority-ism" and the identification of "Hindu communalism" with nationalism. He is worried that the BJP has "succeeded in attracting many intellectuals." But he is reassured by the fact that the roots of secularism are "deep enough in the Indian people and Indian civilisation." He also thinks that the scientific temper will prevail and the

RSS [Rashtriya Swayamsewak Sangh]-BJP's linkages with Tilak, Gandhi, Subhas Bose and Patel will be shown to be "spurious." In conclusion, he writes, "The RSS and the BJP must not be permitted to usurp Hindu religious sentiments or the cultural heritage of India."

A Good Sign

The fact that our secular, socialist, scientific friends are making a serious analysis of the national situation is a good sign. I have no doubt that the deeper they go into the matter the closer they will get to the truth of the matter. However, they must get their facts right.

The Hindu national feeling has never been a "marginal force" in India. Even during the dark medieval period, it was kept alive by Krishnadevaraya and Shivaji, Rana Pratap and Guru Gobind Singh. More recently, Swami Vivekananda and Swami Dayanand, Bankim Chandra and Sri Aurobindo, Tilak and Gandhi made Hindu feeling a big fact of Indian life. The Hindu Mahasabha, etc., did not come to much, not because there was no Hindu feeling, but because it had been very much appropriated by the Gandhian Congress.

Gandhiji's Hindu Idiom

The whole idiom of Gandhiji—Satya and Ahimsa, Brahmacharya and Aparigraha, Harijan and Daridra Narayan—was Hindu. Even his *modus operandi*—Satyagraha, fast-unto-death, inner voice and 'maun-vrat'—was Hindu. Many Hindus at times differed with Gandhiji on the Muslim issue. But, for the rest, the Gandhian approach to men and matters was very much Hindu.

The day the Congress acquiesced in the Partition of India it made the exit of the Congress and the emergence of a party such as the BJP inevitable in the years to come. What we see today is the progressive unravelling of that inevitable process. The people increasingly view "secular" parties as 'pseudo' when they see their response to the Shahbano case, their lukewarm approach to a common civil law and their competitive wooing of communal elements. They increasingly view the BJP as national, because they see it act on the principle, 'Justice for all, appeasement of none.' Today, Muslims are more secure in the BJP-ruled States than in the Congress(I)-ruled States. I should not be surprised if before long, Muslims also opt for the BJP. That, indeed, will be true national integration.

Crude Political Statement

The secular parties have done no service to anybody by depicting the Ramjanmabhoomi issue as "communal." When invading Turks destroyed temples and built mosques on their sites, they were not being religious; they were making a crude political statement, namely, that they were the bosses and they could do anything to the local people. In a similar situation, when Russia occupied Poland after the Napoleonic wars, they built a Greek Orthodox Church in the heart of Roman Catholic Warsaw.

But when, after World War I, Poland once again became free, it promptly demolished the Russian Church.

Hollow, Ambiguous

They were making the political statement that Poland was now free and that it would not suffer the Russian Church insult any longer. Arnold Toynbee in his Azad Memorial Lectures in New Delhi in 1950, drew attention to this fact and said that the Muslim monuments still standing on hoary holy Hindu sites could only exacerbate Hindu-Muslim feelings. In wanting to shift the controversial mosque structure at Ayodhya, the RSS-VHP[Vishwa Hindu Parishad]-BJP are serving the cause of Hindu-Muslim unity better than our secular friends realise.

These friends don't have to wonder why intellectuals are being drawn to the BJP. In the ultimate analysis, man wants to be true to himself and true to his roots. And the national call sounds loud and clear where the secular call sounds hollow and ambiguous.

Now need our friends worry about the 'scientific temper' under a 'communal' BJP? There are more science graduates in the BJP than in all other parties put together. Today the BJP and the VHP are headed by scientists.

It is a matter of joy that at least some secularists do not want the RSS and the BJP to "usurp Hindu religious sentiments or the cultural heritage of India." There is an old adage! "If you cannot fight them, join them." So be it. Let the secularists join the Hindu nationalists in the matter of Hindu religious sentiments and the cultural heritage of India. That will end the schism in the Indian society and promote great national integration.

Gandhiji's View

But let not our secular friends think that the RSS-BJP linkage to Tilak and Gandhi, Subhas Bose and Patel, is "spurious." Tilak talked of a "mighty Hindu nation" and launched the Ganesh Utsav. Gandhiji held cow protection to be more important than even Swaraj and said: "I do not mind if the Congress is manned by Hindus alone." Bapu never uttered one word of criticism of the RSS. Indeed criticism of the RSS in the Congress ranks has been confined to the Nehru family and its friends. Subhas Bose was an admirer of Dr. Hedgewar, founder of the RSS and Sardar Patel was all praise for the RSS.

Rightly understood, the RSS is the concretisation of the Hindu feeling as expressed by Vivekananda, Dayananda, Aurobindo and other sages and savants. In the words of Aurobindo, "The Sanatana Dharma, that is nationalism." And in the words of Swami Vivekananda, "an organisation that will teach the Hindus mutual help and appreciation is absolutely necessary." The RSS is the country's answer to that felt need.

Janam bibhrati bahuda vivachasam, "Nana dharmanam prithvi Yathaukasam."

(This our Motherland gives equal shelter to peoples speaking different languages and following different faiths.)

We are all steeped in this ancient, honest secularism. But nobody can partition the land, set up 'Islamic' States east and west, stage civil wars in the Hindustan peninsula—all in the name of "secularism." Indian culture cannot be crucified on the cross of secularism.

The RSS will be as national—and as secular—as the great masters such as Vivekananda and Aurobindo. If anybody at any time thinks that the RSS-VHP-BJP is deviating from the path shown by these seers, they should point out where and how and we will certainly strive to correct our selves. But we cannot be judged by the superficial and pseudo-secularism of Nehru, whom we regard as only a bubble that burst on the surface of the ocean of Indian humanity.

Bill Defeat a 'Major' Setback for Congress-I

91AS1466A New Delhi PATRIOT in English
6 Aug 91 p 1

[Boldface words as published]

[Text] The Government on Monday suffered a major setback when an official bill seeking to amend the code of Criminal Procedure, fell through in the Rajya Sabha with the adoption of a ruling party member's resolution disapproving the amendment, reports PTI.

Parliamentary history was created when the resolution moved by Mr. S.S. Ahluwalia (Congress) was adopted by the House with the casting vote of Vice-Chairman M.A. Baby (CPM) [Communist Party of India-Marxist] after the resolution had received 39 votes in favour and 39 against.

The bill sought to replace an ordinance issued on May two [as published] last for giving protection against prosecution to any public servant including a judge, magistrate and member of the forces while acting in the discharge of official duty in a State under President's Rule.

The Vice-Chairman gave his casting vote under Article 100 of the Constitution after a deadlock was reached when he ordered a headcount of the members present. Mr. Baby asked for the headcount only after the division showed an equal number of votes in favour and against the resolution.

Mr. Ahluwalia, the mover of the resolution, however, voted against it.

Immediately after the resolution was carried through the Opposition members welcomed it with thumping of desks. Mr. Shankar Dayal Singh (Janata Dal) demanded that Home Minister S.B. Chavan, who is also the leader of the House and who was present, should react.

A senior Congress member A.G. Kulkarni said that in the last 22 years, it was for the first time that a resolution moved by a ruling party member disapproving an official bill had been adopted in the Rajya Sabha.

Mr. Gurdaspur Das Gupta (CPI) [Communist Party of India] said the Government was responsible for the creation of such a situation.

Soon after the resolution was carried, the ruling party members including ministers such as Mr. M.L. Fotedar, Mr. Ghulam Nabi Azad, Mrs. Margaret Alva and R.P.R. Kumaramangalam rushed into the House.

They were seen arguing with the Chair that the doors of the House had been closed and members could not come in at the time of voting. Earlier the Vice Chairman had started the headcount after the clearance of the lobbies and announcement of closure of the doors.

During the 45 minute wrangle, members put forth various views on the correct procedure to be followed. There were shouts and countershouts from both the sides and much of what was said quoting rules was not audible.

As the division through the electronic voting machine showed a tie of 39 for and 39 against, the Vice Chairman suggested that the House take up a headcount to confirm the result.

The idea was mildly objected to by some members. The veteran Congress members said the House had never faced such a situation in the last 22 years.

The headcount confirmed the tie leading to much excitement in the House. After another round hectic consultations the Rajya Sabha official, Mr. Reddy quoted Article 100 of the Constitution to announce that he would use the casting vote entitled to presiding officers.

Mr. Baby, a CPI-M member said he was putting his casting vote in favour of the resolution his party colleagues and other Opposition members had earlier voted for the resolution.

As the result showed that the bill fell through, Opposition members should in jubilation and some of them were heart saying "shame, shame." [sentence as published]

Many Congress members including some ministers who trooped into the House after the head count was over complained that the doors of the House were closed too early.

The Vice Chairman sought to pacify the agitated members saying all rules had been followed. Before the lobbies were cleared and the bell was rung to alert the members outside the House to come for voting. Only after that the doors were closed.

Chavan clarifications: Earlier replying to a lively discussion on the bill, Mr. Chavan clarified that the provisions of the bill were confined only to the President-ruled States.

He said the Government should protect police officers and other bureaucrats who were carrying out the orders of the Government under the Central rule. Any fear on their part that they might be prosecuted by the succeeding Government should be removed.

It was for this limited purpose that the ordinance was promulgated by the previous Government and the present Government said nothing wrong in making the ordinance into proper legislation.

Gandhi Trust Decision Reveals Congress Weakness

91AS1407A Madras *THE HINDU* in English 3 Aug 91
p 9

[Article by K.K. Katyal: "Lack of Strength Forces Decision"]

[Text] New Delhi, Aug. 2—The Government's decision to drop the controversial budgetary provision of Rs.[rupees]100 crores for the Rajiv Gandhi Foundation demonstrates its vulnerability to pressures by the Opposition. This is the logic of the electoral verdict which the ruling party tended to ignore because of its misplaced complacency. If this episode helps to bring the Congress(I) leaders out of their make-believe world, it would have served a useful purpose.

The major Opposition parties, notably the BJP [Bharatiya Janata Party] and the Janata Dal, had announced their resolve to move a cut motion to the demands for grants for the Finance Ministry, containing the allocation for the Foundation. There was a good chance of the entire Opposition throwing its weight against the Government's proposal—and of the cut motion securing the approval of the Lok Sabha. This, according to parliamentary procedure and practice, would have meant want of confidence in the Government. The decision not to proceed with the budgetary provision for the Foundation is, thus, sheer realism.

Who in the Government was responsible for the original move is not known, but its announcement was greeted with a full-throated, even euphoric chorus of approval in the Congress(I) camp. Two days ago, Mrs. Sonia Gandhi, either on her own or otherwise, realised the need for warding off the Opposition attacks and this was possible only by declining the official donation. When this fact became known, a section of the ruling party, taking a sudden u-turn, trained its guns on the Government for creating unnecessary embarrassment for her. This sentiment found part expression at yesterday's meeting of the Congress(I) parliamentary party. What mattered to the ruling party members was not the merit of the decision but how it was received at 10, Janpath.

Focus on fertilizer subsidy: The focus will now shift to the other controversial proposal in the Budget—to reduce the subsidy for fertilizer. The Opposition is determined to resist it with the same force. Besides, the farmers lobby in the Congress(I) is dead set against it—and this adds to the Government's discomfiture. Two Cabinet Ministers, Mr Balram Jakhar and Mr. Rajesh Pilot, are known to have serious reservations about it. The farmers' outfits like the one headed by Mr. Mahendra Singh Tikait have threatened agitators. They have no use for the soundness of the economic logic behind the move, nor for the fact that fertilizer prices have remained unchanged over a decade.

The feelings of small farmers are understandable but the protest is spearheaded by the affluent sections. The Government could ignore these pressures at its peril. Accommodation of the opponents' viewpoint is on the cards—it may be either in the form of relief to small and marginal farmers or partial restoration of the withdrawn subsidy.

Move will weigh with Sonia: The protest against the Government donation for the Rajiv foundation is certain to weigh with Mrs Sonia Gandhi when she applies her mind to the question of questions—whether or not to opt for a political career. So far there is no direct, authentic indication of what she has in mind, though a powerful lobby in the Congress(I) is keen on her entry into public life. The coterie is known to be a strong supporter of this viewpoint—apart from other factors, because her presence in a top position will restore its relevance and patronage, it would like her to contest the by-election in Amethi. But the earlier assumptions of a walkover in the constituency of her slain husband will now need to be examined in the light of the message conveyed by the Opposition stand on the Foundation.

In case she chooses to enter the contest in Amethi, and wins, her role is unlikely to be confined to membership of the Lok Sabha. Other steps are bound to follow.

CPI Executive Committee Meets 21 Jul

91AS1455A New Delhi *PATRIOT* in English 23 Jul 91
p 6

[Quotation marks as published]

[Text] The Communist Party of India [CPI] executive committee has endorsed Prime Minister P.V. Narasimha Rao's view that it is necessary to check the advocacy of secessionism as a poll issue before holding elections in Punjab.

According to a resolution adopted at the two-day meeting of the Central Executive of the party on Monday in the Capital it has consistently and at all times, has opposed secessionism and fought for the unity and integrity of the country at the cost of many precious lives in Punjab.

There could be no two opinions that preaching secessionism, communal ideas or a theocratic state which undermined the country's unity and its secular democratic polity should be regarded as a great offence, it said.

Provisions in this regard would call for a thorough review of our election process in the whole country, it said.

The party expressed the view that any attempt at this stage to introduce an amendment against secessionism in the Representation of People's Act and to postpone the Punjab elections would only be counter-productive. It called for elections in Punjab as scheduled.

The party also condemned Chief Election Commissioner T.N. Seshan for withholding the poll result in Munger Parliamentary constituency in Bihar.

The CPI candidate was leading by more than 93,000 votes over his immediate rival in the counting of votes. And

even after the inquiry which was completed on 15 July by Mr. Seshan himself, the result has not been declared, it said.

Calling it an impermissible action of thwarting the people's verdict. The central executive called for Mr. Seshan's impeachment for his 'arbitrary behaviour' as Chief Election Commissioner.

The CPI central executive called for CBI [Central Bureau of Investigation] inquiry into the Pilibhit killings, suspecting that the police version of the killings in an 'encounter' was incorrect and contradicted by eye-witnesses.

New Constitution, New Party Program for CPI

91AS1541A Madras *INDIAN EXPRESS* in English
11 Aug 91 p 1

[Text] New Delhi, 10 August: The Communist Party of India (CPI) will become essentially a new party with a new constitution and a new programme at its triennial congress slated for early next year. An exercise is already well under way to frame a new constitution and draft a new party programme.

The draft of the new constitution is almost ready. The constitution commission headed by Mr. N.E. Balam will finalise the draft document when it meets on 3 September. The new party programme is to be formulated by another commission to be set up by the national council of the party when it assembles here early next month.

The draft constitution framed by the Balam Commission will be discussed at a specially convened session of the national council, to be held probably in late September or early October, before it is published for discussion within party fora and outside.

"The new constitution is apt to give the CPI a new face and a new mind even as all efforts will be taken to give the party that essential continuity of Communist character.

The decision to give the party a new constitution has been taken obviously against the backdrop of the great winds of change sweeping across the Communist world of Eastern Europe. Besides, there have been signals within party fora over the years which have influenced the decision. For instance, a little less than a hundred amendments to the constitution were proposed at the last party congress. Amendments of varying nature had been proposed in the previous party congress too. They dealt mainly with structural matters and the rights of party members. The ideas adumbrated in these amendments will of course, be absorbed by the party leadership while finalising the new constitution's draft.

The new constitution will be much more than a document for perestroika. It will certainly bring about some organisational restructuring but, more importantly, it will reformulate the preamble too. Which means that there will be an essential change in the party's concept of socialism.

Developments in Dispute Over Cauvery Waters

Supreme Court Notices

91AS1478A Madras *THE HINDU* in English 1 Aug 91
p 1

[Boldface words, quotation marks as published]

[Text] New Delhi, 31 July: The Supreme Court today issued notices to the States of Tamil Nadu, Karnataka, Kerala and the Union territory of Pondicherry on a 'presidential reference' in the 'Cauvery waters dispute matter.'

The Advocate-General to Tamil Nadu, Mr. K. Subrahmanian, accepted the notice on behalf of Tamil Nadu. Mr. Javali, senior counsel appearing for Karnataka accepted the notice on behalf of that State. Standing counsel for Kerala and Pondicherry also accepted the notice.

The Bench made the notices returnable on 5 August. It gave two weeks' time thereafter for the parties to file their affidavits.

The Bench, consisting of the Chief Justice, Mr. Ranganath Misra, Mr. Justice M.H. Kania and Mr. Justice Kuldeep Singh, also directed the issue of notices to the Advocates-General of Tamil Nadu, Karnataka, Kerala and Pondicherry on the presidential reference.

The Bench also said that it would be open to Advocate-General of any other State to appear if he so chose. But, the Bench added that no notice would be issued to any other State Advocate-General in connection with the hearing.

The Bench directed that the presidential reference matter be listed before the Court on 12 August for fixing a date for hearing the matter.

Scope not to be enlarged: Earlier, when the Attorney-General, Mr. G. Ramaswamy submitted that item 3 of the presidential reference was of a general question that might affect all States and therefore notice on the presidential reference might be issued either to the Advocates-General of all States or at least to the States of Punjab, Haryana, Madhya Pradesh and Rajasthan (which were involved in certain river water disputes such as the Ravi-Beas), the Chief Justice said the Court would not like to enlarge the scope of this presidential reference. It would like to issue notices only to the three States and the Union Territory concerned in the presidential reference.

The question number 3 that figured in the three questions referred by the President to the Supreme Court for its opinion is whether a water disputes tribunal constituted under the Inter-State Water Dispute (ISWD) Act is competent to grant any interim relief to the parties to the dispute.

The other questions that have been referred by the President under Article 143 of the Constitution to the Supreme Court for its opinion in the 'Cauvery water disputes matter' are:

(1) Whether the Karnataka Cauvery Basin Irrigation (Protection) Ordinance, 1991 and provisions thereof are in accordance with the provisions of the Constitution?

(2) (i) Whether the order of the Cauvery Water Dispute Tribunal dated 25 June 1991 constitutes a "report" and a "decision" within the meaning of Section 5 (2) of the ISWD Act, 1956?

(2) (ii) Whether the order of the Tribunal is required to be published by the Central Government in order to make it effective?

Earlier, when Mr. Javali, submitted that if there was any concern for emergency, he (the Karnataka counsel) would like to dispel all doubts and that the supply of water to Tamil Nadu had been taken care of the Chief Justice orally observed that "We are not concerned whether supply of water was taken care of or rain God has been kind."

Karnataka plea rejected: When counsel pleaded that a suit filed by Karnataka in the apex court under Article 131 of the Constitution challenging the interim orders of the Tribunal be tagged on to the 'presidential reference,' the Chief Justice declined to do so and orally observed that one was not connected with other.

The Bench also said that no 'intervention' would be permitted after two weeks in connection with the hearing of this presidential reference.

The Tribunal, by its orders dated 25 June last, made interim orders directing Karnataka to release 205 tmc ft. of Cauvery water from its reservoirs to Tamil Nadu's Mettur reservoir in a regulated manner on week-to-week basis from June to May each year, till the final adjudication. The Tribunal also said that Karnataka shall not increase the area under the irrigation beyond 11.2 lakh acres.

Karnataka, which had been opposing the interim orders of the Tribunal, had been taking the stand that the Tribunal had no jurisdiction to grant interim orders under Sec. 5 (2) of the ISWD Act.

On the other hand, Tamil Nadu had been demanding that the interim orders were validly made and the same should be published by the Central Government in the official Gazette as required under Sec. 6 of the ISWD Act to become effective and binding on the parties. While so, on 25 July, Karnataka promulgated the Karnataka Cauvery Basin Irrigation (Protection) Ordinance 1991, virtually nullifying the interim orders of the Tribunal.

Tamil Nadu Response

91AS1478B Madras *THE HINDU* in English 13 Aug 91
p 9

[Italicized and boldface words as published]

[Text] New Delhi, 12 August: The State of Tamil Nadu, in its statement filed in the Supreme Court in the "presidential reference on Cauvery waters matter," has contended that the Karnataka Cauvery basin irrigation (protection) Ordinance, 1991 and provisions thereof are unconstitutional, without jurisdiction and void.

This statement, filed in response to a notice issued to the State of Tamil Nadu by the Apex Court in connection with the hearing of the "presidential reference" also submitted that the interim orders of the Cauvery Waters Disputes Tribunal made on 25 June 1991 was a "report" under Section 5 (2) of the Inter-State Water Disputes Act, 1956 and that the Central Government should publish the interim orders of the Tribunal in the Gazette.

(The Cauvery Waters Tribunal, by its interim orders dated 25 June 1991 directed Karnataka to release 205 TMC of Cauvery water to Tamil Nadu on week to week basis from June to May each till the final adjudication by the Tribunal in the matter.)

"Tribunal competent:" The Tamil statement contended that the Tribunal was competent to grant interim relief to the parties to the dispute.

The Tamil Nadu statement, while submitting that it did not like to make any preliminary objection to the maintainability of the "presidential reference," however, pleaded that this reference which was within the "discretionary jurisdiction" of the Apex court, is "too general." The Court would have to make a "roving inquiry" as to conformity or otherwise of the Karnataka 1991 ordinance to the Constitution, the statement said and added that the inhabitants of Tamil Nadu would be entitled to challenge the ordinance on the grounds of articles 14 (equality before law), 19 (1) (G)—fundamental right to carry on trade or business or profession and 21—fundamental right to life and personal liberty.

The Apex Court in this reference would be driven to imagine a challenge and consider it solely on hypothetical grounds and it was not desirable that the Court should be called upon to offer opinion on hypothetical questions and as such, inquiry on such questions might become inconvenient and inexpedient, the Tamil Nadu statement pleaded.

Tamil Nadu also contended that any answer which the Court might render on the validity of the Karnataka ordinance would be an exercise in futility, as any prejudicial effect on the ordinance would stand overridden by "adjudication" by the Tribunal and thus, this court had been called upon to exercise jurisdiction in "futility."

Any opinion of the court being "advisory" might not bind anyone and it would not be "declaration of law" by the Apex court under Article 141 of the Constitution, the Tamil Nadu statement urged.

It was also submitted that as to what happened before the Tribunal, what stand was taken by Karnataka and Tamil Nadu and under what circumstances reference had been made to the Court, were not set out in the reference.

The Tamil Nadu statement also submitted that it was not known as to what material might be taken into account or whether the reference would be dealt with academically—that is, purely as a question of law minus facts.

These submissions were made not as a preliminary objection to the jurisdiction of the Court to entertain and

answer reference, but to enable the Court to appreciate the facts and circumstances and decide as to whether in the exercise of its discretion to answer or not, the Court might answer or decline to answer and reject the reference as unnecessary.

Instituting a suit: It was also submitted that Tamil Nadu was contemplating instituting a "suit" for a judgment and decree to compel Karnataka to implement and obey the interim orders of the Tribunal.

Dealing with the Karnataka ordinance, the Tamil Nadu statement submitted that Karnataka, after it lost the case before the Tribunal could not set at nought "that decision by executive fiat" and this was subversive of "rule of law" and the "power of judicial review." The ordinance was violative of Articles 14 and 21 of the Constitution of the inhabitants of Tamil Nadu in the Cauvery basin, the statement said.

If a right to water is established, it becomes a fundamental right to life (Article 21) and this right to live flows from the prior appropriation by Tamil Nadu of Cauvery waters and the agreements thereto, the Tamil Nadu statement urged. It pleaded that the Tribunal recognised this right to life and the finding (of the Tribunal in its interim orders) could be reversed only by a competent Court and not by the law of any State.

The Karnataka ordinance was contrary to the basic postulate of quasi-federalism envisaged by the Constitution and the harmonious functioning of the States in accordance with rule of law, the statement said. It pleaded that if it was the case of Karnataka that even in the event of "interim relief" being part of the "reference" to the Tribunal, the Tribunal had no jurisdiction to pass interim orders, it (Karnataka) should have argued to that effect (in the Apex Court in a connected Cauvery Water dispute case) and got a ruling from the Apex Court.

Therefore, the Tamil Nadu statement stated that the Apex court judgment dated 26 April, 1991 (when the Court directed the Tribunal to deal with Tamil Nadu's "Interim relief" applications) "acts as *res judicata*" (which means that an issue was already decided between the parties in a case) and the effect of *res judicata* could not be gotten rid of in a "presidential reference."

Pondicherry's submission: The Union Territory of Pondicherry in its statement filed in the Supreme Court submitted that the Karnataka ordinance was unconstitutional and a "piece of colourable legislation" and that the right of Karnataka to the Cauvery river water was subject to the riparian States getting their share of the water which they were already making use of and were entitled to customary age and agreement.

The statement also submitted that the interim orders of the Tribunal constituted a "report" under Section 5 (2) of the 1956 Act and publication of the same was not a condition precedent to make the order effective.

The tribunal had "inherent and implied power" to give interim relief, the Pondicherry statement said.

Karnataka Response

91AS1478C Madras THE HINDU in English 13 Aug 91
p 9

[Boldface and italicized words as published]

[Text] New Delhi, 12 August: The State of Karnataka, in its statement filed in the Supreme Court, in response to the Court's notice in the "presidential reference on Cauvery water matter," submitted that the Governor was competent under Article 213 of the Constitution to issue and promulgate the Karnataka Cauvery Basin Irrigation (Protection) Ordinance, 1991, by virtue of the legislative powers conferred upon the State under Entry 17 (water) of the List two of the Constitution as well as entries 14 (Agriculture) 18 (land) of same list.

Karnataka submitted that this was only a *prima facie* statement of its legislative competence and it (the State) should be permitted to file a supplementary statement on question number 1 in the presidential reference after the Union of India or any party to the reference submitted in writing constitutional objections to the ordinance.

(The question number 1 in the presidential reference was whether the Karnataka Cauvery basis irrigation (protection) Ordinance, 1991 and provisions thereof are in accordance with the provisions of the Constitution?)

In enacting the 1956 Inter-State Water Disputes (ISWD) Act (under which the Cauvery Waters Tribunal made the interim orders on 25 June 1991), Parliament provided only for the conferment of "judicial powers" on an "adjudicatory body" set up by it (to the exclusion of any court in India), Karnataka submitted.

Thus the ISWD Act "is a law relating to adjudication and does not take away the powers of a State, either legislative or executive over a river within the territory of a State and thus the state of Karnataka had legislative competence to promulgate the 1991 ordinance," the Karnataka statement said.

The ordinance imposed a duty on the State Government to protect, preserve and maintain irrigation from the waters of the Cauvery and its tributaries in the irrigable areas under the various projects specified in the ordinance, the statement said.

A Tribunal established under the 1956 Act "does not have the power to make" any interim report or decision or order for the utilisation of the river or to give interim relief and an interim order or any interim report," the statement contended.

The interim decision purporting to be made under the provisions of the 1956 Act "is null and void" and without authority of law" and "it is only a final report and decision of the Tribunal under Section 5 (2) read with Section 6 of the Act which can apply to the States and have effect in relation to any dispute of inter-state river," it said.

Until a final determination of the equitable share of each State was made by the Tribunal, it had no powers to make interim allocations, the statement said and added that an

interim order by a Tribunal set up under the 1956 Act "does not preclude the state legislation on the subject of water under entry 17 list two."

"Allocation, interim or final, involves recognition of the rights of all the riparian States and the union territories and the determination of their entitlement and not of one of them only as has been done in this case," the statement said.

It was significant, the statement pointed out, that the Supreme Court in its judgment and order dated 26 April 1991 (in a connected Cauvery water dispute matter) had specifically left open the question of competence of the Tribunal to make an interim order.

The statement said that the effect of the Tribunal's interim order was that even the existing uses of Karnataka in respect of existing 11.2 lakh acres was put in jeopardy and there was no finding, no investigation by the Tribunal to indicate that Karnataka had exceeded its equitable share of waters in the Cauvery river.

The programme of regulated releases directed by the Tribunal (in its interim orders) affected directly the existing uses of Karnataka in respect of 11.2 lakh acres, the statement said.

The Tribunal's order "is not an order of *status quo* but on the other it is an order which directly takes away existing uses and jeopardises committed uses in Karnataka and it imposes a new regime of water utilisation without any assurance of protection to State of Karnataka" the statement said. It also contended that the interim order of the Tribunal "cannot be a report" and "decision" within the meaning of Section 5 (2) of the 1956 Act.

Karnataka also contended that it was not competent for a water dispute Tribunal to grant any interim relief to the parties.

Kerala's contention: The state of Kerala, in its statement, submitted that the Karnataka ordinance was valid and legal and that the Tribunal's interim orders of 25 June

1991 were without jurisdiction. Even if the orders were within jurisdiction, they were not binding till they were gazetted.

The interim order was not a "report" under Section 5 (2) of the 1956 Act and it was not competent to grant interim relief, the statement said.

Demand for Separation of Barak Valley From Assam

91AS1463A Calcutta THE TELEGRAPH in English
4 Aug 91 p 5

[Text] Silchar, 3 August: In what appears to be yet another separatist stir in the northeast, the 19-year-old Union Territory demand Committee has warned the Centre that it would revert to the "unwanted path of extremism" if its demand to grant Union territory status to the Bengal-speaking Barak Valley in Assam is not conceded immediately.

The committee sent a 22-page typed memorandum to the Prime Minister, Mr. P.V. Narasimha Rao, through the Cachar deputy commissioner [words illegible]. Member of the outfit, led by its convener, Mr. Paritosh Paul Choudhury, also staged a noisy sit-in.

The committee made it clear that the memorandum should be treated as a last warning. "Henceforth, it will be our primary duty to tell our youths that as New Delhi did not pay any heed to our legitimate demands they should choose their own course of action which may not be democratic all the time," the memorandum said.

Stating that the Barak valley is linguistically, culturally and ethnically different from Assam, the memorandum stressed that "it would be quite impossible to remove the economic backwardness of this region if the valley continues to be part of Assam. The committee, however, assured that there would be no discrimination against any linguistic minority group if the Barak valley was upgraded into a Union territory.

This latest stir seems to have given a new impetus to the occasional separatist agitations that have occurred in the Barak valley during the past few years.

Government Statement on Industrial Policy

91AS1377A Madras *THE HINDU* in English 25 Jul 91
p 10

[Italicized words and format as published]

[Text] New Delhi, July 24. The following is the text of the statement of industrial policy tabled in Parliament today.

Policy Objectives

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

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

Role of the State

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

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

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

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

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

Impressive Growth

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

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

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

Government will continue to pursue a sound policy framework, encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the

benefit of the common man. The spread of industrialisation to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments.

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

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

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

The Government will ensure that the public sector plays its rightful role in the evolving socio-economic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance. In the 1950s and 1960s, the principal instrument for controlling the commanding heights of the economy was investment in the capital of key industries.

Today, the State has other instruments of intervention, particularly fiscal and monetary instruments. The State also commands the bulk of the nation's savings banks and financial institutions are under State control. Where State intervention is necessary, these instruments will prove more effective and decisive.

Worker's Participation

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

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

Government's policy will be continuity with change.

In pursuit of the above objectives, Government have decided to take a series of initiatives in respect of the policies relating to the following areas. A. Industrial Licensing, B. Foreign Investment, C. Foreign Technology Agreements, D. Public Sector Policy, E. MRTP [Monopolies and Restrictive Trade Practices] Act.

A package for the small and tiny sectors of industry is being announced separately.

Industrial Licensing Policy

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

Procedural Reforms

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

Winds of Change

The winds of change have been with us for some time. The industrial licensing system has been gradually moving away from the concept of capacity licensing. The system of reservations for public sector undertakings has been evolving towards an ethos of greater flexibility and private sector enterprise has been gradually allowed to enter into many of these areas on a case by case basis. Further impetus must be provided to these changes which alone can push this country towards the attainment of its entrepreneurial and industrial potential. This calls for bold and imaginative decisions designed to remove restraints on

capacity creation, while at the same time, ensuring that overriding national interests are not jeopardised.

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

Foreign Investment

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

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

Promotion of exports of Indian products calls for a systematic exploration of world markets possible only through intensive and highly professional marketing activities. To the extent that expertise of this nature is not well developed so far in India, Government will encourage foreign trading companies to assist us in our export activities. Attraction of substantial investment and access to high technology, often closely held, and to world markets,

involves interaction with some of the world's largest international manufacturing and marketing firms. The Government will appoint a special board to negotiate with such firms so that we can engage in purposive negotiation with such large firms, and provide the avenues for large investments in the development of industries and technology in the national interest.

Foreign Technology Agreements

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

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

Public Sector Policy

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

The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a public sector which has a commanding role in the economy. Today key sectors of the economy are dominated by mature public enterprises that have successfully

expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.

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

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

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

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

In view of these considerations, Government will review the existing portfolio of public investments with greater realism. This review will be in respect of industries based on low technology, small scale and non-strategic areas, inefficient and unproductive areas, areas with low or nil social considerations or public purpose, and areas where the private sector has developed sufficient expertise and resources.

Government will strengthen those public enterprises which fall in the reserved areas of operation or are in high priority areas or are generating good or reasonable profits. Such enterprises will be provided a much greater degree of

management autonomy through the system of memoranda of understanding. Competition will also be induced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serving little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest.

Monopolies and Restrictive Trade Practices Act (MRTP Act)

The principal objectives sought to be achieved through the MRTP Act are as follows: (i) Prevention of concentration of economic power to the common detriment, control of monopolies, and (ii) Prohibition of monopolistic and restrictive and unfair trade practices.

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

With the growing complexity of the industrial structure and the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the international market, the interference of the Government through the MRTP Act in investment decisions of large companies has become deleterious in its effects on Indian industrial growth.

The pre-entry scrutiny of investment decisions by so-called MRTP companies will no longer be required. Instead, emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices rather than making it necessary for the monopoly houses to obtain prior approval of Central Government for expansion, establishment of new undertakings, merger, amalgamation and takeover and appointment of certain directors.

The thrust of policy will be more on controlling unfair or restrictive business practices. The MRTP Act will be restructured by eliminating the legal requirement for prior Government approval for expansion of present undertakings and establishment of new undertakings. The provisions relating to merger, amalgamation, and takeover will also be repealed. Similarly, the provisions regarding restrictions on acquisition of and transfer of shares will be appropriately incorporated in the Companies Act.

Simultaneously, provisions of the MRTP Act will be strengthened in order to enable the MRTP Commission to take appropriate action in respect of the monopolistic, restrictive and unfair trade practices. The newly empowered MRTP Commission will be encouraged to require

investigation *suo moto* or on complaints received from individual consumers or classes of consumers.

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

Industrial Licensing Policy

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

(ii) Areas where security and strategic concerns predominate, will continue to be reserved for the public sector.

(iii) In projects where imported capital goods are required, automatic clearance will be given in cases where foreign exchange availability is ensured through foreign equity; or if the CIF [cost, insurance, freight] value of imported capital goods required is less than 25 percent of total value (net of taxes) of plant and equipment, up to a maximum value of Rs. [rupees] 2 crores. In view of the current difficult foreign exchange situation, this scheme will come into force from April, 1992.

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

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

A flexible location policy would be adopted in respect of such cities (with population greater than one million) which require industrial re-generation.

Zoning and land use regulation and environmental legislation will continue to regulate industrial locations.

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

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

(iv) [as published] Existing units will be provided a new broad banding facility to enable them to produce any article without additional investment.

(vi) The exemption from licensing will apply to all substantial expansion of existing units.

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

Procedural Consequences

(ix) All existing registration schemes (delicensed registration, exempted industries registration, DGT [Director General of Technical Development] registration) will be abolished.

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

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

Foreign Investment

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

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

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

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

(v) A Special Empowered Board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in select areas. This would be a special programme to attract substantial investment that would provide access to high technology and

world markets. The investment programmes of such firms would be considered in totality, free from pre-determined parameters or procedures.

Foreign Technology Agreements

(i) Automatic permission will be given for foreign technology agreements in high priority industries (Annex III) up to a lumpsum payment of Rs. 1 crore, 5 percent royalty for domestic sales and 8 percent for exports, subject to total payments of 8 percent of sales over a 10-year period from date of agreement or 7 years from commencement of production. The prescribed royalty rates are net of taxes and will be calculated according to standard procedures.

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

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

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

Public Sector

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

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

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

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

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

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

MRTP Act

(i) The MRTP Act will be amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminated the requirement of prior approval of Central Government for establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover and appointment of Directors under certain circumstances.

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

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

Annex I

Proposed list of industries to be reserved for the public sector:

1. Arms and ammunition and allied items of defence equipment, defence aircraft and warships.
2. Atomic Energy.
3. Coal and lignite.
4. Mineral oils.
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
6. Mining of copper, lead, zinc, tin, molybdenum and wolfram.
7. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
8. Railway transport.

Annex II

List of industries in respect of which industrial licensing will be compulsory:

1. Coal and lignite.
2. Petroleum (other than crude) and its distillation products.
3. Distillation and brewing of alcoholic drinks.
4. Sugar.
5. Animal fats and oils.
6. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
7. Asbestos and asbestos-based products.

8. Plywood, decorative veneers, and other wood-based products such as particle board, medium density fibre board, block board.
9. Raw hides and skins, leather, chamois leather and patent leather.
10. Tanned or dressed furskins.
11. Motor cars.
12. Paper and newsprint except bagasse-based units.
13. Electronic, aerospace and defence equipment; all types.
14. Industrial explosives, including detonating fuse, safety fuse, gunpowder, nitrocellulose and matches.
15. Hazardous chemicals.
16. Drugs and pharmaceuticals (according to drug policy).
17. Entertainment electronics (VCRs, Colour TVs, CD players, tape recorders).
18. White goods (domestic refrigerators, domestic dish-washing machines, programmable domestic washing machines, microwave ovens, air conditioners).

Note: The compulsory licensing provisions would not apply in respect of the small-scale units taking up the manufacture of any of the above items reserved for exclusive manufacturing in small-scale sector.

Annex III

List of industries for automatic approval of foreign technology agreements and for 51 percent foreign equity approvals:

Metallurgical Industries:

- (i) ferro alloys,
- (ii) castings and forgings,
- (iii) non-ferrous metals and their alloys,
- (iv) sponge iron and pelletisation,
- (v) large diameter steel welded pipes of over 300 mm diameter and stainless steel pipes,
- (vi) pig iron.

Boilers and Steam Generating Plants.

Prime movers (other than electrical generators).

- (i) industrial turbines,
- (ii) internal combustion engines,
- (iii) alternate energy systems like solar, wind etc. and equipment therefor,
- (iv) gas/hydro/steam turbines upto 60 Mw.

Electrical Equipment

- (i) equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT-switch gear synchronous condensers,
- (ii) electrical motors,

- (iii) electrical furnaces, industrial furnaces and induction heating equipment,
- (iv) x-ray equipment,
- (v) electronic equipment, components including subscribers' and telecommunication equipment,
- (vi) component wires for manufacture of lead-in wires,
- (vii) hydro/steam/gas generators/generating sets upto 60 MW,
- (viii) generating sets and pumping sets based on internal combustion engines,
- (ix) jelly-filled telecommunication cables,
- (x) optic fibre,
- (xi) energy efficient lamps and,
- (xii) midget carbon electrodes.

Transportation:

- (i) mechanised sailing vessels up to 10,000 DWT [dead-weight ton] including fishing trawlers,
- (ii) ship ancillaries,
- (iii) (a) commercial vehicles, public transport vehicles including automotive commercial three-wheeler jeep-type vehicles, industrial locomotives, (b) automotive two-wheelers and three-wheelers, (c) automotive components/spares and ancillaries,
- (iv) shock absorbers for Railway equipment and,
- (v) brake system for Railway stock and locomotives.

Industrial Machinery:

- (i) industrial machinery and equipment, machine tools and industrial robots and their controls and accessories,
- (ii) jigs, fixtures, tools and dies of specialised types and cross land tooling and,
- (iii) engineering production aids such as cutting and forming tools, patterns and dies and tools.

Agricultural Machinery

- (i) tractors,
- (ii) self-propelled harvester combines,
- (iii) rice transplanters.

Earth Moving Machinery:

- (i) earth moving machinery and construction machinery and components thereof.

Industrial Instruments:

- (i) indicating, recording and regulating devices for pressure, temperature, rate of flow weights levels and the like.
- Scientific and electromedical instruments and laboratory equipment.

Nitrogenous and phosphatic fertilizers falling under:

(i) inorganic fertilizers under "18-Fertilizers" in the First Schedule to IDR Act, 1951.

Chemicals (other than fertilizers):

(i) heavy organic chemicals including petrochemicals,

(ii) heavy inorganic chemicals,

(iii) organic fine chemicals,

(iv) synthetic resins and plastics,

(v) man-made fibres,

(vi) synthetic rubber,

(vii) industrial explosives,

(viii) technical grade insecticides, fungicides, weedicides, and the like,

(ix) synthetic detergents,

(x) miscellaneous chemicals (for industrial use only): (a) catalysts and catalyst supports, (b) photographic chemicals, (c) rubber chemicals, (d) polyols, (e) isocyanides, urethanes, etc., (f) speciality chemicals for enhanced oil recovery, (g) heating fluids, (h) coal tar distillation and products therefrom, (i) tonnage plants for the manufacture of industrial gases, (j) high altitude breathing oxygen/medical oxygen, (k) nitrous oxide, (l) refrigerant gases like liquid nitrogen, carbon dioxide, etc. in large volumes, (m) argon and other rare gases, (n) alkali-acid resisting cement compound, (o) leather chemicals and auxiliaries.

Drugs and Pharmaceuticals: According to drug policy.

Paper and pulp including paper products.

Industrial laminates.

Automobile tyres and tubes.

Rubberised heavy duty industrial beltings of all types.

Rubberised conveyor beltings.

Rubber reinforced and lined fire fighting hose pipes.

High pressure braided hoses.

Engineering and industrial plastic products.

Plate glass:

(i) glass shells for TV tubes,

(ii) float glass and plate glass,

(iii) H.T. insulators,

(iv) glass fibres of all types.

Ceramics:

(i) ceramics for industrial uses.

Cement Products:

(i) Portland cement,

(ii) gypsum boards, wall boards and the like.

High technology reproduction and multiplication equipment.

Carbon and carbon products:

(i) graphite electrodes and anodes,

(ii) impervious graphite blocks and sheets.

Pretensioned high pressure RCC pipes.

Rubber machinery.

Printing Machinery:

(i) web-fed high speed off-set rotary printing machine having output of 30,000 or more impressions per hour,

(ii) photo composing/type setting machines,

(iii) multi-colour sheet-fed off-set printing machines of sizes of 18" x 25" and above,

(iv) high speed rotogravure printing machines having output of 30,000 or more impressions per hour.

Welding electrodes other than those for welding mild steel.

Industrial synthetic diamonds.

Photosynthesis improvers.

Genetically modified free living symbiotics nitrogen fixer.

Pheromones.

Bio-insecticides.

Extraction and upgrading of minor oils.

Pre-fabricated building material.

Soya Products:

(i) soya texture proteins,

(ii) soya protein isolates,

(iii) soya protein concentrates,

(iv) other specialised products of soyabean,

(v) winterised and de-odourised refined soyabean oil.

Certified high-yielding hybrid seeds and synthetic seed.

Certified high-yielding plantlets developed through plant tissue culture.

All food processing industries other than milk food, malted foods, and flour, but excluding the items reserved for small-scale sector.

All items of packaging for food processing industries excluding the items reserved for small-scale sector.

Hotels and tourism-related industry.

New Industrial Procedures Launched

91AS1480A Bombay THE TIMES OF INDIA
in English 14 Aug 91 p 15

[Text] New Delhi, 13 August (PTI): The ministry of industry has launched simplified procedures for the new projects for manufacture of articles not covered by compulsory licensing.

From now on, even substantial expansion of such new projects will simply require submission of one memorandum in prescribed form to the secretariat for industrial approval.

Launching this at the Entrepreneurial Assistance Unit (EAU) counter of the department of industrial development, Mr. P.J. Kurien minister of state for industry, said that this is a concrete step signalling drastic changes in the procedures required for commissioning of new projects of their expansion.

Such memorandum will also have to be filed by those industrial undertakings engaged in non-scheduled industries which are not covered under the Industries (Development and Regulation) Act.

The memorandum in 10 copies will be accompanied by a crossed demand draft for Rs.[rupees]1,000 in favour of pay and accounts officer, department of industrial development, ministry of industry, New Delhi. The receipt of memorandum will be acknowledged by the secretariat and a reference number will be given, says an official release.

Another memorandum shall be required to be filed at the time of commencement of commercial production. As reported earlier the memorandum titled "Industrial entrepreneurs memorandum" has already been printed and has been circulated, the release said.

For the convenience of the entrepreneurs, the receipt of memorandum has been fully computerised. Entrepreneurs will be given computerised receipt and reference number immediately on submission of the filled-in memorandum. The department is now fully geared to answer the queries of the entrepreneurs, the release said.

Problems of Formulating Eighth Plan Discussed

91AS1454A Calcutta THE STATESMAN in English
23 Jul 91 pp 1, 7

[Text] New Delhi, 22 July—The Planning Commission Deputy Chairman, Mr. Pranab Mukherjee, today said the Eighth Plan document, aimed at a higher growth rate with emphasis on consolidation of the gains of past investments, would be ready before the Plan was launched on 1 April 1992, with a revised time-frame of 1992-'93 to 1996-'97, reports UNI.

Mr. Mukherjee defended the decision to reschedule the Plan period, saying that the commission had found it would be difficult to dovetail the 1990-'91 and 1991-'92 Plans into the Eighth Plan, which is yet to be finalized, because of the "more than reasonable time lag."

Besides, the commission needed time to assess the impact of the recent economic reforms announced by the Government before planning for development in the next five years, he said.

He pointed out that the economic situation today was vastly different from that at the end of 1989 and the beginning of 1990, when the Eighth Plan was under the consideration of the previous Government.

For the current year, the commission has recommended that the Plan provisions for Central Ministries, as well as the States, worked out by the previous commission, be retained.

Based on this recommendation, the Finance Minister was expected to make necessary provisions, with whatever modifications it might deem fit in the Budget for the year to be presented to Parliament on Wednesday, Mr. Mukherjee said.

Mr. Mukherjee said he had been studying in detail the work on the Eighth Plan already done by the commission under the previous two Governments, especially the material handed over to him by his predecessor, Mr. Mohan Dharia.

Discussions on the details of the Plan could begin only after the commission was reconstituted by the Prime Minister, he said.

Mr. Mukherjee said a higher growth rate, as projected by both his predecessors, was required and the commission would have to consider the instrumentalities for achieving accelerated growth.

"The economy demands higher growth and mobilization of additional resources in a non-inflationary manner," he stressed.

He said the commission would have to look at the resources position and formulate the best possible strategy to achieve a higher growth path, particularly in the context of certain disturbing trends in the economy.

Mr. Mukherjee added that he expected the corrective steps already initiated by the Government to show a favourable impact soon, and enable the launching of the Eighth Plan on a "reasonably solid foundation."

According to Mr. Mukherjee, a 6 percent growth rate in the economy, suggested by the previous commission, was quite feasible.

In this context, he said what was relevant was not the present economic situation but how the economy would change and respond to the reforms already under way. "That will help us decide the target," he said.

Asked about the thrust areas of the Eighth Plan, Mr. Mukherjee said poverty alleviation, employment generation, removal of regional imbalances and strengthening of the infrastructure would have to receive the closest attention.

He was confident that, given adequate resources and proper planning the target of 3 percent growth in employment generation every year should not be a difficult task.

Explaining his ideas about consolidation of the gains from past investments, Mr. Mukherjee cited the example of the power sector.

He said if it were possible to step up power generation out of the 64,000 MW of installed capacity already available, scarce resources could be allocated to more pressing needs.

"This would facilitate some flexibility with regard to the limited resources available," he pointed out.

As far as employment generation was concerned, apart from resources, the incremental capital output ratio would also be a major determinant, he stated.

Asked about the reservations expressed by some States regarding the revised Gadgil formula on allocation of Central assistance to States, Mr. Mukherjee said the views of the commission, as well as those of the States, would be placed before the National Development Council when it met next.

He clarified that allocation for the current year had already been finalized under the revised formula.

To a query about the size of the commission itself, Mr. Mukherjee said the Government was not rigid about numbers but was more keen on getting the right kind of people to join the body.

He said the commission could not plan in isolation but would have to take the new ground realities into account.

Ministry of Industry Releases 1990-91 Report

91AS1465A New Delhi PATRIOT in English
6 Aug 91 p 2

[Text] Better industrial production, favourable investment climate, continued improvement of the small scale sector and employment of 50.3 lakh people in the khadi and village industries are the highlights of the annual report of the department of industrial development in the Ministry of Industry for the year 1990-91, reports UNI.

In tune with an overall impressive performance in the Seventh Plan period, during the financial year 1990-91 figures available up to December 1990 the industrial sector showed a growth of 8.9 percent, over the same period in 1989-90.

In the manufacturing sector, the industry groups which have shown a good performance in the Seventh Plan period include electrical machinery, chemical and chemical products, leather and fur products, paper and paper products and basic metals, however, groups like beverages, tobacco products, jute and wood products showed a decelerated performance.

During April-December 1990, mining and quarrying showed a growth rate of 1.7 percent while power generation showed a growth rate of about 7.1 percent. In the

manufacturing sector, the growth rate has increased to 10.4 percent in April-December 1990.

Some of the industry groups which contributed to this increase include food products, basic metals, electrical machinery, wood and wood products, paper and paper products and cotton textiles.

Industrial investment is showing a consistent upward trend as reflected in the financial assistance sanctioned by the all India financial institutions and capital approvals given by the controller of capital issues.

Approvals for 1989-90 at Rs.[rupees]11,863 crore exceeded the capital approvals for the previous year (1989-90) by 46.1 percent. Approvals in 1990-91 (April-December) at Rs. 9,564.1 crore showed a decline of 13.8 percent compared to the same period in 1989-90. The financial assistance sanctioned by all financial institutions for the year 1989-90 was Rs. 15,729 crore compared to Rs. 14,202.7 crore for the previous year, showing a rise of 10.7 percent. The financial assistance sanctioned by all financial institutions for the year 1990-91 (April-December) was Rs. 12,396 crore which showed a rise of 22.8 percent over the corresponding period in 1989-90.

The small scale industrial sector continued to hold its pride of place as it further generated employment, contributed to the dispersal of industry in rural areas in the enhancement of exports.

A number of small scale industrial units are estimated to have gone up to 418.26 lakh at the end of 1989-90 showing an increase of about 6.7 percent. Over the same period, employment in this sector is estimated to have increased from 113 lakh to about 119, 60 lakh people, making an increase of 5.8 percent. Production in the small sector has been estimated at Rs. 132,320 crore during 1989-90 compared to Rs. 106,400 crore during 1988-89 at current prices.

New measures have been proposed in the light of the emphasis laid down in small scale industries sector for accelerated growth combined with technology upgradation and modernisation for achieving productivity and quality improvements spelt out in the approach to the Eighth Five Year Plan and the statement laid in Parliament in May, 1990.

To ensure adequate and timely flow of credit for small scale industries, a new apex bank known as the Small Industries Development Bank of India (SIDBI) has already been established and started functioning since April 1990.

It is proposed to augment the resource base of SIDBI through budgetary support to so that it is able to play an effective role in improving the credit needs of the entire small scale sector.

Reserve Bank Raises Maximum Interest Rate

91AS1485A Calcutta THE STATESMAN in English
27 Jul 91 p 1

[Text] Bombay, 26 July: Reserve Bank of India [RBI] today announced the maximum rate of interest that financial companies and miscellaneous non-banking companies

could pay on deposits will be raised from 14 percent to 15 percent per annum from, tomorrow, reports PTI.

The new rates will be applicable to fresh deposits and renewals of existing deposits. Hire purchase and equipment leasing companies are at present required to maintain 10 percent of their deposit liabilities in deposits with banks or in unencumbered approved securities. This liquidity requirement is being raised to 15 percent, it was stated.

These companies are being given three months' time for compliance and hence the enhanced liquidity requirement will become effective from 1 November 1991, the RBI release said.

At present, hire purchase and leasing finance companies can accept deposits for periods more than 24 months and up to 60 months. In case, a deposit is withdrawn before the maturity period of more than 24 months no interest can be paid on such deposits, the RBI clarified.

Supplementary Trade Policy Facilitates Exports

Commerce Minister's Remarks

91AS1479A Bombay THE TIMES OF INDIA
in English 14 Aug 91 pp 1, 13

[Text] New Delhi, 13 August: A new package of incentives for the 100 percent export-oriented units (EOUs) and export processing zones (EPZs), strengthening of the advance licensing system to provide exporters with duty-free access to inputs, foreign currency accounts for established exporters, decanalisation of several export and import items and a reorientation of the office of chief controller of imports and exports (CCIE) are some of the major highlights of the supplementary trade policy package announced by the government today.

The commerce minister, Mr. P. Chidambaram, made a statement in the Lok Sabha today which incorporates the initial trade policy reforms on 4 July as also the package of additional steps taken subsequently after extensive consultations with trade and industry.

Addressing a news conference later, he said he hoped the total trade reforms package would change the export environment and turn the terms of trade in favour of exporters. The ultimate objective of the government was to control imports through the mechanism of tariff. With this in view, the import licensing has been reduced further.

The new policy intends to make EOUs and EPZs attractive to exporters. All EOUs and EPZs will now be eligible for Exim [Export-Import] scrips at the basic rate of 30 percent of net foreign exchange earnings. The duty applicable on domestic tariff area (DTA) sales from EOUs and EPZs in being reduced to 50 percent of the normal customs duty subject to the condition that duty payable must not be less than the excise duty on the same product.

To encourage exporters set up EOUs and EPZs, the net foreign exchange earned by EOUs and EPZs can be clubbed with the earnings of their parent or associated

companies in the DTA for purpose of according export house, trading house, or star trading house status for the latter. Further, the international price reimbursement scheme (IPRS) for supply of steel to exporters will also be extended to EOUs and EPZ units.

In line with the industrial policy, the procedure of approvals for EOUs and EPZs is also being streamlined with a system of automatic approvals for import of capital goods for all proposals which fall within certain parameters.

In view of the fact that a number of export and import items have been decanalised, the public sector organisations such as the STC [State Trading Corporation] and MMTC [Minerals and Metals Trading Corporation] are being reoriented to emerge as international trading houses capable of operating in a competitive global environment.

The commerce minister said they would no longer require to inform the commerce ministry about their export and import contracts. Their performance would be reviewed by the government every three months.

The procedure for considering advance licence applications has been simplified to ensure that licenses are issued within 15 days of application in all cases where input-output norms have been fixed. The number of documents accompanying advance licence application has been reduced from nine to three where norms are prescribed and to four where they are not prescribed.

Presently, norms have been prescribed for 540 items. This will be increased to 1,000 items by 31 October. The existing procedures for obtaining bank guarantee and legal undertaking (LUT) from different categories of exporters has also been streamlined and liberalised.

Established exporters will be allowed to open foreign currency accounts to enable them to pay for their essential imports. Details of the scheme will be notified by the Reserve Bank of India separately.

The CCIE is being redesignated as directorate-general of international trade. Its main function would be export promotion.

A number of items of imports and exports have been decanalised. As for imports, six items have been decanalised and placed on open general licence, and another 14 items have been decanalised and placed in appendix 3 so that they can be imported against Exim scrips.

The six decanalised import items are sodium borate, silk worm, old ships, flourspar, platinum and palladium. The 14 items put under Exim scrip are jute pulp, manila hemp, raw sisal fibre, raw jute, alkyl benzene, floppy diskettes, lauric acid, oleic acid, stearic acid, palmitic acid, palm fatty acid, palm acid oil, other fatty acids and soap stocks.

The list of 14 decanalised export items includes castor oil, polyethylene (LD), coal and coke, colour picture tubes, ethyl alcohol or rectified spirit, exposed cinematographic films and video tape cinema films, khandsari molasses, molasses, mill scale scrap, railway passenger coaches and

locomotives, sugar, raw jute and iron ore of Goa origin when exported to China or Europe, in addition to Japan, South Korea, and Taiwan, and low-grade bauxite of west coast origin.

The Exim scrip system has also been further improved. Certain value-added agricultural products will be eligible for an additional Exim scrip entitlement of 10 percent, taking the Exim rate for such products to 40 per cent of FOB [free on board] value.

Such products included value added agricultural products, all electronic products, high-technology engineering products, certain drugs and drug intermediates and fish and fish products.

Mr. Chidambaram said the board of trade has been reconstituted. It would be an apex forum to facilitate close and frequent interaction between trade and industry and the government.

Policy Highlights

91AS1479B Bombay *THE TIMES OF INDIA*
in English 14 Aug 91 p 1

[Text] New Delhi, 13 August (PTI): Following are the highlights of the trade policy statement made by the Union commerce minister, Mr. P. Chidambaram, in the Lok Sabha today:

- Advance licensing system strengthened with streamlining of procedures and cutting down of the number of documents from nine to three where norms are prescribed and to four where there is none.
- Substantial manufacturing activity as a necessary proviso under the advance licensing scheme no longer apply.
- A new scheme of transferable advance licence for general currency area introduced in thrust areas like textiles, leather goods and engineering.
- Procedure for obtaining bank guarantee (BG) and legal undertaking (LUT) from different categories of exporters streamlined and liberalised.
- Exporters allowed to dispose of the materials imported against advance licenses by way of replenishment without seeking prior approval in cases where no MODVAT (Modified Value-Added Tax) facility was availed of on the domestic material used in exports.
- Substantial reduction in the extent of licensing and in the number and types of licenses outlined.
- Supplementary licenses for import of items in appendices 3 (except for SSI [expansion not given]) and manufacturers of life saving drugs and equipment), 4 and 9 of the import-export policy 1990-93 stand abolished.
- Effective from 1 April 1992, additional licenses issued as an incentive earlier to export houses and trading houses would stand abolished.
- A high-level committee to work out modalities on a progressive elimination of licensing and quantitative restrictions on capital goods and raw materials components to be appointed soon.

- Sixteen items of exports including castor oil, coal and coke, polyethylene (ld), colour picture tubes and sub-assemblies of colour TV, containing colour TV picture tubes, khandsari molasses, sugar, iron ore of redi origin, low-grade bauxite and exposed cinematographic films and video tape cinema films decanalised.
- Six items of imports such as silk worm, sodium borate, old ships, flourspar, platinum and palladium decanalised and put under OGL [Open General Letter].
- Sixteen import items including jute pulp, manila hemp, soap stocks, lauric acid, raw jute, floppy diskettes, stearic acid and alkyl benzene decanalised and put under replenishment so as to import them against Exim scrips.
- Export houses, trading houses and star trading houses given leeway to import wide range of items against additional licenses.

Commerce Ministry Forms Trade-Policy Panel

91AS1481A Madras *THE HINDU* in English 17 Aug 91 p 1

[Text] New Delhi, 16 August: The Commerce Ministry has set up a 11-member high level committee on trade policy reforms under the Chairmanship of the Commerce Secretary, Mr. Montek Singh Ahluwalia. The committee has been set up in pursuance of the decision to progressively eliminate licensing and quantitative restrictions on capital goods and raw materials and components so that all these items can be placed on the Open General Licence (OGL) for imports, except for a carefully defined negative list.

The committee, therefore, will work out the modalities of achieving this transition, keeping in mind the balance of payments position and the need to rationalise and reduce tariffs progressively to provide Indian industry with an appropriate environment to develop international competitiveness. The committee is expected to submit interim reports on particular aspects of the trade policy as considered necessary and submit its final report by 30 June 1992.

The terms of reference of the committee stipulate that it has to review the nature and extent of licencing control on capital goods and raw materials in the light of the new trade and industrial policies and quantify the value of imports subject to such restrictions. The review will also include a consideration of the canalisation policies.

The committee is also to suggest a time-frame for eliminating these licences within three to five years with properly defined sequencing, taking into consideration the need to promote exports, ensure effective management of the trade deficit and also to provide adequate time for the domestic industrial sector to adjust to the reduction of import controls. In this, due consideration will be made of the balance of payments position and the desired level of foreign exchange reserves at every stage of the recommended timeframe.

Some of the other tasks of the committee as outlined are the suggestion of an appropriate balance between reduction in control by including items under OGL and shifting items to the expanded Exim [Export-Import] scrip, to identify the list of items which would need to be kept in the licencing category even at the end of five years and to suggest linking tariff reforms aimed at reducing and rationalising tariffs with the import decontrol. The existing system of phased manufacturing programme (indigenisation) as it related to the import policy and a review of the whole range of duty concessions with a view to injecting greater transparency in the import policy have also been included in the terms of reference.

Apart from the Commerce Secretary, the other members of the panel include the Deputy Governor of the Reserve Bank, the Industry Secretary, the Revenue Secretary, the Special Secretary in the Prime Minister's Office, the Chief Economic Advisor in the Ministry of Finance, the Secretary Technical Development, the Economic Advisors to the Ministry of Commerce and Industry and the Advisor in the Planning Commission. The Chief Controller of Imports and Exports (now being designated the Director General of International Trade) will be the Member-Secretary.

Finance Minister on Foreign Investment Policy

91AS1486A Calcutta THE STATESMAN in English
27 Jul 91 pp 1, 7

[Text] New Delhi, 26 July: Stating that "foreigner-bashing" was not good for the country, Dr. Manmohan Singh, Union Finance Minister, said the Government was ready to negotiate foreign investment proposals from multinational companies with equity participation exceeding the 51 percent limit, specified in the new industrial policy, in the interest of acquiring new technology.

Addressing a Press conference, the Finance Minister, along with his four other Ministerial colleagues, said such proposals would be considered on a case-by-case basis, in high priority areas, by the specially empowered board to be set up shortly.

Dr. Singh said these multinationals could even have 100 percent foreign equity provided the entire production was directed towards exports. Asked if the equity limit would be raised to 100 percent if part of the production was for domestic market, Dr. Singh said while this might not be possible, foreign equity beyond 51 per cent was possible in select cases.

Dr. Singh said this flexibility provided in the industrial policy would enable India to attract several multinationals trying to vacate Hong Kong in the light of the island merging with mainland China in 1997.

Other present at the Press conference were Mr. P.J. Kurien, Minister of State for Industries, Mr. K. Vijay Bhaskar Reddy, Minister for Law, Justice and Company Affairs, his Minister of State, Mr. P.R. Kumaramangalam, and the Minister of State for Industry, Mr. P.K. Thungon.

Mr. Kurien mentioned that the package of measures for the small and tiny sector would be announced next week.

Allaying fears about inherent risks in inviting multinationals, Dr. Singh said the fears were valid 45 years ago when the country attained Independence, but now a new class of officers, industries and entrepreneurs had been created in the country.

"Any such apprehension on allowing foreigners only displayed a lack of self-confidence," Dr. Singh said. he cited the example of Singapore, a tiny island where thousands of multinationals had established units, but where the country had maintained its economic independence. He said at the moment India was in a different ball game. "Even China and the Soviet Union have drastically changed their approach towards foreign investments."

Asked why the Government had chosen to give automatic clearance to up to 51 percent foreign equity in selected areas, the Finance Minister replied that this percentage would create an inducement mechanism to the multinationals to bring top class technology.

Dr. Singh said the earlier limit did not give them the control over enterprises and they were not willing to bring in superior technology into the country as a minority shareholder. It should be understood that these were profit-making ventures and if the profits were shared without creating any drain on the country's foreign exchange, there could be no objection, he added.

Under the new industrial policy, majority foreign equity holdings up to 51 percent will be allowed in 34 industries provided the foreign exchange requirement is met for imported capital goods covered by equity and the outflow on account of dividend payment should be balanced by export earning over a period of time.

Minister Singh's Stand on Budget Debate

91AS1468A Bombay THE TIMES OF INDIA
in English 7 Aug 91 pp 1, 11

[Text] New Delhi, 6 August: The government today gave total exemption from the hike in fertiliser prices to small and marginal farmers, offered some relief to big land-owners, but refused to make any other concession with regard to sugar, petrol and several other items, prices of which have shot up following the new budgetary imposts.

The concessions were announced in Parliament by the Union finance minister, Dr. Manmohan Singh, while he was replying to the budget debate. In all, the exchequer would lose Rs.[rupees] 450 crores as a result of the exemptions given to small farmers. Despite strong pressure from the opposition, the finance minister did not relent on the increase in the price of cooking gas.

The government scaled down the increase in fertiliser prices for big farmers from 40 percent to 30 percent. The finance minister's tough stand on the price of fertilisers for big land-owners provoked noisy interruptions from the

opposition benches. But, when he had finished his speech, Dr. Singh was warmly felicitated by members from both sides of the house.

Defending the budgetary proposals, he said that for the first time in many years the deficit was brought down by 1 percent of the gross domestic product [GDP] and gave the assurance that the fiscal deficit will not be allowed to exceed 6.5 percent of the GDP.

Dr. Singh announced the scaling down of the fertiliser price from 40 percent, while exempting small and marginal farmers from the price hike. The later would be supplied fertiliser at the old rates.

As he said this, he was applauded by the treasury benches, and the opposition, which had consistently attacked the government on this point, was effectively silenced. The Congress members had joined the opposition in demanding a reduction in the steep rise in fertiliser prices, which resulted from the proposal to withdraw subsidies.

The minister said that he would lay aside Rs. 405 crores to pay for the subsidies of the small and marginal farmers. He told the house that small farmers, with 76.3 percent of land holdings, consume 30 percent of fertilisers in the country. Dr. Singh said the decision to restore subsidies reflects the government's irrevocable and continuing concern for the marginal peasant.

He noted that the government had hoped to raise Rs. 1,800 crores by slashing fertiliser subsidies, but with today's announcement, the amount would come down to Rs. 1,350 crores. Replying to clarifications sought by members, Dr. Singh said that as a result of the reliefs announced today, the budgetary deficit would go up by Rs. 800 crores to Rs. 900 crores.

He, however, did not spell out from where he would raise the money or how the new scheme will be implemented. He said that agriculture minister will have to work out the details after consultations with the various state governments.

The finance minister, while justifying the need to go to the International Monetary Fund (IMF) and the World Bank for funds, assured members that while accepting some of the guidelines necessary to obtain the money, there was no danger of accepting any suggestions which went against the larger interests of the country. He gave an impassioned speech on the necessity of going to the IMF, and accepted that the conditions were inevitable if we wanted the loans.

He reminded members that the country had dealt with the IMF and the World Bank even during Pandit Jawaharlal Nehru and Mrs. Indira Gandhi's time. He pointed out that even China and the Soviet Union were lining up for the IMF funds. He wanted to know why "we (India) should advocate self-denial." He also reminded the opposition that neither the World Bank nor the IMF were eager to rush funds to India.

De. Singh recalled that members like Mr. Atal Bihari Vajpayee, had wanted to know the conditions set by the

international agencies for lending the money. He said that "the logic of fiscal discipline," structural changes and reduction in the government's expenditure were some of the conditions.

The finance minister said the IMF rules were learnt to ensure that the money it would inject into the economy would be repaid. He agreed with the IMF that fiscal control had to be maintained, adding that the IMF was not a charitable institution, but lent money and insisted on recovering its dues.

The minister pointed out that the decision to bring down the fiscal deficit to 6.5 percent of the GDP was an undertaking given to the IMF by the Chandra Shekhar government.

He explained that the unsustainable deficit in our current account reserves will have to be bridged for India to become a viable proposition for investments from abroad. He reminded the house that even non-resident Indians (NRIs) would not invest in the country if there was no fiscal and economic stability. In the last few months, the NRIs had taken out money to the tune of Rs. 100 crores to Rs. 150 crores from the country. He asked members to be aware of the harsh situation in the country.

Dr. Singh also said that he was willing to consider any suggestion from the opposition leaders on how to bring down the deficit and introduce financial discipline in the economy. He challenged the opposition parties to offer a better economic package.

He noted that several members had said during the course of the debate that the government was pro-industry, anti-worker, and anti-rural. Dismissing these charges, he explained that the existing protection enjoyed by the industrial sector was discriminatory, and biased in favour of the urban sector. By removing the protective measures favouring industry for so long, he was throwing open the country for healthy competition.

He said that the Congress was for participation of workers in management, but several aspects of the issue would have to be studied. More discussions and proposals must be considered before a comprehensive bill on the issue could be brought into Parliament.

He said there were several models to be studied, including the West German experiment. He assured Mr. Ram Vilas Paswan, who wanted clarification on the subject, that the whole question would be given serious attention. Moreover, trade union leaders would be invited soon for discussions on the new structural adjustments envisaged by the government.

The finance minister said that the government would gradually reduce protection to the fertiliser industry and encourage competition.

Making clarifications sought by members during a 30-minute discussion on subsidy on food and fertiliser in the Rajya Sabha, he expressed the government's keenness to keep fertiliser prices under control.

He justified the increase in fertiliser prices in the latest budget, pointing out that the country did not have adequate foreign exchange to import large quantities to meet the requirements.

He also noted that the fertiliser subsidy had shot up from Rs. 500 crores to Rs. 6,000 crores over the last decade, leading to "distortions" in the economy.

Dr. Singh said the government had formulated a scheme to distribute fertilisers among small and marginal farmers. The decision to exempt them from the increase in fertiliser prices was a step in the right direction.

Dr. Y. Sivaji of the Telugu Desam Party, who initiated the debate, criticised the increase in fertiliser prices, which had been rising steadily over the last ten years.

The agriculture minister, Mr. Balram Jakhar, said he would be meeting representatives of farmers from various states here tomorrow to discuss how cultivators could be compensated for the loss resulting from the cut in fertiliser subsidy.

Mr. Jakhar said he was personally against the reduction in subsidy as a farmer, but supported the decision in the interest of the nation.

ADB Loan To Alleviate Gulf War Effect

91AS1470A New Delhi PATRIOT in English 23 Jul 91 p 7

[Text] Singapore, 22 July (ANI): The Asian Development Bank (ADB) today formally sanctioned a loan of 150 million Dollars for India.

The loan, from the bank's ordinary capital resources, has been given to India to alleviate economic difficulties brought about by the Gulf crisis.

The special assistance will provide imported diesel inputs to India to minimise disruption to industrial production. India's industrial sector directly accounts for the third of the gross domestic product.

IMF To Grant Emergency Loan, Standby Credit

91AS1471 Bombay THE TIMES OF INDIA in English 17 Aug 91 p 1

[Article by Tapan Dasgupta]

[Text] New Delhi, 16 August: India has reached an understanding with the International Monetary Fund (IMF) for an emergency loan of over \$300 million under the IMF's compensatory contingency financing facility (CCFF) and for stand-by credit of \$2 billion.

However, while the emergency loan is expected to be released by the end of this month, the IMF would like the government to take effective steps on fiscal adjustment before it announces the stand-by loan. The IMF wants to be sure that the government will reduce its expenditure by Rs.[rupees]1,500 crores over the budget estimates to actually bring down the fiscal deficit to 6.5 percent of the gross

domestic product (GDP). In view of this, the stand-by credit is not likely to be announced before mid-October.

The formal letter from the finance minister, Dr. Manmohan Singh, to the IMF managing director for the emergency loan and the stand-by credit has been finalised following detailed discussions between Indian officials and the IMF team.

Dr. Singh has reportedly agreed to reduce the government's expenditure by at least Rs. 1,500 crores during the current financial year after the IMF team raised doubts about the budgetary estimates of revenue and expenditure.

The IMF team was particularly disturbed by the government backing off the fertilizer subsidy reduction. This has resulted in an estimated increase in government expenditure by at least Rs. 800 crores. The IMF team also felt that the estimate of customs receipts was not realistic and should be reduced by at least Rs. 1,000 crores.

The IMF team insisted that the government's expenditure should be reduced. Negotiations with the IMF team were on the verge of a break-down when the finance minister intervened and promised that the government expenditure will be cut by Rs. 1,500 crores.

Dr. Singh's letter will also make commitments not only regarding the fiscal deficit this year, but also during 1992-93. Structural reforms, including a reduction in import tariffs, will also be promised. After releasing the first quarterly installment of the stand-by credit, the IMF would wait till the presentation of the 1992-93 budget before disbursing the second quarterly instalment.

Despite his assurance in the budget speech that plan expenditure would be protected, Dr. Singh has found no alternative but to cut the plan expenditure under the present circumstances. He met the deputy chairman of the planning commission and a meeting was held today between the expenditure secretary and the secretary of the planning commission.

An exercise has been launched by the commission for an across the board reduction in the Centre's budgetary support to the plan. Although the IMF team does not welcome a reduction in the government's investment expenditure, the means of bringing about a reduction in the fiscal deficit, either by lowering consumption expenditure or investment expenditure, is the prerogative of the government.

The softer option of cutting the plan expenditure has been chosen because the political leadership is unable to muster enough courage to reduce the government's revenue expenditure. Dr. Singh has also become wiser after the government had to wilt under pressure and exempt small and marginal farmers from the proposed hike in the fertilizer prices.

Budgets Provisions on Agriculture Scored

91AS1402A Madras *THE HINDU* in English 5 Aug 91
p 8

[Article by Janata Dal Leader and former prime minister
V.P. Singh]

[Text] Before I comment on the budget as such, and through that on the general economic situation, let me first deal with the important question of fertilizer subsidy which has been slashed by the Congress(I) Government and fertilizer prices raised by 40 per cent at one stroke.

When we look to our economy, it is obvious that agriculture is still its mainstay. I do not hold the view that agriculture and industry are antagonistic to each other. My view is that we need a strong industrial base for a strong India. Growth of industry reinforces that of agriculture and when agriculture prospers, the purchasing power of the rural people increases and this provides the market for industrial goods. It is a symbiotic existence. When there is drought, industry suffers. When there is a good crop, industry prospers.

Farming and GDP

Now see what has happened. The share of agriculture in the Gross Domestic Product (GDP) used to be above 50 per cent but it has come down to 30 per cent roughly. Well, there is nothing alarming in this because as the economy grows, the share of agriculture does drop. But what is of concern is that population has more or less remained at the same percentage in rural areas. There have been shiftings to the city side but the drop in population has not been of the same order as compared to the drop in its share in the GDP. That means the per capita contribution of the rural side in the GDP has fallen. That is one aspect.

The second thing is that the terms of trade, so far as agriculture is concerned, have progressively deteriorated. This means that the prices for what the farmer buys have gone up at a much faster rate than the prices he gets for what he sells. This mechanism has impoverished the rural sector, it has sucked out the resources from the rural areas. Also the fact that there is stagnation of real investment, or should I say tapering off, a plateau in the investment in the rural sector has resulted in a situation in which it is not as lucrative to be engaged in agriculture as we think. Even in Government investment there is tapering off in real terms.

One last point. If you take into account inflation, that is, deflate farm prices for inflation, you will see that farm prices have remained stagnant. So this gives us a total scenario where the capacity of this sector to invest is falling. But in this scenario at this juncture, hiking of fertilizer prices makes the terms of trade still more adverse in a key sector of our economy. That is the objection. I am not for any sustenance of regimes of subsidies. But mechanically trying to raise prices can have a deleterious effect. If you have built a house with certain bricks and if you want to remove it suddenly, then you must take precautions to provide some support, some pillar before removing them, because otherwise, the roof will collapse.

Ways To Reduce Subsidies

There are other ways to reduce subsidies, mainly by more efficient production and thereby reducing the cost of production and thus bringing fertilizer prices down and cutting subsidies. This is one route.

Now let us come to the other side. The structure of fertilizer subsidies is peculiar, to say the least. We have hardly any other industry which has this system where we have told the industrialists that we will guarantee 12 per cent post-tax profit on your investment. If you also take into account the investment allowance and all that, then it comes to a much higher figure than this 12 per cent. So there is no pressure on the industry, even for resource allocation.

I have even come across a case where the price of the plant was inflated. That means through the mechanism money could be siphoned out of the country and on the inflated price we would be giving subsidies. So this is a gift packet from the tax payer.

For instance, in a Rs.[rupees] 1,000 crore plant, say the price is inflated by Rs. 100 crores, then with the help of the seller on that side, this RS. 100 crores extra foreign exchange can be stashed away and on this Rs. 100 crores every year the Government will be paying Rs. 12 crores at least additionally. After say eight years or so, and taking into account all other allowances, the money is back with the investor and after that the gift packets are there. I don't think any other industry has been guaranteed such terms, not even the public sector. It is really peculiar. The argument for extending these benefits was that huge investments were necessary in the fertilizer sector, but in the public sector also we have got huge investments. Have you guaranteed your own public sector this 12 per cent profit? I mean it is a very odd mechanism. Anyway it is there.

But that is not all. You also did not give a free hand to the industry to choose the technology. A certain technology was imposed, from an Italian firm. It is now known, and there have been many questions raised about it that in this technology for one tonne of production of fertilizer much more energy is consumed, more electricity is consumed. So now, the farmer is called upon to pay more. Why—for the inefficiency, for the wrong choices? If it was such that there was efficient running and still the exchequer was paying and the farmer was asked to pay the economic prices, well then it is all right. But he is now paying for the wrong decisions and generation after generation he is being looted on this. How does the economy of the farm make up for the inefficiencies in the other sector?

Making Industry Competitive

Therefore, the Government ought to have come very clear on this. How is it going to address this issue? Now if efficiency is the hallmark, which they are trumpeting, let them be true to their proclamations and come out with a policy to make the fertilizer industry competitive and bring it out of its ancient technology.

There is another point I want to ask. We know some quantity of fertilizer is imported and this imported fertilizer is cheap. There is no need for any subsidisation of that fertiliser. Then why is the price hiked? It seems you are loading everything on the farmer. Now you are liberalising and if you believe in the liberalisation philosophy, then why not this liberalisation benefit reach the farmer? Why this hiking the price, managing the price, increasing it? What is the strategy? Have efficient production so that the farmer can get fertilizers at prices at the same economic cost.

The foreign exchange rate will see to it that the prices will go up. But what is to be seen is that for every unit of raw material consumed, of crude and electricity, the amount of fertilizer that is produced in other countries, the same amount should be produced in this country also.

Since agriculture is so predominant in our country, the poser is how to tackle this issue rather than mechanically, administratively just loading everything on to the farmer. Therefore, we have come to the conclusion that this debate has to be forced and we are not going to accept this price hike of fertilizers because in the total context it is not going to help. We have to see the other effect also. Now if the fertilizer subsidy goes down then the argument is that the hiked price of the fertilizer will be neutralised by increases in procurement price. But large sections of farmers just don't sell their produce, they don't have a surplus and even those who have a surplus do not sell all of their produce. This argument—of neutralisation—does not hold good. So in this context we intend to mobilise farmers all over the country; the first stage will be putting this issue to the people, mobilising their opinion, demonstrations at district levels and a massive rally in the capital sometime in September.

Financial Crisis

Now let us turn to the general economic crisis. This financial crisis has not developed overnight but has been building up over the last 10 years. Earlier there used to be a revenue surplus and from your revenue income and revenue expenditure there used to be surplus which could be invested. This started diminishing and finally the revenue expenditure was greater than the revenue income. That means that even for your daily expenses you had to take loans, not to say of investments. We had no savings to invest. Though mostly it was internal borrowing it also incorporates foreign exchange expenditure, to which I will come later.

In 1986, when I was the Finance Minister, I brought a paper before the Cabinet, projecting through slides and graphs, as to how the picture will emerge four or five years later. Taking the variables from the Plan document itself, the growth rates from there, (except for the public sector contribution which is always too optimistic—I knew this very well as Finance Minister—that variable I took from past averages). This projection clearly brought out that by 1990 the country will be in a deep financial crisis. It was absolutely crystal clear and I told the Cabinet that look, the tree is there and the car is going straight to hit it. Still we

had four years, and if the Government could apply the brakes right then, the accident could be averted.

Earlier Decisions

It took me two or three months to get the measures approved and by the time this happened, I was removed from the post and it seems they were not followed up. These documents are still there in the Finance Ministry, the recommendations are there as approved by the Cabinet. One of the things which was happening there was the practice of continuous budget sessions in the Cabinet, that is practically every Cabinet meeting was discussing more allocations for some particular Ministry or the other. I told Rajiv Gandhi that this cannot happen. The Budget had been passed and we could not go on approving increases or something. I also started insisting that if any proposal outside the budget comes, it should be indicated from where the financing would come—from a cut in expenditure, more revenue or extra allocation.

Anyway, today my conscience is clear. I have done my duty as Finance Minister to have apprised the Prime Minister and the Cabinet of the emerging situation. Of course my analysis was basically on the financial side and not a balance of payments (BOP) analysis. I had also wanted to put this document before Parliament so the country knew the correct situation and we could take the help of the people to take hard decisions. But the decision was not to present the document to Parliament.

Now what happens in such a situation. You continue your spending, don't restrain it. The Budget is passed by Parliament, the deficits are there, though the deficits are much larger than what is reflected in the Budget (I, however, tried to take the members into confidence because I also used to include the loans taken from the Reserve Bank since that is also part of the deficit). But nobody in Parliament or the Government knows how much a foreign exchange has been cleared for spending. For instance, if you clear a Rs. 80,000 crore Budget, it will still not be known how much foreign exchange will be spent by the country and what actually is the availability. This is because the Budget is cleared in rupee terms, that is projects are sanctioned in rupee terms, but nobody knows how much is the foreign exchange commitment we are making while passing the budget. Let me explain. Certain projects have a 30 per cent foreign exchange component, some more or less, but what will be the actual outgo in terms of foreign exchange is not clearly laid down. That is why I have demanded that a foreign exchange budget should become an integral part of the regular budget.

The first time when I came to the Finance Ministry, the foreign exchange budget was made ready only in October, which made little sense because the financial year had started in April. From the next year, I thought it will be presented in the budget session of Parliament. But after that I was not there. So this discipline has to come and should be extended to borrowings also. There is this Constitutional provision (Article 292 I think) which can be invoked to control the borrowing by the Government. Because I can tell from my experience when I was Finance

Minister there was a lot of pressure to take short term foreign exchange loans, commercial loans. I did not allow it as long as I was in office. I said by taking these loans, our attention will not go to the real malady, only short term measures will be taken. It is like taking Crocin for malaria and not taking the proper drugs. So I did not allow it. I said let some pressures build up, it will force us to think and we will find out a way because short term loans we will have to repay within three months or six months and there immediately comes a crisis of credibility. After I was removed from the Finance Ministry this short term borrowing started, after January 23, 1987.

This went on piling after that and when we came to power we stopped it in February 1990—May be in December and January some loans may have come. I don't know, but as it was brought to our notice, Mr. Madhu Dandavate stopped it. So what I want to say is that the financial crisis has been brewing over a period of time and suddenly to wake up and say that it has happened only in 11 months of the National Front rule is not correct. Therefore, I reiterate that the foreign exchange budget should be presented and it should have the same sanctity as the regular budget if we are serious about managing the BOP problem. The Government should come out with the foreign exchange budget and in case there is need to exceed the spending limit, it should come through a supplementary demand as in the case of the regular budget. Then there will be public control of the foreign exchange expenditure.

Zero Base Budgeting

Next is zero base budgeting process which I had started. I think if the Government is serious about expenditure cutting, they should start zero base budgeting. I know in certain areas it is difficult to do it overnight but an effort should be made to start the process.

Now comes the question on whether we support the budget and some of the other policy measures. You see we have also said that the challenges that have come up before the economy have to be tackled. One of them is the international one. If we have to earn foreign exchange, we have to compete for it. We have to be qualitywise and pricewise competitive. So there is a realistic need to modernise. That is a reality. On the other side it is the Indian reality that we have a very large number of people who are unemployed and employment is a real issue for the people as it concerns their life. Now these are two hard realities. So instead of each looking from his window only—one looking at the scenario outside the country, international market only, and the other only looking at the domestic side—we should find an Indian synthesis, our own solution. We have to look from the roots, both are necessary for this synthesis. How do you do this?

I suggest that the Government should take every section into confidence. Therefore, trade unions, Government, employees, employers, all should have a dialogue. There should not be just one or two formal meetings and then say it is over. Let it be a prolonged one. Let there be differences. Then one can see how to handle both the requirements—the need to be competitive and also to provide as

much employment to our people. Modernisation in some sectors may give several times multiplier effects in other sectors, that is very important. But sometimes in that very compound there could be displacement of labour. So we have to see what is the human face of our policy. The whole issue has to be addressed in more concrete terms, mere platitudes are not relevant.

Deregulation

About deregulation, well we were also for cutting much of the quota-licence [word illegible] because it was counter-productive. Domestic competition we have to increase and this discretionary control like licences and quotas which is exercised from the clerk to the minister takes time, creates mis-allocation of resources and breeds corruption. So there should be non-discretionary controls. Like if we want investments in say items of mass consumption, let the financial regime be favourable to it, let the interest rates be lower so that the decision is taken at the entrepreneur level. At the same time as we make our domestic industry more competitive, we should be careful in their exposure to foreign competition. They should be exposed to foreign competition but here we have to function like a trainer, like the coach for an athlete. We have to train them and not break their bones!

Our Indian industry has been active. After all in self-reliance also in our economic freedom if we could hold out against various powers till now, if India could have a voice it is our farmers and our industry which have contributed. It goes to their credit. Yes, we do have a high cost economy, a protected economy and much has to be discarded, but in this flush we have to see that we don't wipe away our mainstay. I mean in certain consumer items we don't need foreign investment, our products are as good as the best. In the past we have allowed foreign investment in things like toothpaste, lipstick, cosmetics, soaps, shoes, etc., and now to honour our commitments we have to continue with them. But Indian industrialists could produce all these as well. Where we need foreign investment is for exports. So I think this balanced approach will be necessary.

As for the loan from the International Monetary Fund (IMF), I think the Government should come out with how much amount it wants to borrow, why so large an amount is necessary and what are the conditionalities and how will it be repaid. These facts are very important.

Center Announces Policy for Small-Scale Industry

Policy Summarized

91AS1469A Bombay THE TIMES OF INDIA
in English 7 Aug 91 pp 1, 13

[Text] New Delhi, 6 August: The government today raised the investment limit for tiny enterprises to Rs.[rupees]5 lakhs from the present Rs. 2 lakhs and gave recognition as small scale industries to all industry-related service and business enterprises.

The government also announced that "other industrial undertakings" would be allowed equity participation in small-scale units up to a maximum of 24 percent of the total shareholding.

The new industrial policy for the small and tiny sectors placed before Parliament today did not define "other industrial undertakings."

This would mean that industries, both large and medium belonging to the Indian and foreign sectors will be allowed equity participation in small-scale units.

The government promised that the small-scale sector would be further "deregulated" and "debureaucratized" to remove all fetters on its growth potential. All statutes, regulations and procedures would be reviewed and modified to ensure that their operations do not militate against the interests of the small and village enterprises.

Industry-related service and business enterprises, irrespective of their location, would be recognised as small-scale industries and their investment ceilings would correspond to those of tiny enterprises.

The policy contains a separate package for the tiny sector. While the small-scale sector would be mainly entitled to one-time benefits like preference in land allocation, power connection etc., the tiny enterprises would also be eligible for additional support on a continuing basis, including easier access to institutional finance, priority in government purchase programme and relaxation from certain provisions of labour laws.

The scope of National Equity Fund Scheme will be widened to cover projects up to Rs. 10 lakhs for equity support. A single window loan scheme has also been enlarged to cover projects up to Rs. 20 lakhs with working capital margin up to Rs. 10 lakhs. Composite loans under single window scheme, now available only through state financial corporations and State Small Industries Development Corporation would also be channelised through commercial banks.

A special monitoring agency would be set up to oversee that the genuine credit needs of the small scale sector are fully met.

Regulatory provisions relating to the management of private limited companies are being liberalised. A Limited Partnership Act will be introduced to enhance the supply of risk capital to the small scale sector. Such an Act would limit the financial liability of the new and non-active partners to the capital invested.

To facilitate location of industries in backward areas and to promote stronger linkages between agriculture and industry, a new scheme of integrated infrastructural development for small-scale industries would be implemented with the active participation of state governments and financial institutions.

A technology development cell would be set up in the Small Industries Development Organisation [SIDO] which would provide technology inputs to improve productivity.

Marketing promotion would be undertaken through co-operative, public sector institutions, other professional and marketing agencies backed up by such incentives as considered necessary.

The National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name. An export development centre would be set up in SIDO to serve the small scale industries through its network of field offices to promote exports.

Schemes for the handloom sector would be redesigned keeping in mind the local and regional needs. Constraints of coverage will be removed so as to include bulk of the weavers who are outside the corporate and cooperative fold. Janata cloth scheme which sustains weavers often on a minimum level of livelihood will be phased out by the terminal year of the eighth plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernisation of looms, training, provision of better designs and better dyes and chemicals.

A vastly enhanced role for the National Handloom Development Corporation has been envisaged. The handicrafts sectors will get an integrated development thrust to enlarge its production base.

The policy said adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small scale sector, particularly the tiny sub-sector.

Policies would be so designed that they do not militate against entry of new units. Based on the capacity needs, tiny/small scale units would be given priority in allocation of indigenous raw materials.

The policy said government would continue to support first generation entrepreneurs through training and would support their efforts.

Policy Highlights

91AS1469BBombay THE TIMES OF INDIA in English
7 Aug 91 p 13

[Text] New Delhi, 6 August (UNI): The following are the salient features of the new small-scale industrial policy announced by the minister of state for industry, Mr. P.K. Thungon, in the Lok Sabha today:

- Single window loan scheme will cover projects up to Rs.[rupees] 20 lakhs.
- A special monetary agency to be set up for the small-scale sector's credit needs.
- Participation by industrial undertakings allowed in the small-scale sector.
- A limited partnership act will be introduced to limit financial liability of partners.
- A new scheme of integrated infrastructural development to be implemented.
- A technology development cell to be set up.
- Incentives and services package to be delivered at the district level.

- Mass consumption items to be marketed under common brand name.
- An export development centre to be set up.
- "Women enterprises" redefined.
- Janata cloth scheme is to be replaced by an omnibus project package scheme.
- More incentives to handloom and handicrafts sectors.
- Khadi and village industries commission and boards to be expanded.

Leftist Conference on Economic Policy Reported

Economists, Communists Speak

9IAS1456A New Delhi PATRIOT in English 20 Jul 91
p 3

[Quotation marks as published]

[Text] A six-member committee was formed at the Left parties' sponsored anti-IMF convention in the Capital on Friday to study the note on an alternative economic policy, formulated by the West Bengal Left Front Government. The committee, while taking into consideration suggestions from larger number of people, is to make the required amendments.

The panel of economists, comprises Prabhat Patnaik, Arun Ghosh, CP Chandrashekhar, Subroto Bannerji and CPI-M secretariat member Sitaram Yechury. The day-long convention, organised by the Communist Party of India (CPI), the Communist Party of India-Marxist (CPI-M), the Forward Block and the Revolutionary Socialist Party (RSP), was attended by eminent economists, journalists and political leaders.

"The argument of no alternatives to the loan speaks volumes for the level of integrity of economists and intellectuals," observed Prabhat Patnaik, professor, Jawaharlal Nehru University. Emphasising the need for a growth-based economy structured on an expansion of the domestic market as the only viable alternative, Prof. Patnaik, said that the alternative is to convince the people. "Not just for the government to act, but also to prove our credentials."

The imperative need now is to reduce panic in the economy. "There has been deliberate efforts to increase the level of panic to undermine the confidence of the people," Prof. Patnaik alleged. "Was it necessary to physically shift gold to foreign banks? Would not have the international banks, as is customary, given a loan against Government assurances?" he asked.

The crisis, as perceived by the economist, is entirely financial, not linked to any sectors of the economy. It is a crisis of losing the confidence of foreign investors and the 'flight of capital from the country.'

The speaker also expressed scepticism over guarantees of investment by multinationals in a country, plagued by problems of secessionism and social instability. Also, a part of a sovereign economic strategy, there will have to be controls, Prof. Patnaik asserted.

The alternate economic strategy, he opined, should have provisions for education, health and employment for all, in addition to implementation of the long-overdue land reforms and devolution of resources to the States.

Dwelling on the 'economic philosophy' initiated since the mid-80s, Dr. Ashok Mitra, economist, said that it is aimed at pampering the top 10 percent in the country at the cost of the vast impoverished masses. Dr. Mitra also suspected that the extended \$7-billion loan may not be forthcoming immediately, till more is squeezed out of the government. "Patriotism," he said, "has become synongomous with surrender to the IMF dictates."

On devaluation of the rupee, the economist felt that it will be a repeat of the 1966 scenario. Devaluation, the speaker surmised, will increase import prices. Also obligatory will be the condition to augment the volume of imports. "Internal contradictions within the Congress will prevent other reforms from taking place," added Dr. Mitra.

The economist alleged that the Government has kept the nation in dark about the total sum of foreign debt or the payment required to be made in the various stages. Dr. Mitra said that ironically, even while foreign countries have been taken into confidence, the people here are kept ignorant.

Taking the cue, N. Ram, editor, FRONTLINE urged that the most important issue today, is to break with this pattern of secrecy. "What could possibly justify keeping the IMF conditionalities under raps?" he asked while criticising the 'diversionary explanation' that its knowledge will crete panic in the capital market.

Recalling the 1981 exposures of IMF conditionalities by him, Mr. Ram called upon the journalists to make an all out effort to obtain the high-condition documents. He was also confident that unlike the Congress regime of Indira Gandhi in 1981, the present minority government will not be able to weather the public outcry against such exposures.

Addressing the gathering Harkishan Singh Surjeet, CPI-M politburo member said that a delegation of Left parties is scheduled to meet shortly the Prime Minister and the Finance Minister to discuss the controversial issue. He alleged that even while the Government talks of consensus, other parties are not taken into confidence in the formulation of major policy decisions. Pointing out that the decision to go in for an IMF loan was not sudden, Mr. Surjeet said that the World Bank has been over the years making sustained efforts in this direction.

CPI general secretary Indrajit Gupta emphasised the need for mobilising the masses and educating them about the IMF conditionalities. Giving in to the IMF prescriptions, the CPI leader said, would be tantamount to a surrender of the political and economic sovereignty of the country. Forward Bloc leader Chitta Basu said, "Even if we do not want the Government to fall, it cannot be allowed to sell the country in order to avoid a mid-term poll."

Demanding a White Paper on the Balance of Payment position, economist Arun Ghosh pointed to the unjustifiable secrecy in the public domain. Emphasising the rapid rate of import liberalisation, the speaker said that the Government is importing power plants at twice the cost of those produced by the Bharat Heavy Electronics Limited (BHEL).

Conference Statement

91AS1456B New Delhi PATRIOT in English 23 Jul 91
p 1

[Text] The convention in defence of economic sovereignty, sponsored by the Left Parties and held in the Capital during the weekend, has categorically rejected the series of policy decisions announced by the Narasimha Rao Government to tackle the serious economic crisis facing the country.

According to the statement issued by the convention, the two-step devaluation of the rupee by more than 20 percent, the new trade policy measures, the proposed industrial policy resolution that is expected to dilute the MRTP [Monopolies and Restrictive Trade Practices] Act and FERA [Foreign Exchange Regulations Act], opening the doors to multi-national corporations and indiscriminately privatising the public sector, and the likely imposition on the working class, of the burden of adjustment necessary to correct the Balance of Payments problem caused by the foreign exchange profligacy of the rich, are all being pursued without informing Parliament and the people.

Despite repeated demands, the Government has not yet brought out a White Paper on the precise nature and causes of the foreign exchange crunch and the compulsion facing the country, the statement said.

The shroud of secrecy over its efforts to fulfill the stringent conditionalities set out by IMF from which the Indian Government is seeking a loan of \$7 billion, goes together with statements by Government spokesmen and measures like the export of gold by Reserve Bank of India, which clearly create a sense of panic and bolster the view that borrowing from IMF is inevitable.

The convention rejected the argument that there is no way out for the country but to go in for an IMF loan and accept conditionalities.

The convention reminded the people that it was the path of liberalisation pursued during Rajiv Gandhi's regime and not controls and regulations which is root cause of the recent serious crisis in imports that fed an elitist and import intensive production structure as well as all kinds of non-commercial Government imports.

These imports were financed by indiscriminate international borrowing which included short-term loans that accounted for almost 50 percent of additional borrowing in 1988 and 1989.

The statement alleged that "a propaganda campaign has been launched through much of the private and official

media to disinform and convince the people that there is no alternative to going the IMF way" adds UNI.

The convention stressed that the IMF "path" did not offer any solution to the present crisis.

"The experience of countries which have been forced to accept the IMF's structural adjustment and stabilisation policies underlines this danger. Argentina, Brazil, Jamaica and a lot of other countries have been convulsed politically and socially by the adjustment policies which have cut back on welfare measures and left the people defenseless in the face of inflation and growing unemployment.

The convention suggested that there existed an "alternative path" which could help overcome the present crisis and "safeguard our economic sovereignty."

The period of austerity requires stricter curbs on non-essential imports, the postponement of import-intensive and low priority investment projects and the rescheduling (and, if necessary, pruning) of defence linked imports," the statement added.

The convention was of the view that these measures should be accompanied by a crash programme of exports, that relies on strategic placement and marketing rather than just price adjustment. Efforts should be launched to obtain fresh loans on a medium-term basis from Indian workers abroad and other NRI [nonresident Indian] investors and the conversion of some current short-term loans into medium-term ones.

The Government should also take steps to bring back to the country unrepatriated export earnings which alone reportedly amount to \$1 billion, the statement said.

A combination of such measures should restrain foreign exchange outflow and ensure adequate inflow to meet the immediate shortfall of two to three billion dollars and ease the foreign exchange shortage, the convention opined.

"Reforms in the economy are essential. But these need not be along IMF dictated lines. The main means to bring down the fiscal deficit should be direct taxation and reduction in essential and wasteful Government expenditure."

The Left parties convention said there was no reason or not imposing wealth taxes and the "large monopoly houses that have built up huge assets should be brought into this net."

The statement said "while austerity is called for in the face of serious economic situation, the burden of this austerity must be primarily borne by big business, the landlords and the affluent sections of society.

The signatories to the statement included leading politicians Mrs. Geeta Mukherjee, Sukomal Sen, Chaturanan Mishra, Indrajit Gupta, Chitta Basu, Tridib Choudhury, M.A. Baby and Somnath Chatterjee (all MPs [members of Parliament]), Harkishen Singh Surjeet and Prakash Karat

and leading economists Prof. Prabhat Patnaik and Prof. Sunanda Sen and Mr. N. Ram, editor of FRONTLINE magazine.

BCCI Reportedly Aided Looting of Country

91AS1408A Bombay THE TIMES OF INDIA in English 3 Aug 91 pp 1, 11

[Text] Washington, August 2—A U.S. Senate committee, investigating the Bank of Commerce and Credit International (BCCI), is also inquiring into the allegation that the Pakistan-established bank had cheated the Indian government, reports UNI.

The NBC News, which gave this information here last night, said the committee investigators were looking into the new charges that America's internal revenue service (IRS) had ignored evidence that the BCCI in the U.S. was also involved in huge money laundering operations that allegedly ripped off the Indian government.

It interviewed the Washington-based private investigator, Mr Michael Hershman, who had worked for the Government of India. He told the NBC News that top IRS officials had refused to investigate massive money-laundering and tax-evasion charges involving the BCCI back in 1986.

The NBC News said the investigation involved the illegal diversion of tens of millions of dollars from India's poor economy into accounts at the BCCI. The money was allegedly being diverted by top industrialists and key aides to the late prime minister, Mr Rajiv Gandhi, it alleged.

Mr Hershman claimed that he had brought the IRS ample evidence from his own investigation, revealing formation of the front companies and the taking of money out of India.

The NBC News said it had obtained from the finance ministry letters asking the IRS to enter a joint investigation into the diversion and tax evasion by frontmen working in both India and the U.S.

The NBC said Hershman's investigation had uncovered slush funds. Millions moved through holding companies and schemes designed to evade taxes both in India and the U.S.

Mr Hershman said even after he had laid out the BCCI scheme for the IRS, the latter showed no interest. "If the IRS had investigated in 1986, the entire BCCI scandal would have been unravelled," he added.

The NBC News said the IRS declined to comment on its report arguing that the confidentiality law precluded the organisation from talking about its investigations.

Meanwhile, the Senate panel, during its day-long hearing yesterday, was told how the BCCI had helped some Pakistani officials in stealing U.S. funds meant for the Afghan rebels.

It was also told that many of the Pakistani military officials, who were responsible for assisting and supporting the Afghan rebel movement, were stealing the U.S. foreign

assistance funds and using the BCCI both for hiding the money they stole and to market and manage the funds that came from the sale of heroin.

The committee is investigating the government's handling of the BCCI affair.

Many other bombshell disclosures were made at the Senate committee hearing, including a charge that two of Washington's top lawyers who now head what was a BCCI subsidiary, advised a bank manager wanted in connection with drug money laundering to flee the country, adds PTI.

The Senate committee chairman, Senator John Kerry, said he had a copy of a CIA letter to other agencies five years ago about the criminal connections of the bank.

Washington-based lawyer, Mr Jack Blum, testified under oath that Mr Clark Clifford, now chairman of First American and leading Washington lawyer, former defence minister and Democratic party elder statesman, and Mr Robert Altman, president of First American, Mr Clifford's law partner, who represented Arab interests in the purchase of First American, advised the man who controlled former Panamanian president, Mr Manuel Noriega's multimillion dollar bank account in Florida to flee the country to avoid a subpoena issued in 1988.

The advice to flee the country and not wait to have to respond to the subpoena was reportedly given to one Mr Amjad Awan, who looked after the Noriega account.

"Amjad Awan," said Mr Blum, "says to a customs undercover he's being advised by the BCCI lawyers—in this case Robert Altman—that he's going to leave the country for Paris, never to return, so that he doesn't have to answer the subpoena and talk to us. The people representing him at that time were Robert Altman and his partner, (John) Kovin, and of course, the senior partner in the firm, Mr Clifford."

"Mr Clifford and Mr Altman are due to testify before the committee next month."

Mr Awan failed to heed the advice allegedly given by Mr Clifford and Mr Altman and was sentenced to 12 years in prison in December 1990 along with four other BCCI officials in a scheme to launder \$32 million in cocaine profits for the criminal Medellin cocaine cartel of Colombia through BCCI outlets.

He testified in secret before the Senate sub-committee on September 30, 1988 and admitted that he had helped General Noriega set up bank accounts of "40 to 50 million dollars" sometime in 1982.

Mr Blum disclosed that Mr Awan's comments concerning the alleged advice to flee the United States were tape-recorded by undercover customs officers.

Meanwhile, REUTER quoting the Argentine economy minister, Mr Domingo Cavallo, reports from Buenos Aires that Argentina's government never had funds deposited in the BCCI.

The report said, Mr Cavallo vented his rage at media reports linking the Argentine President, Mr Carlos Menem, with a controversial former BCCI stockholder, Saudi businessman, Mr Gaith Pharaon.

"The government never had deposits nor any kind of fund transfers with the BCCI," Mr Cavallo told a news conference.

Reports on Country's Stand, Role in BCCI Scandal

Minister's Statement

91AS1472A Bombay THE TIMES OF INDIA
in English 8 Aug 91 p 1

[Text] New Delhi, 7 August: The government's statement on the BCCI [Bank of Credit and Commerce International], claiming that this overseas bank was not involved in any anti-state activity or shady deal touched off uproarious scenes followed by a walk-out by the entire opposition in Parliament today.

According to PTI, the finance minister, Dr. Manmohan Singh, turned down in the Rajya Sabha a demand for a joint Parliamentary committee (JPC) inquiry into the affairs of the BCCI in India on grounds that it might affect the good Indo-Arab relations.

The ruling family of Abu Dhabi had in 1990 acquired substantial interests in the BCCI and the family could not be held responsible for what all the bank had allegedly done earlier, Dr. Singh said while responding to clarifications on his statement in both houses of Parliament.

(The specific demand for the JPC probe was made by the leader of the opposition, Mr. Jaipal Reddy.)

Protesting members belonging to the National Front and left parties charged the government with suppressing facts and trooped into the well of the Lok Sabha. They disregarded pleas by the speaker that they could get off their chest whatever they wanted during the special discussion on the subject in the house.

The opposition, barring the BJP [Bharatiya Janata Party], which had earlier boycotted the session for the day, was particularly incensed when the finance minister made a hasty retreat after making his statement on the BCCI.

Urging the speaker, Mr. Shivraj Patil, to recall the finance minister on the ground that he had treated the house with "contempt," at least four Janata Dal members went on a "dharna" in the well for some time until they were persuaded by the CPM [Communist Party of India-Marxist] leader, Mr. Somnath Chatterjee, and several other senior leaders to give up the protest.

The Janata Dal leaders, Mr. George Fernandes and Mr. Ram Vilas Paswan, sprang to their feet as soon as the finance minister had resumed his seat and charged the government with taking the house for a ride. They said the statement was a cover-up cooked up by the government to

save the reputations of several important leaders and business magnates in the country.

In his three-page statement made towards the fag end of the day, the finance minister clearly stated that nothing that "impinges on the security of the country has come to the notice of the government so far. However, the government is fully alert about this aspect of the matter and in case further information becomes available appropriate action will be taken.

The government had no definite information regarding allegations made in the house that Indian politicians and bureaucrats had received payments through the BCCI (overseas) Ltd., Bombay branch or that any terrorists organisations had been funded through it.

The finance minister's statement was not altogether bland about transactions by the bank and revealed that since being set up in Bombay as a subsidiary of the Bank of Credit and Commerce International Holdings (Luxembourg) on 31 March 1983 it was involved in some irregularities which were detected and the culprits brought to book. The finance minister said some of the employees of the bank were detained under the COFEPOSA [Conservation of Foreign Exchange and Prevention of Smuggling Activities] Act following investigations by the enforcement directorate in 1986.

Giving details of this case, the finance minister said the bank was releasing foreign exchange against the foreign travel scheme to travel agents without verifying the signatures of the actual travellers with the result that a substantial amount of foreign exchange was released on the strength of forms bearing forged and fake signatures.

Subsequently four of the suspects were released on the recommendation of the advisory board that heard the cases in the COFEPOSA Act. The detention order of one employee was revoked by the government on the ground that other employees had been released under similar circumstances.

However, the case was adjourned by an order dated 20 June 1988 and a penalty was imposed on the bank, its employees as well as travel agents involved in the case. Following this order, foreign exchange amounting to \$132,000 as well as the Indian currency of Rs.[rupees]1,700,057 was taken over from the bank.

The finance minister said that there were also reports in 1988 from intelligence agencies that the BCCI had made overtures for acquisition of property and was trying to enter the hotel and real estate business in Lucknow and Bombay.

BJP Leader's Stand

91AS1472B Bombay THE SUNDAY TIMES OF INDIA
in English 11 Aug 91 p 5

[Text] Ahmedabad, 10 August: The Bharatiya Janata Party [BJP] leader, Mr. L.K. Advani, yesterday demanded a thorough investigation into the affairs of the Bank of

Credit and Commerce International [BCCI] in India in the light of the disclosure by the BCCI's former financial advisor.

In an informal chat with media persons here Mr. Advani said the BCCI's functioning was nothing but a racket, as its money was being used for promoting terrorism, crime, drug-peddling and black money laundering.

On the basis of the disclosures by the BCCI's former advisor, the government should be able to trace the culprits involved in the racket, which, he said, was not a difficult job. Even the enforcement directorate had urged the finance minister not to licence the BCCI to function in India.

However, the BCCI did open in India and it was a curious coincidence that when the late Pakistani President, Gen. Zia-ul-Haq had come to watch a one-day cricket match at Jaipur, the BCCI chairman was also in India, Mr. Advani said.

Replying to a question, Mr. Advani said he was not satisfied by the finance minister, Dr. Manmohan Singh's statement on the BCCI in Parliament. However, discussions on the issue were yet to take place in Parliament, Mr. Advani added.

Referring to the current crisis in Parliament over the statement by the civil aviation minister, Mr. Madhav Rao Scindia's statement about the BJP and the subsequent controversy, the BJP leader hoped that the government would respond in a proper manner and make amends.

He also said it was for the government to decide in what manner it would respond to the BJP demand to make amends.

Mr. Advani said he would have even ignored the statement by Mr. Scindia but the leader of the house, Mr. Arjun Singh, volunteered that the minister would make an appropriate statement. While making statement, Mr. Scindia repeated on the floor of the Parliament what he had earlier said at Jaipur. Such statements were bound to create serious implications and his party would not allow such diatribes to be continued.

Asked whether his party's action would destabilise the Narasimha Rao government, Mr. Advani said his party was committed to oppose the government and was not bound by any condition to support it.

Earlier, he inaugurated a seminar on mandatory accounting and auditing standards, organised jointly by the Chartered Accountants Association, Ahmedabad, and the city branch of the western India regional council of the Institute of Chartered Accountants of India.

Addressing the gathering, Mr. L.K. Advani said though he was not satisfied with the budget proposals of Dr. Manmohan Singh, his party had welcomed the deviation by the Congress party from the beaten track as far as the economy of the country was concerned.

Janata Dal Leader's Stand

91AS1472C Bombay THE TIMES OF INDIA
in English 17 Aug 91 p 13

[Text] New Delhi, 16 August: The Janata Dal leader, Mr. V.P. Singh, today demanded the setting up of a joint parliamentary committee to probe the operation of the Bank of Credit and Commerce International (BCCI) in India, reports PTI.

In a letter to the Prime Minister, Mr. P.V. Narasimha Rao, the copy of which was released to the press here, the former prime minister also urged him to immediately issue a white paper on the BCCI and Larsen and Toubro affairs.

Pointing out that a controversy was not raging in the country on two issues, which involved probity in public life, the Janata Dal leader said the first issue related to the "mystery shrouding the Indian operations of the BCCI."

The other issue concerned the "questionable bid" by Reliance Industries Ltd. (RIL) to take over Larsen and Toubro (L and T), a professionally managed engineering giant, Mr. Singh said.

As some press reports suggested, the issues might be interconnected because of "proven past connections between RIL and the BCCI and also because of the fact that how RIL raised money to corner a large chunk of L and T shares is not fully known yet," Mr. V.P. Singh said and adding "You may recall that the supreme court has passed a stricture on it."

Admitting that he felt reassured by the government's commitment to "remain neutral in matters involving corporate take-over bids," the former prime minister said: "In fact, neutrality of the state is a sine qua non for corporate democracy."

At the same time, I hope you will agree with me, that it is the responsibility of the state to ensure that such take-over attempts are above board and that the sources of fund for sale and purchase of equities are all transparent," Mr. Singh said.

"As you are aware, the financial institutions were bulldozed to offload their holdings in favour of RIL through questionable methods," he said adding "this method of their acquisition in L and T is neither transparent nor part of corporate democracy."

Mr. Singh, who is the convener of the National Front, said: "It is most unfortunate that the above criteria have been disregarded by the state and its financial institutions, a matter which has drawn judicial reprimand."

He thought it was the duty of the state to ensure that a reputed company like L&T was not seized by the RIL through "questionable means, with fund probably derived from a bank against which criminal proceedings have been initiated in various countries, Mr. Singh said.

"Just how deep the nexus between RIL and the BCCI can be gauged from the fact that the entire quantum of the

so-called NRI [nonresident India] subscription to RIL's E-series and F-series debentures in 1983 was routed through the BCCI," he said.

He also pointed out that in 1982, according to reports in newspapers, "so called offshore NRI companies like Fiasco, Crocodile allegedly floated and invested an amount of Rs.[rupees]21 crores in Reliance through the BCCI.

"Subsequently, in 1989, the BCCI sold these very shares to L&T during the period when Reliance were controlling the board," he said.

"I am also given to understand that the financial institutions have advanced huge amounts of money to Reliance recently and this money has been used for acquiring additional shares in L&T," Mr. Singh said.

Uttar Pradesh Ministers

91AS1472D Bombay THE TIMES OF INDIA
in English 14 Aug 91 p 7

[Quotation marks as published]

[Text] Lucknow, 13 August: Two former UP [Uttar Pradesh] ministers had links with the controversial Bank of Credit and Commerce International (BCCI). The state government had been informed about the ministers' links about two years ago, but the Congress government chose to ignore it, according to reports.

Sources informed that the Intelligence Bureau [IB] in a 'top secret' report gave details of the BCCI's clandestine activities and advised that steps should be taken to keep a watch on people having links with it.

The IB report said that the bank's founder, Mr. Agha Hasan Abedi, hailed from Sitapur district of UP and had later settled down in Pakistan. The report specifically pointed out that Mr. Abedi had links with two congress leaders. One of them was a minister at that time. The report mentioned Mr. Abedi's Lucknow trip in this connection. He had visited Lucknow in connection with the establishment of an orphanage. During his visit, Mr. Abedi had met several senior political leaders and ministers, the report said.

The IB report pointed out that besides political leaders, the BCCI had also forged links with senior administrative officials. It also stated that these officials were invited to London from time to time. There they stayed in the bank's guest house.

The IB report alleged that the BCCI was involved in smuggling of narcotics and espionage.

Kashmiri Militant Links

91AS1472E Calcutta THE STATESMAN in English
24 Jul 91 p 12

[Text] London, 23 July: India is trying to ascertain any possible links of the collapsed Bank of Credit and Commerce International (BCCI) with the militant groups operating in Jammu and Kashmir, reports PTI.

The Indian authorities swung into action following disclosures here that British Security Services had warned the Bank of England last year that the BCCI was being used to fund international terrorist organizations.

The Indian High Commission here is establishing contact with the concerned British Security Services, MI-5 reported to have been aware for more than a year of accounts, held by the bank which were "fronts" for known international terrorists.

Media reports here last weekend revealed that a joint BCCI-Price Waterhouse report sent to the Bank of England last January disclosed that 42 accounts at the BCCI's Central London branches were controlled by terrorist organizations and arms dealers.

The High Commissioner for India, Mr. L.M. Singhvi, who is leaving today for New Delhi for consultations with the Central Government, told reporters last night that the Indian authorities were making their own independent inquiry into the possible links of the BCCI with Kashmiri militants and were not depending upon others to do it.

The issue of the BCCI's alleged links with international terrorist organizations was raised in the House of Commons last night by the Opposition Labour leader, Mr. Niel Kinnock, through an emergency question asking how much the Prime Minister knew about the BCCI scandal.

Mr. Kinnock voiced serious concern about revelations that the BCCI was used to funding international terrorism and warned the Ministers that they could not shift the blame on to the officials.

Premier John Major informed the House that officials from MI-5 and MI-6 could be required to give evidence to the inquiry, to be conducted by a sitting judge, Justice Bingham.

Mr. Major, however, refused to disclose whether any information had been passed to him by the security agencies last year when he was the Chancellor of the Exchequer.

The Prime Minister was also grilled over the reported statement by the governor of the Bank of England, Mr. Robin Leigh-Pemberton, that he regarded it as his duty to keep Mr. Major, as Chancellor, fully informed of BCCI developments last year.

Mr. Major contradicted the Governor of the Bank of England and asserted that while he was Chancellor he knew nothing about the auditors' evidence last year of widespread irregularities in the BCCI.

He was not informed of the evidence of "widespread fraud" until 28 June this year just a week before the bank was closed down, Mr. Major contended. The Prime Minister said "I did not see, nor would I have been expected to see, any of the auditors' reports Price Waterhouse submitted during 1990."

The Chairman of the Public Accounts Committee, Mr. Robert Sheldon, said it would be "astonishing" if, from the

frequent conversation between the Governor and the Chancellor, Mr. Major had not known something of the affair.

Mr. Merlyn Rees, a former Labour Home Secretary, said it would be "normal practice" for the security services to pass to the Prime Minister information linking terrorist and a bank. The Governor of the Bank of England is to appear before the Treasury Select Committee today to explain how much Ministers were told about allegations at the BCCI.

New Oil Strike Offshore of Bombay Announced

*91AS1467A Bombay THE TIMES OF INDIA
in English 7 Aug 91 pp 1, 11*

[Boldface words as published]

[Text] New Delhi, 6 August: Oil has been struck in an exploratory well in the Ratnagiri sector of Bombay offshore and gas discovered in two structures in the Krishna Godavari basin in Andhra Pradesh, the petroleum minister, Mr. B. Shankaranand, announced in the Lok Sabha today, reports PTI.

The exploratory well, RBC-1, located 100 kms south-west of Bombay has produced oil at the rate of 1,685 barrels per day, Mr. Shankaranand said in his suo motto statement.

Gas discovered in the exploratory wells Penumadam and Bandamurlanka flowed at the rate of 213,348 cubic metres per day and 27,036 cubic metres per day respectively.

The petroleum minister said while the Penumadam-1 well, situated 18 kms north-east of Narasapur town, produced 54 barrels of condensate per day, the Bandamurlanka N-1 well, situated 10 kms south of Amalapuram, produced 203 barrels of condensate per day.

The minister said the RBC-1 well in Ratnagiri sector of Bombay offshore was spudded on April 28 with the jackup rig explorer and drilled up to 3,425.5 metres depth in basement.

The oil discovered in this well has an API gravity of 42.7 and GOR of 114 V/V. The hydrogen sulphide content varies from 12,000 to 19,000 PPM.

Production testing of the zone started on 29 July this year.

The presence of oil in the well RBC-1, Mr. Shankaranand said indicated the possibility that these two structures may merge into a bigger oil pool with an aerial extent of the order of 20 square kms.

Our Staff Reporter adds: The exploration of the well technically numbered as RBC-1 was spudded (drilled) on 28 April 1991. The presence of oil indicates that it extends over 20 sq. kms.

The producing geological strata forms part of the basin limestone which is the main gas and oil bearing zone in the Heera-Panna-Ratna oilfield of Bombay offshore.

The well produces 1,626 barrels of oil per day and 29,544 cubic metres of gas per day which pass through a half-inch pipeline.

The discovery was made by geologists of the Oil and Natural Gas Commission though drilling was carried out by a private contractor.

The well has been drilled to a depth of 3,425 metres.

The announcement of the discovery, comes close on the heels of reports that production from Bombay offshore was declining since around 100 wells were expected to close down for repairs.

Production of oil from the western offshore, including Bombay High, declined in 1990-91 as compared to 1989-90. However, the shortfall in 1990-91 was attributed to leakages from certain subsea pipelines, reservoir considerations, strike and delays in implementation of certain schemes.

Breakthrough in Vital Robot Devices

*91AS1492A Bombay THE TIMES OF INDIA
in English 15 Aug 91 p 7*

[Article by N. Suresh, THE TIMES OF INDIA News Service: "Indian Breakthrough in Vital Robot Devices"]

[Excerpt] Chandigarh, August 14. Indian scientists have joined the global effort to convert dumb robots into intelligent ones by equipping them with sensors.

Scientists at the Central Scientific Instruments Organisation (CSIO), a constituent of the Council of Scientific and Industrial Research (CSIR) have developed three important devices that will help achieve this task—optical vision sensor, ultrasonic sensors for ranging and imaging and tactile sensors which respond to touch.

"The work is progressing well," Prof. K. R. Sarma, director, CSIO, told visiting reporters here, recently.

Robots are devices which can perform mechanical tasks just like human beings. In developed countries, they are used extensively because of shortage of manpower. In India, robots are required to perform monotonous or hazardous tasks in nuclear and underwater operations. [passage omitted]

At CSIO, a camera fitted on an experimental robot now takes the snap of the object. The camera signal is stored in a computer after converting it into digital signals.

"We are now working towards developing a method to filter out the unwanted electronic noises from the signal so that the robot's gripper could be oriented in a position to grab the object," said a scientist associated with the project.

In the second stage, ultrasonic sensors mounted on the gripper have been tested to estimate the distance between the gripper and the object. The next stage involves integrating these two steps to make the robot intelligent. "We will be able to do it soon," said a scientist optimistically.

Another exciting development at the laboratory is the success of the work on holography, popularly known as lenseless three-dimensional (3D) photography.

The Indira Gandhi National Centre for Arts (IGNCA), New Delhi, has already sponsored a project to develop display holography techniques for three dimensional true-depiction, preservation and restoration of the country's rich artistic and cultural heritage.

Scientists said this technique would enable exhibition of priceless objects while the original ones are preserved. [passage omitted]

The technique is also being used to develop methods of holographic non-destructive testing (HNDDT).

Indigenous Foil Type Strain Gauge Developed

91AS1411A Madras THE HINDU in English 24 Jul 91
p 19

[Article by N.N. Sachitanand, Bangalore Special Correspondent]

[Text] The Bangalore-based Integrated Process Automation Pvt. Ltd. (IPA), has developed a process for manufacturing electrical resistance foil type strain gauges with the technical collaboration of the National Aeronautical Laboratory (NAL). Foil strain gauges are the crucial measuring elements in load cells which, in turn, form the transducers of electronic weighing systems.

This is a significant achievement for the IPA-NAL combine since the technology for making these gauges is a closely guarded secret of a few companies in the developed countries who monopolise the world market. This same combine had, 14 years ago, successfully indigenised the manufacturing technology for load cells.

The principle of the strain gauge, discovered in the beginning of this century by Lord Kelvin, is that the electrical resistance of a wire changes as a function of the strain, increasing with tension and reducing with compression. Thus, measuring the change in resistance of a wire, by placing the wire on one arm of a Wheatstone Bridge, it is possible to get a measure of the stress on the wire since strain is proportional to the stress.

Modern electrical resistance strain gauges are made from foils (around 12 microns thick) instead of wires. The material of the foil is nichrome whose resistance does not vary with temperature. The gauge is formed in a particular grid pattern (see figure) [not reproduced] from the foil by photolithography and etching. This grid has to be bonded by means of an epoxy resin on to the surface of the load bearing device.

Since the grid element in the foil is many times wider than its cross-section, a larger ratio of bonding area to final area is achieved in foil gauges compared to the older design wire gauges. This, in turn, enables higher heat dissipation and better bonding properties. The strain reproducibility is also excellent. By making the perpendicular section of the foil wide, the response of the gauge to transverse strain can be considerably reduced.

With this versatile photo-chemical etching process, any complex pattern can be fabricated easily. This includes circular gauges, diaphragm gauges, orthogonal arrays for shear measurement as well as many types of Rosettes for two-dimensional stress analysis.

IPA is at present able to offer two types of foil gauges—one of 120 ohms resistance and 3 mm length and the other of 350 ohms resistance and 5 mm length. The gauge factor, which is a measure of the sensitivity, is 1.9 to 2.2. The maximum repeatable strain allowed is 1500 microstrains and the fatigue life is one million cycles.

According to Mr. V.A. Abraham, director and founder of IPA, the foil gauges developed at present are designed for bonding to aluminium surfaces. Initially, therefore, the gauges will be tried out with academic and research institutions for stress analysis jobs. Later on, based on the feedback from these institutions, which may take six months or more, IPA proposes to use the foil gauges made in-house in transducers for non-critical applications like postal weighers, kitchen scales, personal weighing machines, etc. The development and use of foil gauges for bonding to other surfaces like steel, copper, etc., to be used in transducers for industrial applications will take another five years.

Commercial production of the foil gauges at IPA is expected to commence in another three months. The ultimate capacity will be 3,000 gauges per month at an average price of Rs.[rupees]50 per gauge.

Defense Ministry Releases 1990-91 Annual Report*91AS1460A Bombay THE TIMES OF INDIA
in English 2 Aug 91 p 9*

[Text] New Delhi, 1 August (PTI): India today expressed concern at the continued support that militant and subversive elements in Punjab and Kashmir were receiving from Pakistan and said this affected the "generation of trust and hinders genuine and sustained improvement in relations between the two countries."

India's concern at these activities is contained in the annual report of the defence ministry for the year 1990-'91 released today.

The report says Pakistan has continued with the clandestine development of its nuclear weapons-oriented programme and its effort to acquire ballistic missiles and technology.

The report also expresses concern at Pakistan continuing to pursue procurement of military hardware and technology from other countries far beyond its legitimate defence requirements.

It says while India had made tangible progress in her relations with neighbouring countries in the last one year, some of the developments particularly in Pakistan continue to cause security concern to India.

India has been making concerted efforts to improve relations with Pakistan, the report says, adding meetings and talks were held on prime ministerial and foreign secretarial levels in the recent past. It says the foreign secretaries are scheduled to meet again to carry the dialogue further.

Noting the developments in the region, the report says Pakistan was availing of Chinese assistance in the development of missile and nuclear weapons technology. It says the government is closely monitoring the developments in this regard in order to take necessary measures to safeguard the country's security.

The report says India's relations with China registered a "perceptible improvement" and ties with Maldives had also improved. On Nepal, the report says, "Misunderstanding that had clouded the traditional closest relations between the two countries had been dispelled."

The report says to meet the multi-dimensional threat, the country's army, navy and the air force continued vigorously on their modernisation drive. It says during the year the air force inducted additional frontline aircraft—the MIG-29s and the Mirage-2000s as also MI-35 and MI-25 helicopter gunships fleets.

It said the navy acquired off-shore patrol vessels, missile corvettes, anti-submarine warfare patrol vessels, Sea King helicopters and a submarine. In addition, the report says, the very low frequency communication station (INS Kattabomman) was commissioned in Tamil Nadu to provide communication channels with submarines.

The report indicates that the second naval air station at Arakonam in Tamil Nadu is likely to start operational facilities by the middle of the year.

On army, the report said special attention was paid to modernisation and cost effectiveness of expenditure.

In the army, a phased programme of modernisation of old equipment had been worked out with the replacement of old guns by new generation field guns, the report says, adding the emphasis had now shifted to indigenisation and product improvements.

It says the existing tanks in the inventory of the army had been modernised and trials had commenced on the development of the main battle tank, Arjun, while T-72, BMP-11 infantry combat vehicles had already started rolling out of factories.

Defense Minister Meets Bombay Newsmen*91AS1483A Bombay THE TIMES OF INDIA
in English 9 Aug 91 p 3*

[Text] Bombay, 8 August: The defence minister, Mr. Sharad Pawar, will visit Moscow in September, followed by a visit to Washington.

Talking to reporters here today, Mr. Pawar said that a team of experts led by the minister of state for defence will visit Moscow this week to prepare the groundwork for his visit.

Reiterating the need to seek a political dialogue to resolve the Punjab questioning Mr. Pawar said the army had almost sealed the border with Pakistan in that state with barbed wire to effectively check infiltration.

Mr. Pawar announced that the government was considering a proposal to allow private industries to utilise idle capacity of some of the ordinance factories to produce defence items elusively for export.

A delegation of the confederation of engineering industries had met him recently and expressed their desire to utilise the spare capacity with ordinance factories. An experts' committee headed by the defence secretary has been set up to go into details of such a proposal, he added.

He said the country could earn foreign exchange by exporting defence items to the tune of Rs.[rupees]500 to Rs. 600 crores in a year against a target of Rs. 120 crores by exploring the world arms market.

He declined to identify the countries which will make purchases from India. Except for very sensitive defence items for which a government-level understanding would be reached, for other items/agents would be appointed as according to a decision taken by the cabinet's political affairs committee.

When asked whether the entry of private parties would endanger the country's defence secrets, he said, "I do not believe that the defence industry should be considered a holy cow. Strict secrecy would be maintained wherever necessary."

Referring to his recent visit to Madras and talks with the Tamil Nadu chief minister, Ms. Jayalalitha, Mr. Pawar said at the request of the state government the navy will keep a watch on seven strategic points to deter LTTE [Liberation Tigers of Tamil Eelam] infiltrators.

The Tamil Nadu state government and the people of the state were against the LTTE and were in a mood to co-operate with the Union government in checking LTTE infiltration, Mr. Pawar said.

He said there was no truth in a news report that the USSR had offered the latest light combat aircraft (LCA). It will be desirable to develop the LCA in the country rather than purchase it. However, development in our research institutions might take more time," he observed.

Plans in Motion To Increase Arms Exports

91AS1488A Bombay THE TIMES OF INDIA
in English 17 Aug 91 p 7

[Article by Seema Guha]

[Text] New Delhi, 16 August: India has begun discussions with the Soviet Union to utilise the excess capacity of public sector units in defence for manufacturing under license items for military exports to Third World countries.

This is in keeping with the defence minister, Mr. Sharad Pawar's efforts to boost India's defence exports and rationalise the working of the public sector units attached to his ministry. Both Mr. Pawar and Mr. Krishna Kumar, the minister of state for defence, are committed to earn the much-needed foreign exchange for the country, through military exports.

In the past, India neglected this area, basically because of moral considerations. Mr. K.C. Pant, as defence minister was keen on developing the country's military exports, but he could not go far because of the general perception that India should not be a arms supplier. Today, however, with the resource crunch facing the country and the precarious balance of payment situation, India cannot afford to be squeamish about arms exports. This is evident from the fact that both ministers openly advocate military exports.

The eight defence public sector units (DPSU) in the country have excess idle capacity as orders from the defence services are shrivelling with the new budgetary squeeze. The defence ministry is now hoping to make use of these units to manufacture items under Soviet licence to developing countries. Preliminary discussions between the two sides have already taken place.

A high-level Indian delegation, led by Mr. Krishna Kumar, the defence production secretary, Mr. Raghunathan, and senior officials of DPSU, were in the Soviet Union earlier this week to discuss this and other matters connected with India's defence purchases from Moscow. The Soviet Union is the single largest supplier of defence equipments to India.

The question of producing Soviet items for export was discussed with the defence minister, Marshal Dmitry Yazov, who responded positively to the Indian suggestion.

The Indian team also ironed out many of the problems which have cropped up in recent months regarding the product support systems of Soviet-made equipment now in use by the army, navy and air force. The question of streamlining deliveries of Soviet spares which has been a major source of worry for the services, was also discussed. However, it is not so much a question of Moscow not being in a position to supply spares required for overhauling and maintaining hardware already delivered by that country, as the demand made by the manufacturers to sell them at current market prices.

The current turmoil in the Soviet Union, when the country is trying to turn towards a market economy, is posing problems for the Indo-Soviet trade agreements, especially in military supplies. The Soviets are demanding payment not in roubles but in dollars which, at the moment, is impossible for India. While Moscow understands New Delhi's problems, convincing the manufacturers to continue the rupee-rouble trade is becoming more and more difficult, especially as Moscow's clout in the various regions now is rather tenuous.

The workers and officials in these enterprises are unwilling to keep supplying products at the old rates. Despite the Indo-Soviet friendship treaty having been extended for a further 20 years, the rupee-rouble agreement between the two countries will in the long run have to be readjusted if India wishes to maintain uninterrupted supplies for its defence requirements.

For the moment, Moscow has promised to help out. These issues will come up again when Mr. Pawar visits the Soviet Union next month.

A whole range of issues related to Hindustan Aeronautics Limited (HAL) have been smoothed out following the visit of the Indian delegation. These relate to problems of production and manufacture as well as overhauling of engines of MiG 27 aircraft, produced in India under Soviet licence. The spares for overhauling of the Schilka anti-aircraft gun and certain missiles, which have long been in use by the army, have also been ironed out.

It has been a successful trip from the Indian point of view though problems of payment are bound to recur as the Soviet Union has as much compulsions for valuable dollar payments as India.

Army Problems With Tank Projects Noted

Faults in Arjun

91AS1487A New Delhi PATRIOT in English 26 Jul 91
p 8

[Text] Indian Army's prestigious main battle tank (MBT) project Arjun which is yet to take off even after an investment of over Rs.[rupees]203.71 crore needs a realistic appraisal, military experts say, reports PTI.

MBT Arjun, described as the cutting edge of the Indian Army's armoured forces has run into serious trouble on different fronts since its inception in 1974, they said.

They said the Tank developed by the Defence Research and Development Organisation (DRDO) does not meet the requirements of the army in many vital areas. This includes the design of the hull and turret, lack of systems integration, slow rate of loading, inaccurate firing and weight.

The prototype Arjun was shown for the first time in March 1985 and it was stated that by 1988 20 prototypes of the Arjun MBT would be completed to enable extensive field trials. By the time the first prototype of the Arjun was unveiled in April 1984, Rs. 30 crore had already been spent on the project.

Since 55 percent of the cost of the Tank would be in foreign exchange, with the current rate of inflation and devaluation of the rupee, the cost of the MBT project is bound to rise, the experts said.

Further complication has risen after the Gulf War when manufacturers in the West have refused to supply key components of the MBT as they do not want technology transfer to a Third World country.

Experts say India currently does not possess the technology or state-of-the-art to produce a MBT indigenously. They also disputed the claim of DRDO scientists that Arjun was "indigenous" as 43 percent of its components were imported.

The Arjun presently incorporates imported unit assemblies like the engine, transmission, primary sight and tracks from countries like Germany and Holland.

The experts agreed with the optimistic view of the Indian scientists that they could make the MBT indigenously in due course of time but questioned the cost of the project and time lag. They said the time taken by DRDO and other agencies engaged in the project was inordinately long. Already 17 years have elapsed since the project was initiated.

According to experts, one of the main problem areas has been the engine. Although it was decided earlier to install a 1,500 hp gas turbine, Indian scientists subsequently dropped the idea and settled for a 12-cylinder diesel engine with a planned output of 1,500 hp.

Several trials of MBT Arjun have backfired and have exposed its defects, the experts said. The Tank has proved to be a 'disaster' under desert conditions in Rajasthan, where it would need to be eventually deployed.

Tests showed that the engine was sucking in sand and dust and was overheating thereby reducing the already low power generation and various systems failure. During trials the maximum speed and load conditions have never been created and frequent maintenance problems cropped up.

Vijayanta, Soviet T-55s

91AS1487B New Delhi PATRIOT in English
7 Aug 91 p 5

[Text] The Comptroller and Auditor General (CAG) has rapped the Army for the inordinate delay of six years in the modernisation project off upgrading the Vijayanta and Soviet T-55 tanks leading to heavy cost overruns and a setback to defence preparedness, reports PTI.

In its latest report on the working of Army and ordinance factories, placed in both the Houses of Parliament on Tuesday the CAG has taken strong objection that the project which was to be completed by 1990-91, would now only be completed by 1996.

The modernisation project was mooted by the Army authorities because of the delay in the development of indigenous main battle tank project.

The phasing out of the Vijayanta and T-55s which was to start in 1986 was cancelled and plans mooted to upgrade these tanks to convert them into contemporary tanks for battlefield environs of '90s and beyond.

The CAG report says that the basic idea of modernising the tank was drawn up in 1979-80, but comprehensive sanction for the project was not issued even till October 1990. The report said it was ruled belatedly in August later in 1990 that the expenditure on modernisation would be met from the maintenance budget.

The report says that sanctions for different components were piecemeal and nodal workshops for undertaking the modernisation programme were not equipped till October 1990. It said as a consequence sanctions issued in July 1986 at Rs.[rupees]1.97 crore could not be operated.

The report said due to reduction in the scope of modernisation at a later stage in July 1988, there were excess provisioning of passive night vision devices and financial repercussions of Rs. 18.55 lakhs on account of short closure of indent.

CAG Indicts EA Ministry

Meanwhile in another move CAG has indicted the Ministry of External Affairs for overpayment of foreign allowance totalling Rs. 2.91 lakh to 28 officers due to wrong application of government orders in the embassy at Washington and consulates of New York and San Francisco.

The report for 1991, which was placed in Parliament on Tuesday said the consulate at New York also made further overpayment of arrears of foreign allowance amounting to Rs. 1.28 lakh to 12 staff members due to wrong calculations.

The total overpayment of arrears of foreign allowance amounted to Rs. 4.19 lakh in these cases.

It also flayed the Ministry for finalising 56 high value contracts for procurement of material worth Rs. 26.48

crore on the basis of limited tender enquiries in contravention of the rules requiring issue of open tender enquiry by the supply wing of High commission of India, London.

Aspects of Weapons Development Reported

Auditor's Report

91AS1403A Bombay *THE TIMES OF INDIA*
in English 27 Jul 91 p 7

[Text] New Delhi, July 26 (PTI)—The comptroller and auditor-general (CAG) has indicted the defence ministry for the delay in supply of the long-range maritime reconnaissance and anti-submarine aircraft TU-142M along with its spare parts which had led to loss of thousands of vital flying hours.

In its report for the year ending March 31, 1990 on defence services tabled in the Lok Sabha today the CAG has also rapped the ministry for what it called mismatch between the receipt of the aircraft, ammunition and creation of facilities for their storage, repair and preparation.

The report said all these flaws had resulted in undue delay in the operation of the aircraft with its planned weapon package. It said of the two major naval airbases planned for the operation of the aircraft one was only expected to be operational by the end of September 1990, while in the other air station, the aircraft had to be operated with reduced load due to the limited length of the runway.

The CAG has observed that flying efforts and the utilisation of the aircraft were considerably affected due to poor availability of the aircraft to the squadron. The aircraft was inducted into the air arm of the navy in 1987.

It said there was undue delay in commissioning of the second squadron of the maritime reconnaissance aircraft as a result of which almost 2,685 flying hours could not be planned for use up to December 1989.

The report said there was a mismatch between the induction of the aircraft and the availability of major repair and overhaul facilities.

It said in the absence of these, the naval headquarters had to resort to overhaul of the components abroad. It also said that spare aeroengines were not procured as per the norms.

Defense Minister's Report

91AS1403B Bombay *THE TIMES OF INDIA*
in English 27 Jul 91 p 1

[Excerpt] New Delhi, July 26 (UNI)—The defence minister, Mr Sharad Pawar, told the Lok Sabha in a written reply today that the main battle tank "Arjun," light

combat aircraft (LCA) and different missiles are at various stages of development/evaluation.

He said that "Arjun" was expected to be introduced into service after completion of trials by the army in 1992. Delivery of LCA to the air force was likely to commence during the first half of the next decade.

The surface-to-surface missile, "Prithvi," and the surface-to-air missile, "Trishul," were likely to be introduced in the army in 1992 and the third generation anti-tank missile, "Nag," and the medium-range surface-to-air missile, "Akash," were expected to be delivered to services in 1994 and 1995, respectively, he said. [passage omitted]

Indigenous Capability

91AS1403B Madras *THE HINDU* in English 24 Jul 91
p 7

[Text] Dharwad, July 22—Dr. V.S. Arunachalam, Scientific Adviser to the Defence Minister, has expressed optimism over developing indigenous technological capabilities to meet the defence needs.

Speaking at a function here on Saturday, Dr. Arunachalam drew attention to the wealth of scientific and technological manpower in the country which had put India on a par with the developed countries. "We are capable of making India free and fearless militarily," he said. "We have innate strength to develop the technology based on our own resources," he asserted. Dr. Arunachalam was formally inaugurating the Laser Spectroscopy Centre funded by the Defence Research Development Organisation (DRDO) under the auspices of the Karnatak university here.

Dr. Arunachalam said that most of the technologies used to pulverise the enemy was nothing alien to the scientists working on the various programmes devised by the DRDO like the guided missiles programme, development of light combat vehicle or that of the main battle tank.

"We have the strength and we are capable of looking after ourselves," Dr. Arunachalam said.

Dr. Arunachalam said that the development of the laser spectroscopy "holds up a new vista of work not only for the physics but also for other disciplines as well." He expressed himself in favour of the universities developing the electronics.

Dr. Arunachalam declined to answer any questions regarding the guided missiles programme. On the adoption of the sophisticated use of laser in the main battle tank of India, after what had been seen in the Gulf war, Dr. Arunachalam said that the main battle tank had been fitted with laser but the kind of sophistication noticed in the Gulf was yet to be adopted—Our Staff Reporter

Article Examines Cause of Declining Female Population

91AS0963A New Delhi JANSATTA in Hindi 6 May 91
p 6

[Article by Rudra Dutt: "Why Is Female Population Declining?"]

[Text] India's commissioner of census, Amulya Ratna Nanda, has announced that based on the available statistics, India's population reached the 844 million mark on 1 March 1991. This figure is exactly the same as forecasted according to the eighth five-year plan. According to the seventh five-year plan, the population was estimated to be 837 million.

The question arises, why was the 1991 census underestimated? In 1981, the census was 1.8 percent off. If we consider that the 1991 census is 2 percent less than the actual population, which would be the same as in the 1981 census, then India's population in 1991 should have reached 861 million, or 17 million more. This figure is between the 866 million estimated by the United Nations and the 854 million estimated by the World Bank. Actually, the census figures are not adjusted for errors in measurement, since it is not possible to divide the additional population into various groups and subgroups.

Despite all the restrictions, India's population during the 1981-1991 decade has increased by 23.5 percent. The increase during the 1971-1981 decade was 24.66 percent. Thus the annual rate of population increase, which was 2.22 percent during the 1971-1981 decade has been reduced to 2.11 percent for the 1981-1991 decade. The census figures have exposed the false figures released by family planning organizations under the Ministry of Health and Family Welfare. It shows that those figures were specially treated to show the success of family planning programs. This also hints that we need new standards to measure the effectiveness of our family planning program. Population experts, social reformers, and physicians have to pool their resources to prepare reliable standards of measure so that they are not challenged about their statistics in the next decade.

There has been a total increase of 161 million people during the last decade in India. This is a major increase, and if we do not control it with effective family planning programs, India's population will surpass one billion by 1999. If the annual population increase during the 1991-2001 decade is 2.0 percent, then India's population in 2001 will be 1.03 billion. This rapid increase in population will not only put heavy pressure on food, clothing, and housing needs, but will also cause serious problems of employment. Professor Aashish Bose has correctly said that "the major problem related to India's population is not food, it is employment." Population increase is based on the rate of births and deaths. The rate of births in 1985-1986 of 32.6 per thousand has declined to 30.5 per thousand in 1989. During this period, the rate of deaths has changed from 11.1 to 10.2 per thousand, respectively. A very slight decrease in the rate of births affects our

population growth, especially when half of the decrease in birth rate is offset by the decreasing death rate.

It should be remembered that the states which have achieved a death rate of 8 per thousand are the states which are progressing towards a reduced birth rate. The reason is that these states have good hospitals, primary health units, and other health reforms in place. Once the people are assured that their babies will remain alive, it becomes easier to convince them to agree for sterilization. In addition, family planning personnel encourage the couples to practice family planning by asking them to come and discuss it in family health units. This way, the personnel are aware of the reactions of those who practice family planning.

A figure that concerns us from the 1991 census is the decreasing proportion of females per 1,000 men. The proportion of women to men in 1901 was 972, which fell to 950 in 1931, and went down to 941 in 1961. In 1971, this number had further decreased to 930, and in 1981 up slightly to 934. Finally, in 1991, the figure is 929. Except for the small increase in 1981, the proportion of women to men had been gradually decreasing since 1901.

Among the states, Kerala is the only one in which the number of women in 1991 (1,040) is greater for 1,000 men. In Himachal Pradesh, there has been some progress compared to 1981. The number of 973 females for every 1000 males has increased to 996 per thousand males.

There have been slight decreases in Tamil Nadu, Orissa, and Karnataka. However, when we compare the figures there to the national figures of 929 females per thousand males, the numbers here are still significantly higher. The states that are below the national average include West Bengal, Rajasthan, Bihar, Uttar Pradesh, Punjab, and Haryana.

There are several reasons for our male-dominated population figures. According to some British population experts, geographic and social reasons such as climate, caste system, season of conception, eating habits, in-breeding, and polyandry cause this trend. However, they did not have any empirical data to prove this reasoning. The British rulers were trying to emphasize the social reasons to hide the economic reasons.

Actually, the falling female-to-male ratio can be described within the framework of India's poverty. In a nation with 37 percent of the population living below poverty level, a high infant mortality rate, low standard health facilities, extremely unhealthy living conditions, lack of pre- and post-natal care, high death rate among females, and other indicators point towards low standards of living. Making sure that the breadwinner is fed first in the family is part of the economic system. In old age, because of the lack of any social security system, sons are considered as insurance by parents. This way, better feeding and health facilities for men only prove the prevalence of this tendency. As a result, different death rates between males and females is the best explanation of the discrepancy in the male-female ratio. Infant mortality, especially in lower socio-economic

classes, for babies below the age of 1 year was 65 per thousand for females and 55 per thousand for males. This situation was still prevalent in Punjab, in which the per capita income is the highest in India.

In addition, women dying during pregnancy or during child birth also contribute to this discrepancy. According to an analysis of the national sample, the death rate for 15 to 45 year-old population is 30 higher for women than for men. About two-thirds of pregnant women were suffering from anemia resulting from an inadequate diet. This condition was more prevalent among the poor females in cities and all females living in villages. The inappropriate diet which causes anemia was also responsible for 40 percent of these deaths. In addition, low income women employed as manual laborers do not have access to hospitals during pregnancy, and they do not have any pre-and post-natal health care available to them. This increases the death rate among new mothers.

We should also consider some reasons given by social scientists in this context. These are playing an important role in the present family structure. It was believed that with an increase in literacy and in the level of education of the population, our attitude toward the dowry system would change. Unfortunately, the dowry tradition has been increasing. Expensive items such as televisions, VCR's, washing machines, scooters, and cars are being demanded more and more, putting a heavy pressure on parents. Marriages in middle and lower-middle classes are also becoming extremely expensive. A clear result of this is that people prefer to have boys over girls. According to the 1971 law for abortion, permission for abortion is only given when pregnancy is dangerous to the woman's mental or physical health, or the pregnancy was caused by rape or because of the failure of family planning methods. Thus there is a great deal of flexibility in twisting the law to get an abortion. The recent invention of sex determination before birth helps in the abortion of female babies. A lot of private nursing homes are being established all over the country. This is happening in suburban and urban areas of large cities. These examinations are carried out openly in these new nursing homes. Our information collection methodology is very weak. Forecasting the effects of these examinations in the clinics is not possible now. However, it clearly indicates that a pregnancy would be aborted in the case of a female child. The murder of female babies was part of our history during the time of independence and now the sex determination procedures have started this all over again. Advertisements supporting sex determination examinations tell the parents that the heavy expenses of dowry in later years can be avoided by not having a baby girl. The slogan, "it is better to spend 500 rupees now than to spend 500,000 rupees later" has been spread all over.

In the western countries, women were helped to earn livings in order to eradicate poverty. This was tied to the women's youth and age of reproduction. Better health facilities for women, which is the result of higher income, makes them more immune to various illnesses. Low living standards, coupled with lower education levels, bad health, and living situations, are all interrelated. Our nation,

which has not even eradicated other problems, cannot talk about eradicating poverty. How can we expect this nation to improve the living conditions of women? According to social scientists, there is always some time differential in improving the living standards of women. Our society has to get rid of the vicious cycle of poverty here. There is no doubt that the progress among women will be slow in the beginning. However, as the living standard rises, this difference will be reduced automatically.

Rocket Scientists, Others Win India Awards

91AS1491A Bombay THE TIMES OF INDIA
in English 15 Aug 91 p 6

[Article: "I-Day Invention Awards for 15"]

[Text] New Delhi, August 14. Fifteen persons have been selected by the National Research Development Corporation (NRDC) for this year's Independence Day awards for innovative inventions in different fields.

The NRDC has also awarded the WIPO silver medal to Mr. Suresh Nandan Sahay and Mr. Ramesh Nandan Sahay, of Standard Iron Industry, Patna, for their development of hand-operated "baba" pump (diaphragm pump). The World Intellectual Property Organisation (WIPO) is a specialised agency of the United Nations.

Dr. K. V.A. Pandalai, retired professor of the Indian Institute of Technology, Madras, and Mr. K. Rama Rao and Mr. B. Sankara Rao, both from the defence Research Development Laboratory, Hyderabad, have been jointly awarded Rs[rupees]50,000 for the development of an all-carbon composite heat shield for re-entry structure of rockets.

This structure has to withstand temperatures over 3,000 deg.c. The indigenously developed system has been flight-tested on Agni. The material has wide applications in the manufacture of heat, valves, brake discs, gas turbine fields and heating elements.

Mr. Shobh Nath Misra and Mr. Radhakrishnan Mannath, of the Bombay Textile Research Association, Bombay, share an award of Rs 40,000 for the development of a digital autospan and autosampler—an opto-electronic instrument for evaluating cotton length parameters.

The NRDC has awarded Rs 30,000 to Mr. Laxmi Narayan, Dr. G. N. Acharya, Mr. K. S. N. Rao and Mr. Kota Srinivas of the Central Electrical and Electronic Research Institute, Pilani, for the development of a microprocessor-based automatic PH control system for optimising the juice clarification process in the sugar industry.

Mr. Shree Kant Chaudhury, of the Nuclear Fuel Complex, will get Rs 30,000 for the development of pyrophoric metal powder of zirconium and nuclear grade magnesium granules.

Mr. Lakshman Prasad, of Aligarh, has been awarded Rs 25,000 for the development of a self-inking microprinter for cottage and smallscale industrial units to print data

such as batch number, date of manufacture, date of expiry, etc., on small carton wrappers in one stroke.

Dr. Anukul Chandra Das and Dr. Goutam Banerjee, of the Central Glass and Ceramic Research Institute, Calcutta, share Rs 25,000 for the development of a process to manufacture low-moisture refractory composition containing 45 to 50 percent alumina. It is widely used in steel plants.

Mr. Mahendra Prahladbhai Patel, of Dynex Corporation, Ahmedabad, has been awarded Rs 15,000 for the development of a patented dynex keyless shaft coupler which enables locking of shaft with hub without using keyways keys, locking set screws, locking bolts, tapping of holes, spline, flat, slot or tapes on shaft and hub, shrink-fit or press-fit procedures and other matching techniques that require to lock or grip a hub with a shaft.

Mr. Deen Dayal Kasera, of Kasera Metal Industries, Jaipur, has been awarded Rs 15,000 for the development of a mini rolling mill for the production of aluminium sections. The system costs Rs 2 to 4 lakhs. The presently used integrated extrusion type system costs over Rs 1 crore.

Major Communal Riot Statistics Released

91AS1453A New Delhi PATRIOT in English 18 Jul 91
p 5

[Quotation marks as published]

[Text] A total of 2,025 people were killed in 62 'major communal riots' in the country 'during 1989, 1990 and up to now,' Minister of State for Home M.M. Jacob informed the Rajya Sabha in a written answer on Wednesday, reports UNI.

Replying to Mr. N.E. Balaram Mr. Jacob attributed the communal violence in various parts of the country in 1989 and 1990 to the heightening of tension because of the Babri Masjid-Ram Janambhoomi controversy.

The year-wise breakup of the riots is: 1989 (1,174 people killed in eighteen riots), 1990 (693 people killed in 28 riots) and 1991 (up to now) (158 people killed in sixteen riots).

In 1989 the maximum number of six riots took place in Bihar in which a total of 1,061 people were killed of these 984 were killed in one single riot in Bhagalpur. In the same year Bihar was followed by Rajasthan where in five major communal riots thirty people lost their lives.

In 1989 in Uttar Pradesh two riots took place at Badaun and Varanasi claiming the lives of thirty and seven people respectively.

In 1989 in Madhya Pradesh 27 people lost their lives in two riots.

In 1990, however, Uttar Pradesh topped the list with a total of nine major communal riots which collectively claimed the lives of 304 people.

Uttar Pradesh was followed by Gujarat with four major riots which claimed the lives of 98 people. Ahmedabad and Baroda were the worst-affected.

Though in Andhra Pradesh in 1990 only three major riots took place but a total of 162 people lost their lives in these. The worst affected was Hyderabad where 130 people lost their lives.

In 1990 the riots in the National Capital claimed eleven lives.

During the current year up to now once again Uttar Pradesh has topped the list with six major riots and 89 people were killed in these.

During 1991, Meerut was the worst-affected where thirty people lost their lives followed by Kanpur (eighteen), Sikandarabad (eleven), Ghaziabad, Sharanpur and Varanasi (ten each).

In Bihar one riot took place, in which three people were killed.

In Gujarat 16 people have killed in three riots at Surat, Ankleshwar and Baroda.

In Maharashtra nine people were killed in one riot in Bombay.

In West Bengal 18 people were killed in two riots at Nadia and Asansol.

NTIS
ATTN: PROCESS 103
5285 PORT ROYAL RD
SPRINGFIELD, VA

2

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.