

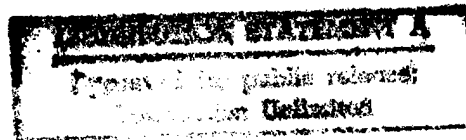
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27 May 1982

# South and East Asia Report

No. 1146



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27 May 1982

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No. 1146

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## SINO-INDIAN TALKS LIKELY

Calcutta THE STATESMAN in English 19 Apr 82 p 1

[Text] NEW DELHI, April 18.—India and China are likely to have talks on the border and other bilateral matters here from May 17, reports PTI.

A 10-member Chinese delegation headed by Mr Fu Hao, the Vice-Foreign Minister, will arrive here a day or two before the talks begin. The Indian side will be led by Mr Eric Gonsalves, the secretary in the External Affairs Ministry.

The two countries have been in touch through diplomatic channels about holding the talks. After India indicated its willingness to resume the dialogue at a mutually convenient date, China suggested the middle of May.

India has now proposed May 17. While Beijing's formal acceptance of the date is expected within this week, indications are that the dates would be acceptable to

China. The talks would last four or five days.

Besides the border, the talks will cover other aspects of bilateral relations — cultural exchanges and trade included.

The two countries had talks in Beijing in December last year on the border issue. It was decided to continue the dialogue.

In the intervening period, the two sides have had time to review the discussions that took place at Beijing. The discussions so far have seen a broad reiteration of the known positions of the two sides on the vexed border issue.

Fairly wide differences persist between the two countries on the border issue, but both sides consider the dialogue, which was taking place after several years, as a positive step.

In a recent statement in Parliament, the External Affairs Minister, Mr P. V. Narasimha Rao, had refuted suggestions that India was

dragging its feet on dialogue with China.

Each side, he said, had to examine in detail every aspect of the subject under negotiation and a lot of "homework" had to be done.

No official word is available on the details of the Beijing discussions, but the Chinese side is believed to have favoured a "comprehensive settlement" of the border issue on the basis of a "package" which would mean exchange of certain areas belonging to India.

India is understood to have conveyed to Beijing that such a package was unacceptable. The Government also informed Parliament that there was no proposal to exchange the Aksai Chin area for the Chumbi valley.

China has now agreed with the Indian view that the border was the central question in the normalization of bilateral relations.

CSO: 4220/582

## RAO HOPEFUL ON BORDER TALKS

Bombay THE TIMES OF INDIA in English 21 Apr 82 p 9

[Text] TOKYO, April 20 (PTI)--The external affairs minister, Mr. P. V. Narasimha Rao, said today that India was "hopeful and cautiously optimistic," about the forthcoming Sino-Indian border talks.

The border dispute was central to India's relations with China. "Unless this issue is satisfactorily settled, normalisation will not be complete, nor even meaningful," Mr. Rao told a press conference here.

Mr. Rao said he could make no prognosis about the talks slated for mid-May in New Delhi. At this stage all he might say was: "We are hopeful."

At the press conference, hosted by Japan's National Press Club, Mr. Rao was asked to comment on the latest developments in India's relations with China and Pakistan.

After briefly going over the developments, Mr. Rao said the process of normalisation of Indo-China relations had lately "picked up a little speed."

Mr. Rao arrived in Japan on Saturday on a five-day official visit.

Describing the border issue as complex, Mr. Rao said satisfactory settlement of the question, over 20 years old now, was vital to the normalisation of relations between the two countries. The Chinese side also realised this, he added.

He said the Indian government was now, trying to analyse the "contents of discussions" held in Beijing by the two sides in December last year.

On the much-publicised no-war pact talks with Pakistan, Mr. Rao said India wanted a proper atmosphere in which to resume discussions that were halted following a statement by a Pakistani representative at the human rights commission meeting in Geneva recently. The unfortunate statement (referring to Kashmir) vitiated the atmosphere.

"We are waiting and working for a better atmosphere". Temporary postponement of talks was in the interest of long-term relations between the two countries, he said.

India's relations with Pakistan had nothing to do with Indo-Soviet relations, he told a questioner.

UPI adds: Mr. Rao later paid a courtesy call on the Japanese Prime Minister, Mr. Zenko Suzuki, and called for expanded economic co-operation between the two countries.

Mr. Suzuki promised Japan's continued economic co-operation with India and other developing countries. according to officials at the Prime Minister's office. Mr. Rao also invited the Japanese Prime Minister to visit India.

CSO: 4220/582

PAPER GIVES DETAILS OF GANDHI TALKS WITH FAHD

Calcutta THE STATESMAN in English 20 Apr 82 pp 1, 9

[Article by V. S. Maniam]

[Text] RIYADH, April 19--At a 100-minute meeting, described as exceptionally cordial, Mrs Gandhi and Crown Prince Fahd today reviewed the conflicts in this region and elsewhere and agreed that determined efforts should be made to ensure that the process of development continued unhindered.

"The vested interests of super Powers ought not to be allowed to distract us from our duty towards development", the Crown Prince was reported to have said at one stage.

Today's meeting concluded the series of meetings Mrs Gandhi has been having with senior Saudi Ministers since her arrival here.

The Saudi side at today's talks included, besides the Crown Prince, who is Mrs Gandhi's counterpart here, although designated as the first Deputy Prime Minister, Prince Abdullah, who is the second Deputy Prime Minister and Prince Sultan, who is Defence Minister. The Indian side included the Finance Minister, Mr Pranab Mukherjee, two Ministers of State, Mr K. A. Khan and Mr Jaffar Sharief, as well as the Prime Minister's principal secretary, Dr P. C. Alexander, and several other officials.

Two concrete points of interest to India emerged from the meeting. One was the Crown Prince's assurance that he was trying his best to bring about stability in oil prices. The other was his implicit invitation for more joint ventures in Saudi Arabia in fields like construction, manufacturing and contracting.

The Indian firms engaged in these fields were not many and several more could come in, he was reported as saying.

The cordiality prevailing at today's meeting was exemplified by Mrs Gandhi's announcement of India's gift of a six-year-old elephant to the children of Saudi Arabia. The Crown Prince responded by announcing the gift of an Arab stallion and a camel for Indian children.

Mrs Gandhi also extended an invitation to the Crown Prince and the two other princes to visit India. They have accepted the invitations.

In yet another gesture, which reflected the exceptional friendliness at the talks, Crown Prince Fahd escorted Mrs Gandhi from her suite in the Guest Palace to the conference hall. In his opening remarks he also told her that she was known to be an expert on political matters and that he and others on his side were keen to hear her views on the tensions and problems plaguing the region, including the Afghanistan issue and the Iran-Iraq war.

He recalled also India's consistent support for the Arab cause over the years and thanked the Prime Minister for the understanding India had shown for Arab problems.

According to the official spokesman briefing the Press, Mrs Gandhi had assured the Crown Prince that India was opposed to all intervention, in whatever form it took place, and that such feelings had been conveyed clearly to Soviet leaders.

On the Iran-Iraq war, she reiterated her view that it was a tragic one and that it was regrettably being prolonged. Both were stated to be in agreement on the role the non-aligned could play in ending the war. The two leaders reviewed the progress made in North-South cooperation on issues like financial flows, food security and energy development. Mrs Gandhi stressed that it was imperative for developing countries to get global negotiations started on these and other issues. She also hoped Saudi Arabia would cooperate with India in beginning such negotiations early.

PTI adds: Mrs Gandhi this evening spent 90 minutes watching horse racing at the equestrian club here where a new "cup" was instituted in her name.

The winner of the cup will get a cash prize of 60,000 Saudi riyals (about Rs 1.80 lakhs). In a rare gesture, the club, of which Prince Abdullah is the chairman, has also decided to display permanently a photograph of Mrs Gandhi in the club.

The club today organized four special races, including one for the Mrs Gandhi Cup. The three other races were named, the Calcutta Prize Race, the New Delhi Prize Race and the Alriyadh Prize Race, with prize money ranging from 9,000 to 15,000 riyals (Rs 30,000 to Rs 50,000).

CSO: 4220/7201

PAPER REPORTS END OF GANDHI SAUDI VISIT, COMMUNIQUE

Bombay THE TIMES OF INDIA in English 21 Apr 82 pp 1, 9

[Text] RIYADH, April 20 (UNI)--India and Saudi Arabia today underlined the importance of maintaining an atmosphere conducive to further negotiations between Islamabad and New Delhi to attain the objectives of non-aggressive and non-use of force.

They agreed that consolidation of India-Pakistan relations would contribute to the security, stability and peace in South Asia and the entire region, according to joint communique issued at the end of the Prime Minister, Mrs. Indira Gandhi's four-day visit, hailed as heralding "a new era" in Indo-Saudi relations.

The communique said India stressed its desire to establish peaceful and harmonious relationship with all countries, including Pakistan.

The Saudi side expressed appreciation of India's position and hoped that such efforts would soon lead to an atmosphere of peace, understanding and good neighbourly relations.

The two sides agreed that the stability and security of the Indian subcontinent and the Gulf region were closely interlinked.

They emphasised the need of closer contacts between them and other countries of the region to safeguard peace and prevent big powers from interference and influence the affairs of the region.

The communique expressed "profound satisfaction with positive outcome and results" of Mrs. Gandhi's visit which it said was an important step forward in the development of increased understanding and co-operation between the two countries.

It announced the decision to set up a joint economic commission which would hold its first meeting in October.

The two countries noted with "satisfaction" the significant increase in economic exchanges between them in recent years.

They agreed that in view of the rapid development taking place in both the countries, there were vast possibilities for a further increase in economic exchanges and their diversification in the areas of investment in Indian joint ventures and increased participation of Indian organisations in projects in Saudi Arabia.

It was proposed that a delegation of Saudi businessmen and industrialists should visit India soon to further explore the possibilities of mutual beneficial economic co-operation.

The two countries emphasised the need for closer and regular contacts between them and other countries of the region to safeguard peace and prevent big powers from interfering and influencing the affairs of the region.

This is the first time that Saudi Arabia openly acknowledged that India was a factor for peace in the region taking into account its size, its sound economic base and political stability.

Saudi Arabia and India expressed profound satisfaction with the positive outcome and results of the visit of Mrs. Gandhi, which heralds a new era in Indo-Saudi relations. "This visit is an important step forward in the development of increased understanding and co-operation between the two countries."

The two sides supported the efforts of the non-aligned movement and the Organisation of the Islamic Conference to end the Iran-Iraq conflict.

The communique said the discussions between Mrs. Gandhi and King Khaled and Crown Prince Fahd revealed a close similarity of views on a wide range of international issues. It said the talks were held in a "fraternal atmosphere of cordiality mutual trust and understanding."

On Afghanistan, the two sides expressed their grave concern and called for a "just and comprehensive settlement of the question on the basis of withdrawal of all foreign troops, strict observance of the principles of non-intervention and non-interference and full respect for the independence, sovereignty, territorial integrity, non-aligned status of Afghanistan and its membership of the Organisation of Islamic Conference."

The communique said the Saudi side appreciated India's consistent and firm policy of support for the Arab cause. Mrs. Gandhi reiterated that India would continue this policy.

In this context Mrs. Gandhi welcomed Crown Prince Fahd's eight-point peace plan as a "constructive initiative towards achieving a just and durable solution to the Middle East problem."

Noting with grave concern the escalation of great power rivalry in the Indian Ocean, the two sides urged these powers to "progressively reduce and eventually eliminate their presences."

They also reaffirmed that the security and stability of the Gulf area was "the responsibility of the Gulf states only without any foreign interference or intervention."

The Saudi side explained the objectives of the Gulf co-operation council. India welcomed its establishment and appreciated the "resolves of its members to keep the region free from any outside interference."

#### Israel Condemned

The two sides condemned the Israeli annexation of the Golan Heights and reiterated its full support for the Palestine Liberation Organisation as the sole and legitimate representative of the Palestinian people. They wanted complete withdrawal of Israeli forces from occupied territories to resolve the West Asia crisis.

Referring to the deteriorating international situation, the two sides felt that the non-aligned movement had to play a vital role in promoting international peace.

The two sides recalled with profound satisfaction the age-old Indo-Arab relations and stressed that in the recent years India's traditional relations have developed into a "multi-dimensional relationship with Saudi Arabia, as also with other Arab countries."

The two sides reiterated their belief that further development of these relations would be to the "mutual benefit of the peoples of both countries on the basis of equality and mutual respect."

Taking note of the deterioration in the world economy and the "disturbing trends in multilateral economic co-operation," they regretted that the burden of adjustment had been passed on to the developing countries and particularly the oil-importing developing countries. They called for early global negotiations and hoped that progress would be made in areas such as food, energy, financial flows and trade in future.

The two sides stressed the need for "strengthening of economic and technical co-operation among the developing countries which would result in solidarity and collective self-reliance of the developing nations and reduce their vulnerability to pressure from and events in the developed countries."

The Indian side expressed great appreciation for the assistance extended over the past few years by the Saudi fund for development. The Saudi side assured India that such assistance would continue to be extended for its economic development projects.

The two sides identified specific areas of co-operation. Discussions were held on setting up joint venture projects in the fields of agriculture, fertiliser and cement.

Mrs. Gandhi has extended invitations to King Khaled and Crown Prince Fahd to pay state visits to India. The communique said: "The invitations were accepted with pleasure and the visits would take place at mutually convenient dates."

Addressing a press conference before her departure from Riyadh, Mrs. Gandhi described her Saudi visit as "very successful" and said it had opened a "new chapter in our relations."

The main purpose of her visit, she said, was to look for new avenues of co-operation and establish political understanding with Saudi Arabia, which plays a significant role in world affairs because of its oil wealth, strategic location and enlightened leadership.

Her wide-ranging talks with King Khaled and Crown Prince Fahd revealed agreement between the two sides that close relationship between them would be in the larger interests of peace in the region. Both shared the view that the security of the Indian subcontinent and the Gulf region were interlinked.

Close Indo-Saudi co-operation could be a bulwark against super power machinations in the region, she added.

Mrs. Gandhi expressed great optimism about the future of Indo-Saudi relations and said that a new dimension had been given to their economic co-operation.

During her 45-minute press conference, Mrs. Gandhi answered a wide range of questions of Afghanistan, Indian Muslims, north-South issues, the Indian Ocean and the Iran-Iraq war.

Referring to the affairs of the subcontinent, Mrs. Gandhi denied insinuations that India, or she herself, was not to the existence of Pakistan. "There is absolutely no truth whatsoever in it," she said.

She emphasised that India's "practical" viewpoint was that it did not want a weak or unstable neighbour. It was precisely because of this that India so earnestly desired that Pakistan, Bangladesh and Sri Lanka should be strong and independent. "Whatever political systems or leaders they have is purely their own business"

Mrs. Gandhi said the very fact that partition took place meant that India had accepted the existence of Pakistan.

In a forthright comment on Afghanistan, Mrs. Gandhi said: "Our view is that there should be no foreign intervention, military or subversive or of any other kind."

She went on to say that unfortunately such interferences had taken place in Asia, Africa and other parts of the world. She regretted that the "world has not strongly reacted to them."

She dismissed a suggestion that there was a conflict between the non-aligned group and the Islamic conference over their roles in ending the Iran-Iraq war.

On the super-power rivalry in the Indian Ocean, she said the littoral states had to raise their voice collectively "since it was not the numbers but sophistication of weaponry that is now worrying us."

## GANDHI TALKS TO PRESS ON RETURN FROM SAUDI VISIT

New Delhi PATRIOT in English 21 Apr 82 pp 1, 7

[Text] Prime Minister Indira Gandhi said on return to the Capital on Tuesday night that her visit to Saudi Arabia constituted the "opening of a new chapter" in Indo-Saudi relations, and would contribute towards stability and security of our region.

Asked if the question of Pakistan's acquisition of sophisticated weapons from the US and manufacture of nuclear bomb had figured in the course of her talks with the Saudi leaders in Riyadh, Mrs Gandhi told newsmen that they did come up indirectly when she "referred to our problems" in her survey of regional developments.

The Saudi leaders, she said, had agreed with her that peace and cooperation in the area were essential and an atmosphere conducive to negotiations should be created.

Mrs Gandhi was warmly welcomed on her arrival by Cabinet colleagues, MPs and senior officials.

The visit, Mrs Gandhi said, was aimed at conveying India's goodwill towards Saudi Arabia and developing better understanding as well as "removing misunderstanding" on some issues. She told a questioner that the "talks and personal contacts" with the Saudi leaders had been very valuable.

As for the results of the visit, she mentioned the decision to have the first meeting of the Indo-Saudi Joint Commission in October in New Delhi, and the visit of a group of Saudi businessmen to India sometime this year. "Obviously there are vast possibilities of economic exchanges which we must pursue vigorously," she observed, referring to several areas of joint ventures.

Earlier at a press conference in Riyadh, she strongly refuted the propaganda that India was not reconciled to the existence of Pakistan and declared, "we wish Pakistan well."

India, Mrs Gandhi said desired to live in peace and cooperation with Pakistan. It was not good to have weak and unstable neighbours.

Mrs Gandhi said her visit to Saudi Arabia had opened a new chapter in Indo-Saudi cooperation. She was confident that in a world haunted by the threat of nuclear confrontation and economic disparities, better understanding between the two countries would contribute to political stability and economic progress.

Her discussions with King Khaled and other leaders had been useful.

There was recognition, she said in an opening statement, that stability and security of the Gulf and Indian subcontinent were closely inter-linked. The importance of closer contacts had therefore been recognised as also the need for deeper and more diversified exchanges between India and Saudi Arabia.

The Prime Minister referred to India's consistent support to the Arab cause. This was one of the basic elements of India's foreign policy. "Today, we stand side by side with the Arab world." in supporting the Palestinians' struggle for their inalienable rights to their homeland.

Mrs Gandhi said that as a result of sustained efforts over the last 35 years, India had been able to modernise its agriculture. It had also become a leading industrial nation. "We still have problems of economic backwardness but we have the capacity to overcome".

But a climate of peace was essential if there was to be progress and development. Peace was not just an ideal but a practical necessity for India and other developing countries.

Saudi Arabia, she said, had a very important role to play in today's world, haunted by the threat of nuclear confrontation and economic disparities.

The Government and the people of Saudi Arabia had made her feel at home during her stay here.

#### Minorities

Mrs Gandhi reaffirmed her Government's commitment to fully protect the life and property of Muslims and other minority communities in India.

The minorities were in large number in India and keeping in view the totality of its size and population, the number of communal riots was very small, she said.

The Prime Minister said her party strongly believed that to protect the life and property of minorities was the responsibility of the Government. Majority community should treat the minorities as 'younger brothers' and look after their interests, Mrs Gandhi said.

The Prime Minister said Muslims had played a leading role in India's freedom struggle and over the years had come up to occupy high positions in public life on the basis of their merit and seniority.

## INDIA, JAPAN AGREE TO EXPAND TRADE, COOPERATION

Calcutta THE STATESMAN in English 20 Apr 82 p 16

[Text]

TOKYO, April 19.—India and Japan today agreed to expand trade and scientific and economic cooperation, reports PTI.

A joint statement, issued after two rounds of talks between the External Affairs Minister, Mr P. V. Narasimha Rao, and his Japanese counterpart, Mr Yoship Sakurauchi, said that the two leaders had discussed the "volume of bilateral trade, the possibility of diversifying Indian exports and flow of credits and economic cooperation between the two countries".

The two sides also exchanged views on international and regional issues in "constructive spirit", the statement added.

During the talks, the two Ministers widely discussed international issues like North-South relations and the current U.S. attitude towards the developing world, according to conference sources.

Mr Sakurauchi lauded the efforts made by India to improve its relations with China, the sources said. On disarmament, the Japanese side reportedly took particular note of Mrs Gandhi's forthcoming visit to the USA where she will attend the U.N. disarmament meeting scheduled to be held in July this year.

Earlier Mr Rao, speaking at an Indian community luncheon, said there were both disparities and similarities in an otherwise problem-free Indo-Japanese relationship.

UPI adds: Mr Rao asked Japan to resume commodity aid to help finance India's sixth Plan, Japanese officials said.

The officials said Mr Rao made the request at the opening session of a week of consultations with his Japanese counter-part, Mr Sakurauchi.

They said Mr Rao told Mr Sakurauchi that the Indian Government suffered from lack of funds to finance the plan. Japan suspended commodity aid to India in 1979 when India's foreign currency situation improved. The last aid Japan gave India was 6 billion yen (\$24.4 million) worth of commodities in August, 1978.

## PAKISTAN STAND POSES NEW HURDLE TO DIALOGUE

Madras THE HINDU in English 19 Apr 82 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, April 18.

The Pakistani Ambassador to India, Mr. Abdul Sattar, who has been away on a prolonged visit to Islamabad for consultation, is due to get back to Delhi next week with some fresh suggestions for an early resumption of the stalled Indo-Pakistan dialogue.

Apart from the Kashmir question, a new hurdle to be overcome before the two sides can restart the dialogue relates to the relative priority to be given to the Pakistani proposal for a no-war pact and the Indian plea for a joint commission.

**Twin propositions:** Though the two issues are not inter-linked, there is certainly a correlation between the twin propositions in the sense that the no-war idea is at least only a negative concept not to resort to use of force, which needs to be buttressed by something more positive in the nature of a mutually beneficial bilateral relationship through normalisation of contacts in various spheres. A joint commission, in India's view, provides the necessary framework for improving relations.

The Pakistani *aide memoire* on the proposed no-war pact made it quite evident that Islamabad would like the non-aggression idea to be built into a reiteration of the mutual commitment to abide by the principles of U.N. Charter, while reaffirming their obligations under the Simla agreement. The Indian thinking is that it would be desirable to treat it as part of treaty of friendship and cooperation to give a more positive content to the no-war proposition.

**Kashmir issue:** As regards the Kashmir question, it has been indicated by Pakistan that the two countries could arrive at some private understanding on the manner and form in which a reference could be made in international forums to the mere fact of this dispute, without abandoning its right to raise the issue even as a routine reminder of its existence.

But India will insist on a more specific assurance that it will not be raked up periodically to sour the relationship and compel it to strongly rebut the charge of continued "occupation" of disputed territory or "violation" of relevant U.N. resolutions.

**Dialogue with China:** The parallel dialogue with China will also have some bearing on the progress of the talks with Pakistan, since any improvement of relations with one will be reflected in the relationship with the other in this triangular context. It is not without significance that the new Foreign Minister of Pakistan, General Yaqub Khan, is paying a visit to Beijing this month before the second round of the official talks between India and China next month in Delhi.

Though it is going to take a longer time to get the interrupted Indo-Pak dialogue into stride again, it should be possible to sort out at least procedural issues through diplomatic channels to clear the way for substantial discussions. The suggestions that Mr. Sattar is expected to bring from Islamabad are probably intended to dispel the misunderstandings that have arisen and prepare the ground for further exchanges.

CSO: 4220/582

SOVIETS TO AID IN PROJECTS AT BHILAI STEEL PLANT

New Delhi PATRIOT in English 21 Apr 82 p 5

[Text] The implementation of a number of scientific projects undertaken at the Bhilai steel plant with the participation of Soviet specialists, will lead to the savings of more than Rs 20 crores reports PTI.

These projects have resulted in a decrease in the consumption of coke by seven per cent, a reduction in the consumption of fuel per tonne of steel by 6.1 per cent, and an increase in the productivity of blast furnace by eight per cent.

This was the assessment made at the two-day Indo-Soviet technical seminar on research and development efforts in Bhilai steel plant held in Bhilai.

A programme of transferring Soviet technical experience to Indian specialists was also undertaken in the scientific and research centres and metallurgical plants in the USSR.

In the near future, it is planned to expand Soviet-Indian scientific collaboration in the field of ferrous metallurgy. In October 1980, the first Soviet-Indian symposium on programmes of ferrous metallurgy was held in Ranchi. The second symposium will held in September next in the city of Donetsk in the USSR.

An agreement was signed between the USSR and India on 31 May 1978, on scientific and technical cooperation in the field of ferrous metallurgy. Soon after signing the agreement, a group of prominent Soviet scientists led by Prof A Efimov, came to the Bhilai plant for compiling the programme of joint scientific cooperation in the field. In October 1979, the first group of 12 Soviet scientists, specialising in the field of ferrous metallurgy, came to India and in 1980-81 five more scientists arrived in this country.

CSO: 4220/7209

INDIA 'DOING WELL' IN WEST ASIAN CONSTRUCTION PROJECTS

Bombay THE TIMES OF INDIA in English 21 Apr 82 pp 1, 5

[Article by Madhukar Jhaveri]

[Text] BOMBAY, April 20. India has been doing exceedingly well as far as construction projects in West Asia are concerned, the consequences of the oil glut notwithstanding.

Contrary to the general fears that the construction activity in the region will shrink because of the unstable oil situation, the country has finished 1981 with a massive addition of Rs. 2,000 crores in the value of the projects on hand, according to the latest estimates.

The total jobs on hand amounted to a record Rs. 6,000 crores at the end of last year, and the figure has swelled appreciably during the first quarter of the current year although it will be some time before an accurate estimate becomes available.

The experience during 1981 has gone a long way towards accelerating the upward trend in business witnessed over the past five years. The projects on hand were of the order of Rs. 800 crores at the end of 1977.

Of the business on hand worth Rs. 6,000 crores, Iraq and Libya alone account for Rs. 4,500 crores or 60 per cent of the total.

The share of Saudi Arabia has been relatively small--the current estimates place it at Rs. 400 crores--but industry circles are confident that the Prime Minister's visit will act as a powerful catalyst.

The largest job on India's order book at present is the water treatment and supply project in Iraq. The Rs. 450-crore project is being handled by a prominent New Delhi firm.

Another major job consists of a large complex of residential buildings being constructed for the National Building Construction Corporation of Libya. It is worth Rs. 350 crores.

Significantly, both the jobs have been won in the course of the past six months, confirming the impression that the outlook remains quite encouraging.

What is particularly noteworthy, the Indian construction industry has given a good account of its capability vis-a-vis not only the giants of the West but also South Korea which, with jobs on hand worth Rs. 12,000 crores, offers India a keen competition.

Industry circles are confident that the country can do much better in the region with a more dynamic official backing and have been maintaining a continuing dialogue with New Delhi as well as the agencies concerned to ensure a more helpful operational backdrop.

One of their major grievances is that the industry has to operate within a framework of unduly divided official supervision which forces it to deal with a number of agencies at present. They feel that there exists considerable scope for the unification of the tasks involved and the simplification of procedures.

The industry has been pleading for some years for a separate export promotion council that can devote all its energy and resources to the promotion of overseas construction business. It sees no reason why this cannot be done when industries and trades with a small fraction of its export turnover have had the benefit of councils of their own.

Its campaign in this connection has, however, evoked a favourable response in New Delhi lately. The Union commerce ministry has virtually conceded its case, and the latest reports say that the establishment of a council for the promotion of overseas construction projects, possibly with the Overseas Construction Council serving as a nucleus, is round the corner.

CSO: 4220/7206

SUBVERSION SUSPECTED IN RECENT ROCKET THEFTS

Intelligence Sources Quoted

Bombay THE TIMES OF INDIA in English 21 Apr 82 p 1

[Text] DHANBAD, April 20: Intelligence sources suspect the involvement of spies and saboteurs in the mysterious removal of army rocket from the Kanpur ordnance factory recently and pilferage of high explosives.

According to these sources, a Bokaro contractor, who "commanded great influence" in the steel complex, was the brain behind the network of spies and saboteurs. His name had figured in police records for his "abortive attempts to rouse communal feelings and engineer riots."

Intelligence sources suspected the contractor's hand in the find of carcass of a cow inside the steel plant recently. This would have resulted in communal riots but for the prompt action taken by the local administration.

The same sources also suspect the hand of this contractor in a bid explosion at the blast furnace last year.

This contractor is also reported to be involved in the storage of high explosives at a hotel at Wasepur in Dhanbad.

Calcutta: The Union energy minister, Mr. A. B. Ghani Khan Chandhury, today ordered the Coal India authorities to make a thorough probe into the recent looting of mining explosives and detonators reports our Special correspondent.

The Minister has also asked the authorities to suggest and implement immediate preventive measures.

UNI adds: A high-powered committee headed by the director-general of mines safety, Mr. S. Shankaran, was set up to investigate the pilferages of explosives and detonators at the instance of Mr. A. B. Ghan Khan Chowdhury.

The other two members of the committee are the chief inspector of explosive (Nagpur) and a senior official of the Coal Mines Development, planning and Design Institute, Ranchi.

## Discussion in Lok Sabha

New Delhi PATRIOT in English 23 Apr 82 p 5

[Text] Both the ruling party and Opposition members expressed serious concern in the Lok Sabha on Thursday over the discovery of Air Force rockets at Bokaro and other places and criticised the Defence Minister for taking the incident 'lightly'.

However, Defence Minister R Venkataraman denied the charge and asserted that the police, civil authorities and Air Force had taken prompt action when 56 rockets and two rocket pods were found missing from a larger consignment in a train.

The matter was raised by Mr Bhogendra Jha (CPI) and Mr Nawal Kishore Sharma (Congress-I) and others through a calling attention motion on the reported discovery of Air Force rockets in lime stone wagons for Bokaro Steel Plant, in coal wagons at Nagalia Sadat railway station between Bareilly and Moradabad and in Gaya and seizure of explosives in a hotel at Dhanbad, Bihar.

Mr Sharma demanded that inquiry into the entire matter be handed over to the CBI as inquiries by the police and the army might run counter to each other.

The Defence Minister said that he shared the concern of the House in the matter and assured that the military intelligence, police, railway police and other agencies were very seriously engaged in unearthing the entire matter.

He declared that a Court of Inquiry had been ordered by the Air Headquarters to probe the incident. However, he did not reply to Mr Sharma's demand of a CBI probe.

Mr Sharma questioned the possibility of 'theft' motive behind the entire incident as advanced by the Defence Minister. He said this was not a solitary incident but there had been various instances during the last one year where loss of defence material was found in transit.

"I am sorry to comment that the Defence Minister has taken the incident so lightly," he said and added if theft theory was to be accepted, how was it that one rocket each was found in nine wagons of lime at Bokaro. Generally a thief or a robber would dump the entire material at one place, he added.

He suspected that the incident might be an attempt by some unscrupulous elements, interested in creating a climate of uncertainty and disorder in the country.

Mr Jha said that theft of defence material was a serious matter and charged that the Government seemed incapable of safeguarding the country's interests at a time when it was surrounded by hostile forces from all sides.

Regarding the safety of defence material in transit raised by members, Defence Minister said that a departmental committee had gone into the aspects and one

of the suggestoins made by it was containerisation of defence material while in transit.

Mr Venkataraman said, "This is being considered very seriously. There is no cause for worry that the country's defence is in any way being jeopardised."

Such was the strength of concern expressed by members that Mr Chandrajit Yadav, Janawadi, and Mr Ram Vilas Paswan, LD, appealed to Speaker Balram Jakhar to permit a discussion. "This is very serious, for the first time this kind of lapse has been found", they remakred.

Mr Jakhar parried the demand merely saying "let us see what happens."

CSO: 4220/7206

## BRIEFS

PLANNING COMMISSION MEMBER--NEW DELHI, April 19--Mr H. C. Hanumantha Rao today joined the Planning Commission as a member, reports PTI. Mr Rao was a member of the Economic Reforms Commission, headed by Mr L. K. Jha. Earlier, he was the director of the Institute of Economic Growth, Delhi University, and member of the seventh Finance Commission. He has written books on Indian agriculture. [Calcutta THE STATESMAN in English 20 Apr 82 p 1]

AMBASSADOR'S ACTIONS PROTESTED--Five Congress-I members of Parliament on Tuesday protested against the American ambassador meeting Lok Dal leader Charan Singh and Congress-J president Jagjivan Ram on the eve of the mid-term poll in four States and described it as "an interference in the internal affairs" of the country. In a statement, the MPs--Mr K K Tiwari, Dr S K Bhoi, Mr Bhikuram Jain, Mr K Pradhane and Mr Arjun Sethi--said there was little doubt that Mr Charan Singh and Mr Jagjivan Ram--two outstanding caste leaders--and the Bharatiya Janata Party, "the most potent force of communalism in Indian politics" would make 'an ideal political tool for Americans whose weakness for such elements in the politics of Third World countries is well-known." The talk of evolving a national alternative to the Congress-I was also to be viewed in the context of these portentous developments, they said. [New Delhi PATRIOT in English 21 Apr 82 p 5]

CSO: 4220/7210

## SOUTH KOREAN-INDONESIAN COAL CONTRACT INITIALED

Jakarta SINAR HARAPAN in Indonesian 20 Mar 82 p 11

[Excerpt] On 11 March five South Korean companies, which had formed a consortium consisting of Hanil Cement Manufacturing Co, Ltd, Samchuk Consolidated Coal Mining Co, Ltd, Pan Ocean Bulk Carriers, Ltd, Yongsan Transportation Co, Ltd, and Taewoong Incorporated, initialed a coal cooperation contract for East Kalimantan with PN Tambang Batubara [State Coal Mining Enterprise], which was represented by Ir Achmad Prijono, chief director.

According to this second generation coal cooperation contract, the South Korean parties had to form a corporation on the basis of Indonesian law. They are to carry out exploration in an area of approximately 2,550 square kilometers, which will be narrowed down, according to the level of work, until the field is at most 25 percent of the initial area at the beginning stages of production.

Discussions between the South Koreans and the Indonesian government were, relatively speaking, very brief, only continuing for 4 days from 8 March 1982. The reason was that the standards had been set in the first generation cooperation contract, with a few corrections in this contract. The contract still needs the Indonesian government's approval for it to be signed.

Besides two cement consortiums from Thailand and Malaysia, namely Siam Cement Co and Tasek Cement Co, which are scheduled to begin negotiations at the beginning of April, a Spanish company, Empresa Nacional Adaro De Investigaciones Mineras SA, is also interested in adding its capital to the coal mining industry. It had sent three experts led by Dr Ortiz Ramos to conduct field inspections in the Paringin and Tanjung areas of South Kalimantan in early March.

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CSO: 4213/51

## NICKEL MINING COMPANY HALTS OPERATIONS

Jakarta KOMPAS in Indonesian 18 Mar 82 p 2

[Excerpt] PT Aneka Tambang [Diversified Mining Co] will continue nickel mining operations on Gag Island after a government liquidation team takes inventory of the property left behind by PT Pacific Nickel Indonesia, which had previously managed the project. The inventory will show what property the aforementioned company can take back overseas; the remaining property will be turned over to the Indonesian government.

KOMPAS' source pointed out Wednesday that initially PT Pacific Nickel Indonesia managed mining operations on the island through a work contract with the Indonesian government. In 1973 the company turned over the results of its research to the government. As a result of this study, it was learned that the island was quite good for nickel mining and that there were enough reserves to safeguard the continued operations of the company.

PT Pacific Nickel Indonesia then obtained exploitation right from the government. But after 2 years without conducting operations, the company asked for an extension; the poor development of nickel prices on the world market did not allow a profit. Then, finally, because there still had been no activities carried out after the time period passed, the company informed the minister of mining and energy on 10 January 1982 it was going to halt its operations. This was approved by the minister on 28 January.

The chief obstacles pointed out by KOMPAS' source were the world economic recession, the high cost of energy needed to process Gag Island's iron ore, and the poor prospects for nickel prices on international commercial markets.

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CSO: 4213/51

## BINTAN ALUMINA PLANT BUILDING CONTRACT SIGNED

Jakarta SINAR HARAPAN in Indonesian 2 Apr 82 pp 1, 12

[Excerpts] Prof Subroto, minister of mining and energy, said the Bintan alumina project ([to provide] raw material for the aluminum plant in Asahan, North Sumatra), is the last large project in the scope of the department he heads. The building contract for the project was signed Friday in Jakarta.

The foreign companies involved in the construction of the plant are Kaiser Aluminum Technical Service (KATSI) from the United States as the company transferring the technology, Kaiser Engineers International (KEI) from the United States, which will act as project head, Kloeckner INA from West Germany, which will carry out the physical construction of the plant, and a consortium of national companies headed by PT Pembangunan Jaya [Greater Construction Co], which will handle the management of the construction project. The minister said it is expected project construction, which needs an investment of \$725 million, can be completed in 50 months, counting from April, 1982. Thus, it is hoped by mid-1986 the alumina plant will be able to begin production.

According to plan, plant capacity will be 600,000 tons per year. Of that amount, 450,000 tons will be used to supply the Asahan aluminum plant and the remaining 150,000 tons will be exported. According to the minister, the bauxite (the raw material) is of a low quality. The Asahan aluminum plant, which has now begun production, still imports alumina from abroad because the Bintan factory has not been built yet.

The project is financed directly by the government, with PT Aneka Tambang [Diversified Mining Co] (ANTAM--State-owned corporation) as the managing body.

Subroto hopes the project can be completed as quickly and as efficiently as possible so that it will soon be able to meet the need for raw materials at the Asahan plant. He said the two plants are coordinated projects. When the Bintan project begins production, alumina imports for meeting the needs of the Asahan plant will be decreased.

In response to a question, the minister stated that it cannot be said for sure whether the investment fund will come totally from domestic sources or whether part can be obtained from abroad in the form of export credits. But it is clear, he said, that total financing of the project will be handled by the government.

The location of the plant at Bintan (site of the raw materials), according to the minister, is more beneficial than if it were located near the Asahan plant. The alumina is to be transported from Bintan to Asahan by special ships.

The factory will use coal as its energy source. This, according to the minister, will be the realization of diversification efforts in the field of energy. As many as 300,000 tons of coal per year will be used in the plant, said the minister.

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CSO: 4213/51

## COAL TRANSPORT PROJECT PLANNED FOR 1984

Jakarta HARIAN UMUM AB in Indonesian 25 Mar 82 pp 1, 7

[Excerpts] The largest steam-powered electric generator project (PLTU) is now being built in Suralaya, to the north of the Merak coast in West Java. Units 1 and 2 of PLTU Suralaya, which are now being constructed, will each produce 400 Mw of electricity. Unit 3 is still on the drawing board. According to plan, PLTU Suralaya will have seven units altogether. The first two units will be in operation by the end of 1984; the other units will follow in stages.

The main source of energy for the project will be coal, which will come from the Bukit Asam mine in Tanjung Enim, South Sumatra. About 2.5 million tons of coal per year will be needed for the first 2 units, while 12.5 million tons will be needed for all 7 units, planned for 1990-91. Bukit Asam's known coal reserves amount to 161,142 million tons. Reserves at Ombilin (West Sumatra), neighboring South Sumatra, are about 187.2 million tons. Indonesia's known coal reserves total 19.5 billion tons, which are spread throughout Sumatra, Kalimantan, Sulawesi and several locations in Java.

An integrated transport system is required to meet the Suralaya project's need for coal. The system is to be divided into two main parts, namely rail transport beginning from Tanjung Enim to Tarahan (9 km south of Panjang, Lampung) and sea transport (crossing) from Tarahan (Lampung) to Suralaya (Banten).

We shall now look at coal transport efforts for the Suralaya project which are the responsibility of the railway, under the State Railway Enterprise (PJKA).

The distance from Tanjung Enim to Tarahan is approximately 486 km. The existing railway extends only as far as Panjang, and 9 km of totally new track (a new line) must be laid from Panjang to Tarahan.

Until now PJKA's South Sumatra Exploitation (ESS) has transported only about 150,000 tons of coal per year from Tanjung Enim to the coal terminal at Kertapati, Palembang. But to meet Suralaya's needs, it must carry 2.5 million tons per year during the first stage, beginning at the end of 1984.

Meanwhile, according to the head of PKJ ESS, Tantang Billy Padmadiwirya, at full capacity PJKA ESS would only be capable of transporting 800,000 tons per year.

A South Sumatra rail transport plan for coal has been approved and has begun to be implemented. The program is called the Bukit Asam Rail Transport Development Project for Coal, abbreviated P3 BAKA, which is managed by the PJKA head office in Bandung and which is responsible to the government through a steering committee consisting of the secretary general of the Department of Communications and the secretary general of the Department of Mining. P3 BAKA is responsible for implementing the aforementioned development project according to schedule, taking cognizance of the provision that existing rail service in South Sumatra absolutely may not be interrupted while the work is going on.

There are 15 kinds of jobs which must be performed [for the project], among others increasingly railway capacity from an axle load of 13 tons to 18 tons. "This will be the first line in Indonesia to have the larger axle load," a PJKA official said recently. To that end, almost all existing rail needs to be replaced with new, larger-gauged rail.

All crosstie beds, culverts and waterways along the railway must be repaired.

Bridges need to be strengthened or replaced and new bridges must be built for the new line. The new line will extend 9 km from Panjang to Tarahan. A new port to load coal from the trains to the ships will be built in Tarahan. But this is not included in the work of PJKA.

The Yasa Lahat office and the Tanjung Karang Depot are to be repaired and equipped with new machinery that is suitable for maintenance of the new cars and locomotives as well as the existing ones.

Employees who are going to handle all of the new railway system equipment are to be educated and trained.

In addition to having new cars and locomotives, this line will also be equipped with a modern telecommunication system using a wireless telecommunication network (UHF radio waves) and railway control with VHF radio waves. The signaling security system will also be revamped with a block communication system, both at the existing station and at the stations to be built.

The railway regulatory and security system with modern equipment is very important because, with the new line, new cars and large locomotives, a string of cars will travel at speeds of more than 90 km per hour. A train of freight cars, particularly for coal, will extend no less than 800 m.

In order to support these very heavy loads, rails will be laid upon 296,050 concrete ties in addition to 98,000 treated wood ties.

Purchases will include 15 new locomotives, each with a capacity of 1,500 HP, 264 new coal cars in addition to 75 service cars, 74 flat cars for rail and 7 steam locomotives for the service cars.

In order to make the concrete ties, a factory capable of manufacturing 200,000 crossties per year will be built. Meanwhile, to meet the need for 500,000 cubic meters of kericak stone for ballast, a rock crushing machine capable of producing 200 tons per hour will be built.

Work will begin at the end of 1982 with a planned construction rate of 500 m per day, without interrupting the existing railway schedule. The technology used for rail replacement and bridge reinforcement will be totally new to PJKA, so that expert railway advisers from Canada and France will lend assistance.

All work must be completed no later than November, 1984, including construction and the provision of transport and telecommunication facilities. Thus, by the end of 1984 PLTU Suralaya will be able to light up the furnaces to heat the generators' steam boilers.

P3 BAKA is part of an even larger project in the development and exploitation of Bukit Asam coal called the Bukit Asam Coal Mining and Rail Transport Development Project, abbreviated P4 BA.

The total budgeted amount needed for P4 BA is \$1,335,900,000. Only 16.19 percent of the total budget will be for P3 BAKA, or about \$216.3 million. This will be obtained from \$143.1 million in foreign assistance and the rest from a fund of 45.75 billion ruplahs for 4 or 5 years.

The chief benefit of this project is that Indonesia will be able to substitute coal for oil as the generating resource it uses, not only in Sumatra but also in other islands.

The existence of the new, high-powered rail system will further support the growth and development of various large factories in South Sumatra and Lampung in addition to existing factories, such as cement and fertilizer plants.

Many wow workers, who are to be called from various educational backgrounds, will be employed. Moreover, it is hoped that smooth railway connections will be able to speed up regional development, particularly around Prabumulih, Tanjung Enim, Baturaja, Tanjung Karang, Teluk Betung and Panjang.

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## OIL PRODUCTION-SHARING CONTRACTS SIGNED

Jakarta WARTA PERTAMINA No 9 in Indonesian Feb 82 pp 10, 11

[Excerpts] The minister of mining and energy, Prof Subroto, at the signing of five new production-sharing contracts with six foreign oil companies on 11 February 1982, said that commercial energy in 1981 amounted to the equivalent of 191 million barrels of oil. This energy sector consists of natural gas (the equivalent of 30 million barrels of oil, or 15.8 percent), coal (the equivalent of 700,000 barrels of oil, or 1 percent), hydraulic power (equal to 5.6 million barrels of oil, or 2.9 percent), and 154.8 million barrels of oil, or 80.8 percent. According to the minister, future expansion will be based on the assumption of national development; that is, assuming population growth and flexible energy needs will double. The lowest estimate is the equivalent of 415 million barrels of oil and the highest is the equivalent of 480 million barrels.

The production-sharing contracts just signed encompass five working regions on the mainland as well as offshore. The operations region to be exploited will cover 78,170 square kilometers, with a total investment for exploration of \$318.3 million in the next 6-10 years.

All financial responsibility for exploration, investment and production will be assumed completely by the contractors. Contractors will recover all operating expenses from production. The distribution of production between Indonesia and the contractors is in the ratio of 85 to 15 for oil and 70 to 30 for natural gas. Moreover, contractors are required to pay directly to the government a corporate tax and a tax on interest, dividends and royalties.

In regard to oil control, Pertamina [State Oil and Natural Gas Co] has the option of selling part of the contractors' oil which is its legal property, so that the portion of oil that is sold, or which Pertamina receives, will not be less than 50 percent of the total production. If oil is discovered, the contractors will set aside 10 percent of their interests for the participation of Indonesian companies, which are to be determined by Pertamina.

#### Elf Aquitaine Indonesia Ritan

This contractor will spend not less than \$49.3 million in exploration costs over a 10-year period. Information bonuses the contractor must pay amount to \$1 million. Production bonuses are \$2.25 million at commercial production levels, \$5 million at a production level of 50,000 barrels per day, and \$10 million at a production level of 75,000 BPD.

Elf Aquitaine Indonesia Ritan will operate in an 18,260 sq km mainland area in Ritan. This working region is located in Central Kalimantan. The fields of this region will be returned gradually, until the remaining fields do not exceed 20 to 25 percent of the original area.

If its share of oil exceeds 150,000 BPD, this contractor is prepared to transfer 28.57 percent of its production share for processing in Indonesia and will establish an oil refinery or petrochemical project in Indonesia if processing capacity is unavailable.

#### Elf Aquitaine Indonesia Maruwai

This contractor will spend \$55.5 million for exploration over a 10-year period. Information bonuses which must be paid amount to \$1 million, while production bonuses are \$2.25 million after commercial production. At a production level of 50,000 BPD the contractor must pay a \$5 million bonus, whereas at a production of 75,000 barrels \$10 million must be paid.

This contractor's working area of 19,535 sq km is located on the mainland in Maruwai, Central Kalimantan. The fields of this region will be returned gradually, until the remaining fields do not exceed 20-25 percent of the original area. If its share of oil exceeds 150,000 BPD, this contractor is prepared to surrender 28.57 percent of its production share for processing in Indonesia or will establish an oil refinery or petrochemical project if processing capacity is unavailable.

#### LL & E Indonesia (Southwest Java) Inc and Getty Oil (Pelabuhan Ratu) Inc

For the first 6 years these contractors will invest a total of \$34 million for exploration costs. Information bonuses which must be paid amount to \$1 million. Production bonuses total \$1.9 million after the first profit is realized. At a production level of 50,000 BPD a total bonus of \$5 million must be paid, while at 100,000 BPD the bonus is 15 million barrels [sic].

These contractors have a working region of 9,275 sq km, which is located offshore from Pelabuhan Ratu, Sukabumi, West Java. The fields of this region are to be returned gradually, until the remaining fields do not exceed 20-25 percent of the original area. If their share of oil exceeds 150,000 barrels, these contractors are prepared to surrender 28.57 percent of their share of production for processing and will establish an oil refinery or petrochemical project in Indonesia if processing capacity is unavailable.

Union Texas Java Inc.

For a period of 6 years this contractor will invest \$31.5 million for exploration costs. Information bonuses which must be paid total \$1.8 million. Production bonuses total \$2.3 million after the first profit is realized. At a production level of 25,000 BPD the contractor must pay a production bonus of \$3.5 million, whereas at 50,000 BPD \$10 million is to be paid.

This contractor's operating region of 9,275 sq km is located offshore from Cilacap, Central Java. The fields of this region will gradually be returned, until the remaining fields are not more than 20-25 percent of the original area. If its share of oil exceeds 100,000 BPD, this contractor is prepared to surrender 28.57 percent of its share for processing and establish a refinery or petrochemical project in Indonesia if processing is unavailable.

Mobil Semayang Inc

This contractor will spend not less than \$149 million for exploration expenses over a 6-year period. Information bonuses which must be paid amount to \$15 million. Production bonuses total \$19 million after commercial production. A \$10 million bonus is to be paid for a production level of 50,000 BPD and \$15 million for a production level of 100,000 BPD.

The 18,460 sq km operating region to be exploited is located in Semayang, East Kalimantan. The fields of this working region are to be returned gradually, until the remaining fields are not more than 20-25 percent of the original area. If oil is discovered and its share of oil exceeds 125,000 BPD, Mobil Semayang Inc is prepared to surrender 28.57 percent of its production share for processing and establish an oil refinery or petrochemical project in Indonesia if no processing capacity is unavailable.

The contractors are also required to set oil aside for domestic consumption in the proportion of \$0.20 per barrel after the 5th year of production.

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CSO: 4213/51

## KALIMANTAN FERTILIZER PLANT TO BE BUILT

Jakarta HARIAN UMUM AB in Indonesian 27 Mar 82 p 3

[Excerpts] A [contract] for the development of the Second East Kalimantan Fertilizer Project was signed yesterday by PT Pupuk Kalimantan Timur [East Kalimantan Fertilizer Co] and Kellogg Overseas Corporation during a ceremony at the Department of Industry in Jakarta, which was witnessed by Ir Ar. Soehoed, minister of industry.

In his report, Ir Nanang S. Sutadji, director of PT Pupuk Kalimantan Timur, said the contract and development agreement for the Second East Kalimantan Fertilizer Project consists of three parts.

First, a development contract (engineering, procurement, construction--EPC contract) was signed by PT Pupuk Kalimantan Timur and Kellogg Overseas Corporation.

A supply and financing contract was signed on 23 March 1982 by the Department of Finance, Toyo Menka Kaisha, Ltd and Kobe Steel, Ltd from Japan, and PT Pupuk Kalimantan Timur.

Third, a linkage agreement, which connects the aforementioned two contracts in an umbrella contract, was signed by PT Pupuk Kalimantan Timur, Kellogg Overseas Corporation, and Toyo Manka Kaisha, Ltd and Kobe Steel, Ltd.

Project financing which covers all the work of Kellogg and Toyo Menka and Kobe Steel includes foreign exchange totaling 79,937,337,900 yen and 42.21 billion rupiahs. These amounts will be obtained respectively from financing by the Japanese Import-Export Bank in the form of export credits through Toyo Menka and Kobe Steel and by domestic bank credits.

According to Ir Nanang, production capacity for the Second East Kalimantan Fertilizer Project is the same as that of the first project, that is 570,000 tons of urea fertilizer per year and 165,000 tons of liquified ammonia gas per year. Thus, production for both plants will come to 1.14 million tons of urea fertilizer per year and 330,000 tons of liquified ammonia gas per year. It is hoped the second project will be in full operation by 1985.

In his speech Minister Soehoed said that almost 60 percent of Indonesia's fertilizer production is used for domestic needs. He said the figure for fertilizer use in our country has increased greatly compared to 10 years ago. For example, in East Java farmers use about 300 kg of urea fertilizer per hectare.

Production of urea fertilizer and TSP [trisodium phosphate] in Indonesia, according to the minister, has reached almost 5 million tons, that is about 570,000 tons per year of Kujang fertilizer, 1.6 million tons per year of Pusri, 570,000 tons per year of Iskandar Muda, 570,000 tons per year from ASEAN fertilizer plants, 1.14 million tons per year from the two East Kalimantan plants, one-half million tons per year of ZA [zwavelzuur amoniak; sulphuric ammonia] fertilizer, and 1 million tons per year of TSP.

Besides exporting as much as 100,000 tons of urea fertilizer to the Philippines and Malaysia, this year Indonesia is also still importing 300,000 tons of fertilizer from Japan and Europe.

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CSO: 4213/51

## POSSIBLE NEED TO CHANGE POLICY TOWARDS SOVIET UNION

Karachi JANG in Urdu 20, 21, 22 & 23 Mar 82

[20 Mar 82 p 3]

[Article by Arshad Ahmad Haqqani: "Close Relations Between the Soviet Union and India and its Implications for Pakistan"]

[Text] Despite all the guesswork and conjecturing we may never know the exact nature of the discussions held between the high level Soviet military delegation and the Indian government. The most any newspaper reporter or political commentator can do is to be guided by various indications and guesses in forming an opinion. We have no way of knowing the subjects about which Mrs. Indira Gandhi and Marshall Ustinov spoke when they were alone, much less the details. Under these conditions we cannot claim to be able to say what kinds of discussions and what manner of plans were made in New Delhi, however there have come forward news from several sources during the past few days. If we put these news items together we can form a reasonably realistic and understandable picture.

Before the arrival of the Soviet delegation there was the impression that the Soviet Union was very apprehensive about India obtaining arms from non-Soviet sources and was trying to prevent her from getting arms from Western countries. It was thought that Marshall Ustinov's visit was in connection with this. But the composition and the extremely high level of the delegation have made it clear that one of the most important members of the Soviet leadership did not come to India just to discuss the sale of arms. He had some other goals in view. Thus it has become known from Indian sources that the subject of discussions was not what it was said to be, and in New Delhi an expert on foreign affairs who is connected with the opposition party clarified this, saying that the discussions were for the most part connected with the political and geographic conditions in the region and were not about the procurement of weapons in particular.

Now let us see what this reference to the geographical and political conditions of the area can mean in the present situation. We can understand the meaning of this remark from Marshall Ustinov's comment in which, without mentioning Pakistan or America by name, he accused some powers of trying to speed up the unusual arms race and to increase their influence in this

region. Political commentators have understood the target of the former accusation to be Pakistan and the object of the latter to be America. This means that the topic about which the Soviet Defense Minister and other experts talked with their Indian counterparts was the American supply of arms to Pakistan and America's interest in this region. A news in the Far Eastern Economic Review can help us understand the direction taken by these talks. According to this news item the Soviet Union told Pakistan that if she does not abandon her opposition to the Soviet presence in Afghanistan and adopt a policy of reconciliation and rapprochement with the Karmal regime, the Soviet Union will cut off aid for the Karachi steel mill and the Gudu Power plant project. According to this magazine, the Soviet Union had adopted a policy of economic persuasion and pressure last year when the Soviet ambassador in Islamabad made an offer to the Pakistan government that aid for the Gudu Barrage and cooperation in developing stores of bauxite and speeding the search for oil in the country would be increased on condition that Pakistan abandon its opposition to the policies of the Soviet Union. According to this magazine, the Pakistan government is aware of the fact that the Soviet Union is encouraging some subversive elements in the country. Several hundred terrorists of the Marri clan are being trained for raids in Afghanistan. Some extremist elements in the Frontier are being supplied with arms and material aid.

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According to Far Eastern Economic Review, a high-ranking officer of the Afghan department of Foreign Affairs who fled Kabul and took refuge in Pakistan said that Soviet trained officers have been appointed in Iran and Pakistan whose job it is to create unrest among the Afghan refugees taking refuge in those countries and to spread turmoil in those countries. In addition, there have recently been some important changes in the Department of Tribes and Nationalities established in Kabul, and this department has been entrusted with the task of spreading unrest among the tribes inhabiting the border regions of Pakistan.

This news from the Far Eastern Economic Review should be read in conjunction with the news item in the Times London that in the coming summer season the Soviet Union will use their trained men to create turmoil in Pakistani Baluchistan, and that the leadership of this venture has been entrusted to two Baluchi chiefs who at this time are living outside the country in self-imposed exile.

These are some glimpses into the Soviet Union's thoughts and intentions. Now take a look at India's most recent policy. Knowledgeable embassy sources in Islamabad have expressed the opinion that there are no signs that there will be talks on the non-aggression pact between India and Pakistan for several months yet. Also, the Indian government took part in the initial discussions on the offer of a non-aggression pact unwillingly, and as a result of internal and world pressure, and was looking for a justification to escape from this affair rather than seeking additional progress. According to embassy circles in Islamabad, it is the opinion of a powerful friend of India that India will never make a non-aggression pact with Pakistan, and if she agrees to discussions it will be just for the sake of appearances. But there is no possibility of talks in the near future, even for the sake of appearances.

Why is India avoiding these talks? Just because she does not want Pakistan to be confident that its eastern border will be quiet and that it does not have to worry about its traditional opponent. India knows full well that the Soviet Union is angry with Pakistan. It can increase the pressure on Pakistan at any time, and India does not want Pakistan to be safe from the threat of a double pressure. The complexities and difficulties which the Soviet Union's entry into Afghanistan has created for Pakistan and its anger at Pakistan's Afghan policy has been described as being caught on the horns of a dilemma.

This means we may at any moment be faced with tension and conflict on two fronts at once. The governments of both India and Pakistan are aware of this situation. We are trying to make a non-aggression pact with India in order to escape this, while this neighbor of ours is first of all not prepared to accept it, and even if she were, she is asking a price for it which we are unable to pay. Mrs. Indira Gandhi gave a glimpse of the price India has in mind a few weeks ago while answering a question about Pakistan. She said that no victory can be as good as the victory which is won without fighting. What she meant was that if Pakistan makes a non-aggression pact with India on her terms then what need is there for her to fight, and in this situation, not only can she be certain of her borders remaining peaceful, but the threat from the Soviet Union will also be lessened.

Pakistan has probably never in its past made as much effort to establish relations with India as it is making now. We persuaded her to agree to talks on the non-aggression pact with great difficulty. She asked for all kinds of clarifications, adopted several paths of evasion and digression, but we removed every lame excuse she made. Despite this, when she agreed to discussions she made only one round and sought an excuse to escape before the beginning of the second. The fact is she is trying to make the most of our difficulty. What form of action this will take and what path she will adopt and when, is difficult to say. One thing is clear, that the Soviet Union and India are each trying to take advantage of our difficulty for their own reasons and the recent visit of the Soviet military delegation was in connection with this.

What can Pakistan do in this situation to achieve its goal? The answer to this question can be given from two aspects: the external and the internal. Pakistan can count on aid from its friends and allies, but if we examine this more closely, we can only rely upon the support and assistance of others up to a certain extent. America is our friend. We have the 1954 and 1959 treaties with her. Recently there has been a revival of relations. But our position is that the understanding reached with her last year was done while maintaining our membership among organizations of the non-aligned and Muslim countries and their obligations. America has not asked us for any particular facility nor have we given any, and we have promised not to give any. The 3.2 billion dollar agreement for economic and military aid is in fact a business deal and we did not even accept privileged interest rates. There is no reciprocal favor or quid pro quo in this agreement. In other words, according to our own admission and claim, the new agreement with

America does not place any new defence responsibilities on either party. This is our stated position and there is no reason to doubt it. When this is the situation, if Pakistan should suffer from any danger to its security we cannot depend on the agreement made last year. Yes, we can refer to the 1954 and 1959 agreements, but these agreements have been in existence for the last 20 to 25 years, and we know to what extent they have proved effective in any time of trial. It is difficult to be optimistic about how helpful they may be for our aid and protection in the future. Just a few days ago an American expert on South Asian affairs who had come to study conditions in the sub-continent for Congress clarified this in a special interview to JANG, saying that even in the event of open aggression by India he could give no guarantee of American intervention. Dr Cronin said that America would not want Pakistan's security to suffer from any threat, but he did not give even any offhand assurances as to what it would do or could do in this situation. There is no promise in regard to communist aggression either in the latest agreement. No responsibility was accepted because it is our own position that this is a straightforward business deal, and America has only agreed to sell us arms because it wants us to have some capability to combat Soviet aggression, but there is no mention of America coming into action in our defence in this situation.

Under these conditions there is no likelihood that we can count on aid from the Soviet Union's super power opponent. China is certainly our friend, but those who are far sighted know that in case of a war this friendship can only go so far. China is these days trying to better its relations with India- and India is replying to this initiative appropriately. Under the present conditions we can at most count on moral and political support from China. It would be overly optimistic to expect any effective tactical or armament support worth mentioning from her after the start of any conflict. Then too, wars in the sub-continent generally do not last very long, and by the time any friend has come into action the war has been decided. If Pakistan should have to face any trial it would have to depend upon its own means and strength. It cannot make any plans based on an expectation of external support.

Another question is worthy of attention here, and that is whether there is any possibility that the threat we face from the Soviet Union could be lessened. We are trying to make our eastern border safe by making a non-aggression pact with India. Would it be in any way possible to also lessen the gravity of the threat we suffer from the Soviet Union? It was not only us, but 116 countries of the world who censured the Soviet intervention in Afghanistan. We want to uphold the Islamic and impartial status of our neighboring countries. This too is understandable. Our concern at the problems which the coming of 2,500,000 refugees has produced for us is also appropriate. But there is a school of thought within Pakistan itself whose opinion is that while we certainly should have expressed the principles of our position on the Afghanistan problem, we were not able to be completely balanced and some practical truths were not perceived as they should have been. In the opinion of this school of thought the pressures of the geographic proximity of the Soviet Union demand of us a different mode of

action. The entry of the Soviet Union into Afghanistan and their presence there made it even more necessary that we emphasize our position only so far as principles and adopt a more circumspect manner in other fields. This advice is not new; it has been given before, and a few weeks after the Soviets had entered Afghanistan, when the American and Western governments were in an uproar about the Soviet attack and the impression was being given that Pakistan might be invaded at any moment, the writer of these lines himself gave the advice that we not ignore the demands of self preservation. So on 14 January, 1980, that is, just two and a half weeks after the Soviet intervention in Afghanistan, this author wrote in a Lahore newspaper that :

"Although the Pakistan government has not said that it has received an answer to the request for clarification which it made to America, it seems from the circumstantial evidence that Pakistan has decided to accept American aid. In light of the clamor with which American and some other Western countries have begun discussing giving Pakistan aid and increasing its defence on a long term basis, many circles will consider it perfectly natural that Pakistan should fully support American policy, especially when history has also brought America and China closer, and the reaction of both to the Soviet intervention in Afghanistan is the same. According to some circles, from one aspect conditions at this moment are ideal for Pakistan, as both America and China are equally taking an interest in its defence. In this situation, according to these circles, there should be no reason for Pakistan not to express complete harmony with them. Taking advantage of this golden opportunity and happy chance, it should make itself fully in harmony with the intentions of America and China, particularly since the target of the Soviet intervention is a Muslim country, and because it is a Muslim country, Pakistan's sympathies naturally should be with those circles which are trying to make the Soviet intentions unsuccessful. In this context, most circles in Pakistan are not even prepared to consider that Pakistan could adopt any path other than complete joint action with America and China. According to them this is not only a demand of our defence interest, but also, in order to fulfill the duties which our faith and belief put on us, the path we should take is the very one which America and China are taking.

"The Pakistan government has closely studied the situation before it, and it is to be expected that it must have closely surveyed all aspects and possibilities, but the problem is of such importance, and the effects of the decisions which will be made today will be so far reaching, that it will not be inappropriate to have some additional discussion on them. This is why President Zia-ul Haq himself has expressed his intention of taking the nation into his confidence... There is a history, a background, to our relations with the four countries involved in this situation: the Soviet Union, India, America and China. The first two countries have for the most part been arrayed in battle lines against us, while the last two nations have mainly had friendly and allied relations with us, but it is also a fact that there has been a feeling among Pakistan's policy makers for some time that we should improve our relations with the Soviet Union. This feeling and thought was based on an objective analysis of facts and

situations. The Soviet Union is a power which is advancing with an emerging aggressive manner, while America is becoming devoid of any feeling of a direction to its journey. The President of Pakistan too in a recent Newsweek interview, pointed out these facts and said that Pakistan will adopt a path of creating mutual understanding with its new neighboring power, that is, the Soviet Union.

"At any rate, it is a fact that, keeping in mind the conditions near Pakistan and other worldwide facts, some circles have considered it in the best interest of the country to adopt a path of mutual understanding with the Soviet Union. Although after the Soviet Union's intervention in an Islamic country some circles now will not tolerate even hearing any mention of a mutual understanding with it, according to other circles, after the most recent events, creating a mutual understanding with the Soviet Union has become perhaps even more necessary. This second viewpoint should not be easily and offhandedly ignored. Self preservation should be the most important sentiment for a country as well as for an individual. The decisive question for Pakistan should be whether closeness to America will be more useful for it, or whether the damage from a confrontation with the Soviet Union will be more serious; whether American friendship and aid will prove more durable and a better means of protection, or whether the Soviet Union's enmity will in the end prove more destructive. It seems that there now needs to be more consideration of these questions, and before we go to one extreme, we should further survey the costs and benefits of any program of action."

[22 Mar 82 p 3]

Then on February 11, 1980, we wrote:

"It should have been clear to us from the very beginning of the discussion and consideration of the situation created by the Soviet Union's intervention in Afghanistan and the beginning of the formulation of a national policy on it that the question of primary importance for us was how we could arrange for the protection of our national security. We should have given all other matters and problems secondary importance from the very first day. But that mentality and manner of thought is still with us in some form or other which gave birth to such useless and ineffectual endeavors as the Khilafat Movement and the Hijrat Movement. So simultaneous with the news of the Soviet initiative in Afghanistan some circles began to emphasize aspects which had practically no direct connection with the problem of our national security and existence. But after the talks and discussions of the last 5 or 6 weeks it has become clear that our primary and fundamental problem is how we can protect our national interests in the situation produced by the Soviet initiative and American reaction, and we should center all our attention on this goal, and in deciding our attitude towards world or regional powers we should give first importance to the demands of self preservation.

"The second question, about which our thought has been a prey to confusion and about which our mind is still not clear today is whether it is certain that the Soviet Union wants to overcome and destroy Pakistan by

any means and at any price, or can we too play any role in giving their behavior one direction or another, and can our decisions and policies too affect their mode of action. One school of thought is that no matter what we do, the Soviet Union will inevitably attack us and will not desist until we are conquered and subdued. The proof these people offer is that because Pakistan is an obstacle in the path of the Soviet Union's attempts to encircle China, and because the Soviet Union cannot fully control the Persian Gulf and the stores of oil without making Pakistan submissive to her authority, therefore, whether we like it or not, and even if we do nothing at all to anger the Soviet Union, she will certainly advance against us. For this reason we have no alternative but to accept aid from the opponents of the Soviet Union, even if they give us this aid for the preservation of their own interests rather than for the sake of our security. But as we can not stop the Soviets going forward and advancing towards the south even if we wanted to, so, proving the saying "what the dying man won't do," we should welcome aid from every circle opposed to the Soviet Union, even if we have to give America permission to build bases on our land and welcome large numbers of their military to fight the Soviet Union.

Not all people in this school of thought agree with the second portion of this reasoning, but most people consider the first portion a proven fact. They think that no matter what our behavior the Soviets will in any case advance towards the south, and no matter what, we will certainly be the target of their expansionism. Several historical intentions and goals of the Soviet Union are also given in support of this argument. But this writer does not agree with this reasoning. I feel that even now our future relations with the Soviet Union are to a great extent dependant on our decisions and policies, and we can make the Soviet Union change their behavior towards us. It may be said that we would have to pay a heavy price for this, but this is incorrect. If we can demonstrate self confidence, internal unity and better general performance as a nation then, still preserving our national dignity and ideology, we can establish favorable relations with the Soviet Union to the extent that its proximity will not be a threat to our existence. National policies have an element of adaptability in them and they can change according to changes in conditions and behavior. Innumerable factors and conditions will affect the Soviet Union's future intentions and goals in this region. Pakistan's future behavior will also be an important factor. So it would not be correct to consider the Soviet Union's aggressive intentions against Pakistan an inexorable destiny, and it would also not be true that establishing a reliance on America is the sole means of escaping it. The decisive thing is our collective national performance. By demonstrating the best capacities of thought and action the gravity of the situation can be lessened."

Then it is written in this article that:

"It should also be remembered that should the Soviet Union decide to take action against us they have other alternatives to straightforward and naked aggression. They can foment instability in the Muslim countries in this

region and particularly in Pakistan, and they can take full help from their ally India in this work. After preparing the ground they can attack us in such a way and at such a time that our friends' defence capabilities will not have an opportunity to be brought into action. It is also possible that she and India could act upon parts of their plan simultaneously. We should keep all these possibilities before us and play our cards while keeping them in mind."

[23 Mar 82 p 3]

Keeping in mind the news in the Times London concerning the recent visit of Marshall Ustinov to India, the opinion of embassy circles in Islamabad about the discussions between Pakistan and India, and other factors concerned, take another look at the last paragraph of our February, 1980 article quoted above. You will see that every aspect of the analysis given two years ago is coming true today. Today too, the real fundamental question for Pakistan is the protection of her existence, and how to escape from difficulties and complexities. We should consider whether the mode of action we adopted two and a quarter years ago after the Soviet entry into Afghanistan was totally in line with the demands of self preservation, or whether we adopted such behavior for the sake of other goals as well, whether they were personal or ideological. And whether the gravity of the difficulties with which we are now faced and which have become a matter of concern for us in the shape of Marshall Ustinov's visit to India might not have been lessened if this behavior had not been adopted. In the same way, we should also consider whether today and in the difficulties of the days to come we can make any change in our policy such that the possibility of our difficulties becoming more grave will be lessened; whether our thoughts and actions in regard to the coming and going of Afghan refugees does not demand to be reconsidered; and whether our behavior up till now has not increased our difficulties. It is questions like these which are directly connected with the situation which is the cause and result of Marshall Ustinov's visit to India, and neglecting them will only increase the dangers for us. The opinion on the question of the Afghan refugees which Mr J.A. Rahim, an extremely experienced, although controversial, figure in the field of foreign affairs, expressed just last week also represents one school of thought, and just as many other opinions demand attention, this opinion too should be considered worthy of appropriate thought and consideration. Whatever decision we make in the end, we should at any rate consider the results of all possible paths.

Consideration of this has become indispensable for another reason. It seems from all indications that India's decision to suspend talks on the non-aggression pact, which we regret and are apprehensive about and which we are trying to change, was not India's decision alone. The thoughts of her ally and super power were included in the formation of the policy of which it was one expression, one part. It seems the situation is that India is not willing to make a non-aggression pact with Pakistan as a separate arrangement. Its behavior towards Pakistan is part of its overall regional plan, and India and the Soviet Union's mutual relations, their mutual

expediency and intentions are also operative in forming this plan. Under these conditions it does not seem possible to obtain the goal of making just the eastern border peaceful and safe, because this is contrary to the wishes of the Soviet Union. The Soviet Union would never want Pakistan to make a non-aggression pact with India on a basis of equality and to be without worry about its eastern border and be able to concentrate all its attention and power on its border with Afghanistan. Yes, if we protect our eastern border by accepting the superiority of India, then India will be ready to accept it, and the Soviet Union too will have no objection, because it will know that Pakistan has accepted the point of view about regional conditions and the world powers which is the point of view of its ally and friend. What seems clear is that if our borders are going to be quiet and safe then both the eastern and the western will be so simultaneously. One at a time will not be so, or will not be allowed to be so. This is how the situation appears at this turn in history. What direction events will take tomorrow we cannot say. "On the horns of a dilemma" is a real fact and we must bring into action the whole of our capabilities to come out ahead of the problems created by it.

So far as the internal demands of this situation are concerned, we have mentioned them innumerable times. The all-embracing and serious nature of the challenge facing us now should be visible to any thinking person. Even if the public's yearning for democracy, the great necessity to decrease the distance between the government and the common people, the feeling of the small provinces of political and economic deprivation, and the need for countless other reasons to shift power to representatives of the people should be ignored for a while, it is still a fact that the situation which is being created in the field of foreign affairs also demands that national unity be strengthened, and one method to do this is to adopt a path of mutual understanding on the political problem and decide future programs with the advice of politicians. The situation the country is faced with, and the implications and possibilities it holds within it, obviously demand that an elected government be given the chance to come into existence. There will still be problems, but it is just possible that it may be able to adopt policies in the field of foreign affairs which could help us lessen the gravity of the challenge we are faced with.

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## IMBALANCE OF RISING INCOMES AND FALLING SAVINGS: CONSEQUENCES REVIEWED

Karachi DAWN in English 22 Apr 82 p 9

[Article by Sultan Ahmed]

[Text]

UNDOUBTEDLY the sustained economic growth of six per cent achieved by Pakistan during the recent years is a creditable performance. It has certainly done better than many countries in the world in these trying times when the economic management of even very rich countries is an overwhelming task.

Fair weather sustained over an exceptionally long period, breaking the old cycle of good and bad weather following each other after one or two years, and the package of liberal incentives offered to the growers have resulted in handsome gains in both food and cash crops. And the home remittances have been making a major contribution to the national income in cash and kind, and have greatly fuelled the activities in the Service Sector, which contributes to 52.2 per cent of the Gross Domestic Product.

Finance Minister Ghulam Ishaq Khan has told the reconstituted Advisory Council of the Finance Division that between 1976-77 and 1980-81 federal revenues rose by 113.5 per cent. The contribution of the autonomous bodies during the period rose by 5 per cent in relation to the federal revenues, and raised the combined increase in federal revenues to 118.5 per cent.

That means that while the Gross National Product during the five-year period increased by 31 per cent — from Rs. 43 billion to Rs. 56.24 billion — the tax revenue in the same period increased by 113.5 per cent.

On an average, while the GNP increased annually by 6.2 per year, the average increase in the tax revenue was 23 per year. The contrast is, indeed, sharp, and is highlighted further by the fact that the increase in GNP is halved by the increase in population of 3 per cent.

The economic picture of the country would have been far better if during this five-year period the contribution of the autonomous bodies had increased further instead of only by five per cent in relation to the tax revenue. When a great deal of the large scale industry, and even small scale industries like the vanaspati mills, and a large part of the import and export trade are in government hands their share in the total federal revenues ought to be far larger.

The larger income could come essentially through larger and more efficient industrial operations which could have strengthened the economy further and reduced the prices. Unfortunately that was not to be. Hence the large public sector in trade and industry has made a small contribution to the federal revenues, and that despite of their high rates and the ability to raise them at will.

### Bulk of burden

While the burden of taxation has increased far excess of the growth rate of the economy that burden has not been equitably distributed either Agriculture which contributed to 31.1 per cent of the GDP is largely exempt from taxation as also the home remittances of Pakistanis overseas. So the bulk of the burden largely falls on the cities

and towns. Hence the fixed income groups have been protesting sharply against the prices and taxes, and Dr. Mahbubul Haq has been speaking of a safety net for this gravely imperilled class whose standard of living has gone down during the last ten years because of the price and tax rises.

In addition to the increase in taxation, the government has steadily resorted to deficit financing over the years. Deficit financing in 1977-78 was to the extent of Rs. 386 crore, in 78-79 Rs. 802 crore, in 79-80 Rs. 380 crore and in 80-81 Rs. 436.6 crore. And for the current year the deficit financing proposed is Rs. 544 crore even after the sharp reduction in food and fertiliser subsidies announced along with the budget. It remains to be seen whether the actual deficit financing this year, too, will increase over the estimated figure, as in the previous years.

As a result of such factors, including the increasing home remittances of Pakistanis overseas, the money supply increased by 150 per cent during the five-year period — from Rs. 4,165 crore on June 30, 1976 to Rs. 10,399 crore on June 30, 1981. That highlights the extent of inflation in the country after making allowance for the increase in Gross Domestic Product of 31 per cent during the same period.

It is, indeed, remarkable that while the GNP has been growing at a sustained rate of 6 per cent and the money supply has been increasing by 30 per cent on the average per year, real domestic savings have been going down instead of rising correspondingly or significantly. Therein lies the crux of the problem that is thwarting the future economic development of the country to the extent imperative or inescapable.

### 5-year Plan

Such an outcome is not surprising at all as what is happening is utterly contrary to the Fifth Five-Year Plan. The plan — 1978-83 — proposed to “to keep monetary expansion only slightly higher than the growth of GNP.” It said: “Borrowing from the banking system will have to be replaced by genuine voluntary savings. Deficit financing will have to be reduced to one half of the benchmark level and brought within the safe limits of monetary expansion.”

But when the average growth rate is 6 per cent, and the increase in money supply on an average is 30 per cent, — and the deficit finan-

cing component of the money supply is very substantial — the departure from the Five-Year Plan becomes excessive, indeed. Hence too little is being said about the Five-Year Plan officially.

The plan envisaged an increase in domestic savings from 7.8 per cent of the GDP in 1977-78 to 12.5 per cent in 1982-83 — an average of 10.8 per cent for the period which is not high. But what has, indeed, been happening is that the domestic saving fell from 8.3 per cent of GDP in 1976-77 to 7.8 per cent in 1977-78, and it dropped to 4.5 per cent in 1978-79. Since the annual report of the State Bank or the Finance Minister does not make any mention of the domestic saving rate which is now said to be between 5 and 6 per cent.

Instead they talk of the increase in National Savings, including the entire home remittances of Pakistanis abroad as savings, which is very wrong as only a small part of the remittances are saved or invested. National savings have now risen from 10.70 per cent in 1972-73 to 12.86 per cent of the GNP. Finance Minister Ghulam Ishaq is dissatisfied with this level of savings, which he says is far below the “desired level.”

What has been happening is that as a result of the increasing taxation public savings have been going up while private savings have been coming down. Public savings increased from 0.47 per cent in 1972-73 to 4.07 per cent in 1980-81, but private savings declined from 11.16 per cent of the GNP in 1972-73 to 8.79 per cent in 1980-81. The shift in the formation of savings is much too clear now.

But because of the poor savings in both the sectors as a result of the expanding expenditure of the government and the inflation annual gross investment in the country is only 15 per cent. The Finance Minister is disappointed with this, too, as a developing country with a population growth of 3 per cent should have an investment rate of 20 to 25 per cent of the GNP.

While the federal revenues increased by 118.5 per cent within the five years ending 1980-81, did the allocation for education and public health increase remarkably in a country with a dismally low literacy rate and meagre public health facilities? For, increasing revenues should mean increasing contribution to the basic public welfare activities.

Official figures show that while federal allocation for education was Rs. 13.7 crore in 1976-77, it rose to Rs. 62.5 crore in 1980-81, but in relation to the overall revenue budget of Rs. 3,137 crore it was only two per cent in a country that has raised its literacy rate to about 25 per cent from 12 per cent at the time of Independence 35 years ago.

The increase in the federal allocation for public health is even more modest. It rose from Rs. 9.2 crore in 1976-77 to Rs. 17.9 crore in 1980-81 - a little over half a per cent of the federal revenue budget.

Notable, indeed, is the fact that the federal budget allocation for TV and broadcasting during the last three years has been far more than the allocation for public health. While the allocation for public health in 1978-79 was Rs. 14.2 crore, the allocation for TV and broadcasting was Rs. 19.2 crore. In 1970-80 public health got Rs. 14.68 crore while TV and broadcasting got Rs. 22.7 crore, and in 1980-81 public health received Rs. 17.9 crore while TV and broadcasting had Rs. 18.2 crore. In fact, public health allocation declined from Rs. 18.2 crore in 1977-78 to Rs. 17.9 crore in 1980-81.

Of course, it may be argued that the provinces spend a good part of their revenues on education and public health. But the fact is that the federal budgets are too small and have to accommodate too many competing claims to afford enough for education or public health in a country where the facilities for both are appallingly inadequate.

### Public health

Clearly, Pakistan has to achieve a better balance between growth in GNP and the taxation, between growth and the increasing revenues, the basic social services and between wages, prices and taxes. Achieving an excess of growth in one sector at the cost of another can be damaging to the whole structure. Like human limbs, they have to develop proportionately and not with grotesque distortions. A triumph in one sector should not mean tragedy in another. If economic progress is meant for the people their total needs should be kept in full view, and not only what can be achieved easily or readily, expressed in specific percentages.

## REPORT OF SHOORA DEBATE ON ISLAMIZATION

Karachi DAWN in English 22 Apr 82 p 16

[Article by Anis Mirza]

[Text]

ISLAMABAD, April 21: The first rumblings of divided opinion on interpretation and application of laws pertaining to Islamic injunctions were heard in the Majlis-i-Shoora when former Chief Justice Khan Bashiruddin Khan of the Peshawar High Court rose to address the House. Khan Bashiruddin was commenting on the Interim Report of the Special Committee for accelerating Nizam-i-Islam of which he is the Chairman. Two opinion groups were visible: lawyers and scholars on the one side and Ulema on the other.

In a rather clear and lucid presentation, the former Chief Justice recounted the work of the Special Committee in the light of measures taken by Gen Zia-ul-Haq's Government to accelerate the pace of Islamisation. Justice Bashiruddin enumerated the measures as: emphasis on prayers, respect for the sanctity of Ramazan, ban on exhibitionism and sale of obscene literature, enforcement of Zakat and crackdown on goondalism.

The former Chief Justice then moved on to a reference about Kazi courts. He said the process of enforcing laws was an involved one and in-depth discussions in the House should first take place. When he remarked that there had always been lawyers and judges in an Islamic system, claps thundered across the hall.

The first exchange between Judge Bashir and a member of his Special Committee Maulana Samiul Huq surfaced when in a stray reference and in the course of arguments, Khan Bashiruddin referred to the need of con-

tinuously exploring areas of law. He gave the example of the provision of right of inheritance of grand children in the Family Laws Ordinance. Khan Bashir had barely finished his sentence when Maulana Samiul Huq shouted aloud: "That law is un-Islamic. The family laws enactment is un-Islamic". A fleeting lull swept over the auditorium. Several members stood up and called the Family Laws un-Islamic.

Quick on the uptake and unruffled by the protest Khan Bashiruddin replied that he was only arguing that areas of law should be explored as and when the need arose. When there were more shouts against the Family Laws Ordinance Khan Bashiruddin replied: "I have not protected it. It is your Government which has given protection."

Just as the former Chief Justice stood up to speak on his interim report a copy of the brief 7-page report, was laid on the table of the House and later circulated to the Press. The terms of reference of the Special Committee for expediting the pace of Islamisation are enumerated in two paragraphs: 1. To consider the various steps taken by the Government and the President for bringing in Nizam-i-Islam in the country and make recommendations to accelerate the pace of Islamisation in various fields, and 2. To take into consideration the recommendations of the Council of Islamic Ideology and the Pakistan Law Commission and furnish to the Federal Council the recommendations of

the Committee as soon as possible.

The sub-committee on Haq-i-Shufa pertaining to the imposition of the law on pre-emption also appears to have run into some difficulties of interpretation. It will be recalled that Shooru members put up no less than 287 amendments which were sent to a committee to be sorted out. Acting Law Minister Raja Zafarul Haq told the House that agreement on three Sections of the pre-emption order had yet to be reached. The relevant committee would meet later and its findings would be put up in the June session of the Majlis.

CSO: 4220/577

## DR ASRAR'S VIEWS ON SEX CRIMES CRITICIZED

Karachi DAWN in English 28 Apr 82 p 6

[Excerpts]

Over 200 well-known writers, educationists, intellectuals, poets, journalists and artists have condemned the view expressed in some quarters that women are responsible for the prevalence of sex crimes.

In a joint statement issued in Karachi, leading writers of Urdu, Sindhi and English, and other intellectuals have taken the stand that the factors leading to sex crimes are social, economic and psychological.

**STATEMENT: TEXT**

The following is the text of the statement:

Dr Asrar Ahmed has said about sex crimes that "as long as the Islamic laws concerning dress and modesty are not fully implemented, enforcement of Islamic Hudood constitutes injustice not only to criminals but also to Islam". We fully agree that both men and women should observe the imperatives of propriety in dress and modesty. But, considering the views Dr Asrar Ahmed has repeatedly and vehemently expressed, we cannot but conclude that his latest theory is directed against women and women alone.

In his latest statement he has put the entire responsibility for the prevalence of sex crimes on women. This view is not only

highly objectionable but also dangerous. It can serve as an excuse for perpetrators of sex crimes and it can cause the illiterate and ill-bred to labour under the false impression that as the Islamic laws regarding dress and modesty have not been enforced, sexual waywardness and crimes can be condoned.

The factors leading to sex crimes are social, economic and psychological — purdah or no purdah. It is worth mentioning that it is not only women but also minor boys and girls who become victims of criminal assault. Furthermore, even the women confined to the fourwalls of their homes enjoy no guarantee of immunity.

Thousands of our girls go out to study in schools and colleges. A large number of women work in offices and many go out to make daily purchases. Millions of rural women work in the fields. If incitement continues, it will be impossible for women to go out with dignity and return safely home. We appeal to all well-meaning people to ponder seriously over such problems and try to find a solution to them in keeping with our moral values and in the light of modern social sciences". the statement concluded.

CSO: 4220/577

## HOPE EXPRESSED FOR TRIPARTITE TALKS ON THE AFGHANISTAN CRISIS

Karachi DAWN in English 28 Apr 82 p 7

[Text]

MR. Diego Cordovez's visit to Pakistan, Iran and Afghanistan has produced some positive results. One evidence of it is that the three countries have now agreed to hold indirect talks in Geneva in June. Their representatives will not meet face to face and Mr. Cordovez will act as a go-between. Although this is by no means the ideal form of negotiating complex issues, it will certainly allow a greater exchange of views than the shuttle diplomacy the UN Special Representative has so far practised between the three capitals. Moreover, the initial indirect contacts at Geneva could, hopefully, pave the way for agreement on the modalities of regular negotiations that may follow. As it is, the three sides have come a long way from their original positions and this flexibility in approach, if sustained, could prove conducive to successful negotiations. If, on the contrary, they get bogged down in legal hairsplitting, Islamabad, Kabul and Tehran will lose an opportunity of initiating discussions on the substantive issues involved in the Afghan problem. It is a measure of the sensitivities of the parties concerned that procedural arrangements should have proved to be as intractable as the substantive issues on which negotiations are

to be held. Agreement was reached last year on the four issues to be discussed, namely, the withdrawal of foreign troops, non-intervention in the internal affairs of States, international guarantees of non-interference and the voluntary return of the refugees to their homes. During his talks in the three capitals earlier this month, Mr. Cordovez succeeded in getting the parties to define the contents and scope of the issues to be discussed. This is by no means a small achievement in view of the different interpretations by Kabul and Islamabad of the nature of "foreign intervention" in Afghanistan.

The urgency of finding a peaceful settlement of the Afghan question is now widely recognised. The presence of the Soviet troops in Afghanistan has created a situation which is not very favourable to the peace and security of the region. The continued unrest in the country triggered off by the presence of foreign forces has assumed the form of a guerilla struggle which is giving rise to more than law-and-order problems for the Karmal regime. It is obvious that it would be in the interest of the Afghan Government itself to seek the withdrawal of foreign forces from the country and

reach a settlement with its political opponents. Pakistan's interest in a peaceful settlement has been reaffirmed on a number of occasions. The presence of foreign troops in a neighbouring State and the influx of 2.6 million Afghan refugees into the country have far-reaching strategic, political, economic and social implications for this country. It should obviously seek a solution which will lead to the withdrawal of the Soviet troops from Afghanistan and enable the refugees to return to their homes. Above all, the overriding concern of Pakistan and Iran should be to keep the superpowers out of the region. Both Washington and Moscow have their own perceptions of the Afghan problem, which have given the issue an East-West dimension. The regional States should, in their own interest, strive to retain the diplomatic initiative in the matter. The meeting at Geneva should provide an opening for negotiations which, it is hoped, the parties will make full use of.

CSO: 4220/577

## IJT CALLS FOR RELEASE OF STUDENTS

Karachi DAWN in English 28 Apr 82 p 12

[Text]

LAHORE, April 27: Islami Jamiat Tulaba today held meetings to demand immediate release of their members arrested recently — some of whom have been convicted for violating Martial Law regulations by bringing out processions.

The main meeting was addressed by Mr Saeed Saleemi, President, Punjab University Students Union, in the Old Campus.

Meanwhile, Nazim-i-A'ala of the IJT, Punjab, Hafiz Suleman, and two other leaders of the Jamiat were shifted today from the Civil Lines Police Station to Kot Lakhpat Jail.

In the meantime, the three-day session of Majlis-i-Shoora of Jamiat which was chaired by its Nazim A'ala (Pakistan), Mr Shabbir Ahmad Khan, has concluded, drawing a future course of action in case the students are not released and the cases instituted against them are not withdrawn.

During his address at the meeting held in the Old Campus, Punjab University, the President of the Students Union, who also attended the Shoora meeting, gave indications of making a call for protests and for a 'wheel jam'

strike if the arrested and convicted students were not released early.

In the meantime, Lahore Students Front (LSF) has condemned the ransacking of the offices of the two dailies of Lahore by IJT and has termed it an act of armed hooliganism.

Similarly, the Students Council of Forman's Christian (F.C.) College, Lahore, announced today its merger with the Muslim Students Union.

The Council condemned the attack on newspapers' offices.

PPI adds: The Islami Jamiat Tulaba chief, Mr Shabbir Ahmed, has expressed concern over the detention of and punishment to the students.

In a Press statement in Peshawar today he said the students who had been awarded punishments were demonstrating peacefully against the detention of their leaders and there was no justification for the police to manhandle them.

He said that awarding of punishment to the students would deteriorate the situation further and it had created a state of tension and anxiety.

CSO: 4220/577

## RAILWAYS' INEFFICIENCIES CRITICIZED

Karachi MORNING NEWS in English 22 Apr 82 p 4

[Text] The lively debate in Majlis-i-Shoora on Tuesday on the deteriorating conditions of Pakistan Railways and the personal experiences recounted by some of the members effectively highlight the urgent need to streamline the working of the railways. The complaints of the Shoora members concerned such basic and elementary things as bribery, corruption, late trains, theft of bulbs, fans and bathroom taps, lack of water, absence of electricity and bad food. One of the members pointed out that "it was impossible to perform prayer ablutions." That sums up the conditions under which lakhs of people travel daily on 720 trains throughout the country.

The Minister concerned defended his position on the ground that the Government "had inherited this organisation in a wreck, but was adopting various measures to retrieve the situation and improve its performance."

As the largest carrier of passengers in the country, the efficiency or otherwise of Pakistan Railways is a matter of direct and immediate concern to lakhs of people who make daily use of it. Its working has never indeed given satisfaction to the travellers whose grievances are regularly brought to the notice of the authorities through the Press. Over the decades, the Government has been making efforts to provide a better service to passengers which has not proved a hundred per cent success for a variety of reasons. The ever-expanding needs for amenities have always outpaced the provisions made to meet them. Some of the difficulties stemmed from faulty policies but the main hurdle has always been the indiscipline and corruption in the railway staff.

The recent merger of the Pakistan Railways Board with the Railways Ministry is expected to improve matters. Measures initiated to introduce the microwave communication system, which will be effected by the end of this year, should bring about a healthy change in the working of the railways. Apart from this, the schemes to overhaul the tracks and introduce new locomotives, bogies and coaches with an increase in their numbers are bound to make a train journey comparatively more comfortable.

With the merger of the Pakistan Railways Board with the Ministry of Railways, the operational part has been separated from the manufacturing side. This will certainly introduce some order in the working of the railways. But it

is of no direct concern to the travelling public which wants to travel in comfort and safety, and without being inconvenienced unnecessarily by the railway employees at any stage.

The passenger's troubles start actually the moment he reaches the booking window. In spite of whatever the railway officials might say, people still complain of blackmarketing in tickets, specially where reservations are concerned. The complaints about overcrowding, due to excess tickets being issued, dirty latrines, and substandard food supplied by the railway dining cars at exorbitant rates remain unsolved. It is these things which affect the passengers directly and should be given priority by the authorities. A long journey under these conditions must be a horrible experience, specially for the aged and the infirm not to speak of ladies and children. The removal of the discomforts faced by the passengers depends on a tight, efficient and honest administration which requires no investment.

CSO: 4220/577

BIG CATTLE FARM TO BE SET UP IN SIND

Karachi MORNING NEWS in English 25 Apr 82 p 1

[Excerpt] DADU, April 22: Sind Governor Lt.-Gen. S.M. Abbasi has said that a cattle farm on one lakh acres of land between Bubak and Sehwan would set up which would reduce the meat shortage in the country.

Addressing a big gathering at Naing Sharif some 27 miles from here today he said that the Board of Revenue has prepared a comprehensive plan in this regard.

He said that local people would be provided facilities for the setting of cattle farms.

Lt.-Gen. S.M. Abbasi while speaking at the stone laying ceremony of a shopping centre at Sehwan about 75 miles from Hyderabad said the centre would have 18 shops to be built at a cost of Rs 3.25 lakh.

The Governor said that the Deputy Chairman of the Planning Commission Dr. Mahbubul Haq when shown the plan described it as "fantastic and best he has seen so far."

Giving the salient features of the plan the Governor said the plan would be launched during the next financial year and would be incorporated in the next five-year plan.

Lt. Gen. S.M. Abbasi said that the plan envisages to construction of network of roads, setting up of small and cottage industries, carrying out water supply and drainage schemes, expansion of existing educational and medical facilities.

The Governor expressed his satisfaction over the pace of development in the rural areas saying that the introduction of the local bodies system has given a fillip to the welfare schemes and has created a sense of participation among the people of respective areas generating healthy competition of excelling in bringing the rapid progress in the under-developed areas of Sind.

CSO: 4220/577

## BRIEFS

INCOME SHARING SUGGESTED--Khanum Gauhar Aijaz has demanded that an equitable share from the income of Sind-based Federal projects should be given to this province. In a statement issued here on Friday she said that a reasonable portion of the income from Karachi Port Trust and Pakistan Steel be given to the Sind Government. She said that the host province provided to the Federal projects infrastructure and other facilities at the cost of its own development. She said "Sind being an under-developed province needs funds for improvement of facilities in fields of health, education, drinking water etc." [Karachi MORNING NEWS in English 25 Apr 82 p 8]

TRANSFER OF POWER DEMANDED--LAHORE, April 27--The defunct Tehrik-i-Istiqlal, Punjab, has pressed for transfer of power to an elected and representative government following general elections under the unanimously adopted Constitution of 1973, because only an elected government could solve the problems of the people in the present circumstances. The meeting which was presided over by Malik Hamid Sarfaraz, provincial chief of the defunct Tehrik, urged that in view of internal and external state of affairs and mounting problems, the people should be taken into confidence. The meeting supported the demands of the teachers and took serious notice of attacks on the newspaper offices, manhandling of journalists and damage of property. It was an "attack on Press freedom", the meeting opined. [Karachi DAWN in English 28 Apr 82 p 4]

STUDENT LEADER SHOT, WOUNDED--HYDERABAD, April 27--The General Secretary, New Singhi Students Organisation (Sind) Raja Akmal, who was sitting in the canteen of Liaquat Medical College, Jamshoro, was seriously injured as a result of indiscriminate firing by a group of students on Tuesday. He received seven bullets and was rushed to hospital where his condition is said to be precarious. It is further learnt that Raja Akmal, was being rushed to Karachi as one of the bullets had hit his head and the only neuro-surgeon is available in Karachi. A Press release issued by the Publicity Secretary of the Organisation said that a minor girl aged six who had come along with a patient was also hit by a stray bullet and she, too, was admitted in LMC Hospital at Jamshoro. The President and other office-bearers of the Organisation have condemned this act of hooliganism and demanded that the culprits be arrested and the sanctity of educational institutions preserved. [Karachi DAWN in English 28 Apr 82 p 6]

RIVAL STUDENT GROUPS CLASH--Three students of the NED University of Engineering and Technology suffered minor injuries in a fist-fighting between the two

rival groups of students on Tuesday. The students were identified as Bashir Lakhani, Arif Nasim and Khalid. They suffered minor injuries as a result of blows from "hard blunt objects", police sources said. The fighting started on a petty issue. [Karachi DAWN in English 28 Apr 82 p 8]

STUDENTS HELD--The Gulshan-i-Iqbal police on Tuesday arrested three students of the Karachi University from the campus. They are charged with creating disturbances in the campus recently. The accused have been identified as Akhtar Adil, Azizullah and Usman Moazzam. The police said Azizullah was charged with closing a railway level crossing and Usman Moazzam was absconding in another case. Cases have been registered against the accused under Section 147 and 341. PPC.--PPI. [Karachi DAWN in English 28 Apr 82 p 8]

BHUTTO'S HEIRS' CASES ADJOURNED--Hearing of two separate suits filed by the Federation of Pakistan against the heirs of late Mr Z. A. Bhutto for the recovery of a total of Rs. 54.93 lakh has been adjourned by the Sind High Court. When the hearing resumed before Mr. Justice Saleem Akhtar on April 25 the Advocate-General (Sind) Mr Sayeed A. Shaikh requested for time as he had been out of Karachi to attend the Federal Shariat Court, Hearing was, Shariat adjourned to a date in office. In one suit the claim is for Rs. 46.73 lakh while in the other, the amount claimed is Rs. 8.20 lakh. [Karachi DAWN in English 28 Apr 82 p 12]

CSO: 4220/578

## STATE OF DEVELOPMENT PROJECTS IN SOUTH REVEALED

Manila BULLETIN TODAY in English 22 Apr 82 p 7

[Text]

A total of 33 multi-million peso socio-economic development projects, mostly pioneering activities, are presently being implemented by the Southern Philippines Development Authority (SPDA) in investment-starved areas in Southern and Central Mindanao.

This was the gist of the SPDA executive report to President Marcos on the status of the socio-economic and physical development programs in the four regions of Southern Philippines.

The SPDA projects, the report said, cover seven aqua-culture projects, two agro-industrial cooperative settlements, three livelihood centers, four equity investments, four subsidiaries, and 13 other corporate projects that are mostly ongoing, new and rehabilitated.

Brig. Gen. Antonio N. Venadas (ret.), SPDA administrator, said that six new aquaculture projects authorized by President Marcos and Human Settlements Minister Imelda R.

Marcos who is concurrently chairperson of the SPDA board of directors are now being implemented in Region IX, X, XI and XII. The projects involve large-scale culture of milkfish, tilapia, carp and prawn in fishponds, cages and pens in three regions of Mindanao.

Expected to become operational before the end of the year, these projects are designed to develop family-sized fish production units for distribution to some 5,000 direct beneficiaries consisting mainly of low-income families, ex-MNLF's and allied groups who will amortize the cost of ponds or cages out of their produce at harvest.

Funded by the national government and loans from the DBP, PNB, Overseas Economic Corporation Fund (OECF) and other financing institutions in Japan and Australia, the projects are the Bagong Lipunan regional prawn hatchery project in Naawan, Misamis Oriental, Lake Lanao fish cage culture project in Lanao del Sur,

Gintong Biyaya fish cage culture project in Lake Buluan, Sultan Kudarat-Cotabato;

Liguasan marsh freshwater fisheries project in North Cotabato, Basilan prawn farm project in Panigayan, Isabela, Basilan and the Bagong Lipunan fishpond estate project in Zamboanga city.

A full operation, the report said that the six aquaculture projects are expected to have an initial production of some 8,000 metric tons of milkfish, tilapia and prawns annually, with an aggregate market value of some P117 million. The 5,000 or so direct family-beneficiaries are each expected to earn a net income of about P15,000 annually.

The SPDA's agro-industrial settlement project that has received support from local and foreign funding institutions is the Kapatiran Agro-Industrial Cooperative settlement project which involves the development of 25,000 hectares of land for agricultural production and other livelihood programs.

Designed to benefit 2,727 settler families consisting mainly of ex-MNLFs and low-income and displaced groups, the project is partly funded by the national government, with the remaining investments coming from the DBP, PNB, International Bank for Rural Development

(IBRD), Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD) and the Arab Economic Development Funds (AEDF).

Similarly funded is the Maharlika livelihood settlement project which involves the development of 7,245 hectares of land in North Cotabato-Maguindanao-Sultan Kudarat area for production of food and other agricultural products.

President Marcos was also informed that the Batasan Pambansa has already appropriated substantial resources to the SPDA's major corporate projects such as the Mindanao textile in Cotabato city, industrial estate project in Davao city, integrated marine fishing project in Tawi-Tawi, integrated poultry and farm project in Region XI and rubber plantation and manufacturing project in North Cotabato.

In coordination with other government agencies, the SPDA reported the implementation of 248 projects that have benefited 21,471 MNLF returnees and other groups and individuals. These projects include manpower and skills training, loan assistance, shelter, infrastructure, and multi-purpose building construction and repair of madrasahs, and education and grants.

EQUITY INVESTMENTS INCREASE IN MARCH

Manila PHILIPPINES DAILY EXPRESS in English 22 Apr 82 p 9

[Article by Ray Magallanes]

[Text]

**INVESTMENTS** poured in by new domestic stock corporations, slightly increased last month from the level in February with agri-business now taking the lead in sectoral contributions, the Securities and Exchange Commission (SEC) said yesterday.

Total fresh capital infused by new and existing firms last month reached P487 million or a little over last February's record of P486.5 million.

SEC data showed that investments contributed by newly-incorporated firms in March totalled P264.3 billion, an increase of 238.1 percent over the previous month's take of only P78.1 billion.

Corporations numbering 454 contributed in paid-up capital about P255 billion while 96 partnerships contributed P9.2 billion.

The leading industry was agriculture, fishery and forestry with P115.6 billion or 43.8 percent of the total contributions.

The biggest single registrant was the United Cocoa Plantation, Inc., a firm engaged in cacao production, the initial paid-up capitalization of which was P90 million.

But the capital infusion made by 54 existing firms dropped to P222.7 million. This figure was P185.7 or 45.6 percent less than the previous month's record.

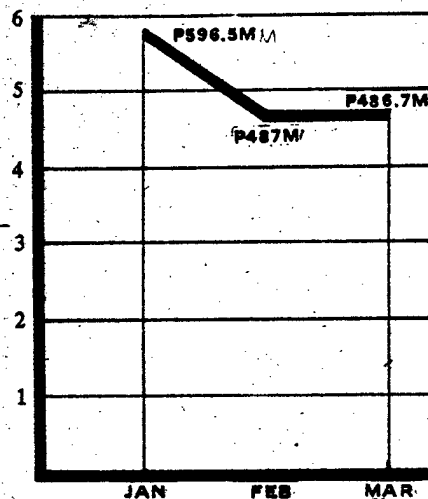
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**THE BIGGEST** capital infusion was contributed by the Philippine-American Life Insurance Co., with an additional funding of P36 million.

Last month's registered entities with foreign equity numbering 45 was slightly higher than the previous month's registration of 36.

Subscribed capital posted a 495.4 percent increase from P12.9 million

**FRESH "CAPITAL" INVESTMENTS**



to P76.8 million, while paid-up capital rose to P4.7 million. Foreign equity participation, on the other hand, reached the P6.4 million level from the previous month's P1.2

million reflecting an increase of 433.4 percent.

On stock market transactions, stock trading reflected a rosier trend last month compared to transactions made the month before.

Volume traded totalled 2.9 billion shares which, if compared with the previous month's volume of only 1.6 billion shares, was up by 81.2 percent.

Value likewise posted a hefty increase of 33.4 percent, from P47.6 million in February to P63.5 million in last month's transactions.

**SEC**, meanwhile, <sup>\*\*\*</sup>revoked the permits of four corporations for violating the reportorial rules and denied the registration of pre-need company for failure to satisfy all the requirements imposed by the commission.

The companies whose permits were revoked were the Este del Sol Mountain Reserve Inc., the Family Promotions (Integrated), Inc., the Bahamas Realty Philippines, Inc. and the Sandigan Marketing Corp.

CSO: 4220/580

## EXPORT FUND PLAN IN DANGER

Manila PHILIPPINES DAILY EXPRESS in English 22 Apr 82 p 9

[Article by George T. Nervez]

[Text]

**COMMERCIAL** banks warned yesterday that their financing programs for exports may be derailed if the Central Bank insists on its newly-adopted formula restricting the dollar investments of banks.

In a recent meeting, representatives of the commercial banks told CB officials that the new guidelines on dollar investments penalize banks that aggressively extended financing to exporters by buying their export bills.

They added that suspension of their rediscounting privileges will also deny them the chance of passing on cheap financing to exporters because the banks will be forced to borrow from regular borrowings.

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**MEANWHILE,** Land Bank president Basilio Estanislao said yesterday that the government bank has reduced its dollar investments to the maximum amount allowed by the CB.

The Land Bank was among 20 institutions which were deprived of their rediscounting privileges with

the CB because they exceeded the maximum dollar investments allowed.

"We unloaded our dollar holdings after we were informed by the CB that we exceeded the maximum allowable dollar investments," Estanislao said.

He added that the CB has reopened its rediscounting window to the Land Bank after it reduced its dollar holdings.

**THE** commercial banks pointed out that they have to maintain adequate working balances with their correspondent banks abroad as part of their trade financing activities.

They added that the maximum of 30 percent of foreign exchange receipts allowed as dollar investments is arbitrary and penalizes banks that earn more foreign exchange from their export financing activities.

The commercial banks also said that they could not immediately unload their dollar holdings because some of these are 15 day time deposits.

## INTENSIFIED ANTIDISSIDENT DRIVE SOUGHT

Manila PHILIPPINES DAILY EXPRESS in English 21 Apr 82 p 3

[Text]

**THE NATIONAL** Mayors League of the Philippines asked yesterday the defense ministry to step up its anti-terrorists' campaign in the rural areas because of the alarming increase of dissidents.

The league, through its president, Mayor Eladio I. Chatto, coursed its appeal to Defense Minister Juan Ponce Enrile.

Meeting with the league's top officials, Chatto said many voters are afraid to vote in the coming May 17 barangay elections because of the increasing number of dissidents in their areas.

The league president sought the help of Enrile "so we can have a clean and honest election."

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**THE LEAGUE** is composed of

1,500 member-mayors all over the country.

Despite the rising incidence of terrorists, Chatto said nobody is campaigning for a boycott in the coming barangay elections.

Over 25-million voters are expected to cast their votes on May 17.

He said the league is advocating for a non-partisan election.

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**EARLIER**, the Metro Manila Commission had received reports that subversives have infiltrated several barangay units and are planning to sabotage the barangay elections.

Metro Vice Gov. Ismael Mathay Jr. said most of the infiltrated barangays are those where officials were involved in irregularities.

CSO: 4220/580

## MORE POWER DEMANDED BY TEXTILE MILLS

Manila PHILIPPINES DAILY EXPRESS in English 21 Apr 82 p 10

[Article by Rosario A. Liquicial]

[Text]

**THE** government must come up with lasting solutions to the prevailing inadequacy in power supply and (technical) textile smuggling if it wants to ensure the success of the ongoing \$500-million modernization/rehabilitation program for the local textile industry.

Officials of the Textile Mills Association of the Philippines (TMAP) stressed this yesterday even as they disclosed plans of meeting this month with Trade and Industry Minister Roberto V. Ongpin to present their demand for solutions to the two problems.

They said, what they want is for the government to take steps to ensure that power supply would be adequate even before the program gets under way.

"With the current brownouts due to inadequate power, no program to upgrade the industry's productive capacity would succeed," they said.

**THE** power disruption problem, TMAP said, is not unique to the industry but textile mills, being very power-intensive, are among those hard hit by brownouts.

TMAP estimates that these occasional power disruptions destroy materials which could mean two to-three percent loss in sales.

The National Power Corp. (NPC) said these power interruptions are due mainly to powerplant shutdowns for their annual maintenance, as well as water conservation measures for its storage hydro-generating plants.

About smuggling, TMAP said the campaign mounted by the inter-agency task force against smuggling has "done a great deal" but this has not stopped the flooding of tax-free fabrics in the domestic market.

**THE MATERIALS** now being slowly coursed to the domestic market, the TMAP claims, are those which made their way into the market even before the crackdown was started.

There are other points of entry aside from Manila ports, for these tax-free imported fabrics, the TMAP added.

But while customs officials in Manila have become strict, operations of these textile smugglers have shifted to the other ports in the provinces, the TMAP said.

The inter-agency task force on textile smuggling has apprehended three companies found violating customs rules such as the illegal diversion into the local market of tax free fabrics.

## TOYOTA PARTICIPATES IN TAKEOVER OF PHILIPPINE BUSINESS

Manila PHILIPPINES DAILY EXPRESS in English 22 Apr 82 p 9

[Text]

TOYOTA Motor Co. Ltd. of Japan and the government-owned Philippine National Bank (PNB) are expected to takeover the financially ailing Delta Motor Co. as part of a financial restructuring and rehabilitation program for the company.

The Japanese carmaker plans to invest \$6.1 million (about P50.5 million) in Delta, while the PNB plans to pump the bulk of additional equity to boost the car company's paid up capital to P300 million from the present P44 million.

Toyota's eventual entry into Delta will be against the vehement objections of company president Ricardo Silverio Sr., who has long resisted the intentions of the Japanese car firm to gain common shareholdings in his business.

It was reported that Toyota will make a formal decision on its proposed equity investment this month.

UNTIL now, Toyota has remained merely a supplier of knocked-down units and components of Delta, which is the exclusive assembler and distributor of Toyota-brand vehicles.

In the past, Silverio has said that he would welcome Toyota only as preferred investor, but never as a common shareholder.

Delta reportedly owes the Japanese car company about \$10

million, which it wants converted into common shares.

Silverio has successfully brushed aside Toyota's advances citing a provision in the Reparation Law prohibiting foreign companies from entering into joint ventures with local business that are beneficiaries of the reparations program.

Delta is among the beneficiaries of the reparations having acquired machinery and equipment through the Reparations Commission.

THE prohibition was lifted by a Presidential Decree signed in 1980 to encourage foreign equity participation in certain areas of economic activity.

But the Delta headman has been steadily losing ground since the PNB, its major creditor, has taken a firmer grip on the company's operations and finances.

Over the years, the PNB has bankrolled Delta's operations through direct loans and guarantees on the company's foreign obligations largely with Japanese banks.

Delta now owes PNB about P500 million.

With the huge financial exposure, PNB installed bank chairman Gerardo Sicat as chairman of the board of Delta. PNB president P.O. Domingo himself sits in Delta's board.

## DETAINEES FREED, HUNGER STRIKERS END FAST

Manila BULLETIN TODAY in English 20 Apr 82 p 28

[Text]

The joint fast-hunger strike undertaken by 39 political detainees in Camp Bagong Diwa (Bicutan) and Camp Crame ended yesterday.

Nine of the detainees started an indefinite fast on March 22, then escalated the protest action into a full hunger strike on April 6, with another detainee joining. On April 12, 29 others began a week-long support fast.

The hunger strike was lifted Saturday, April 17, following the release on that day of seven political detainees in Bicutan, six of them hunger strikers. The week-long fast was concluded yesterday morning as scheduled.

The seven—Rafael Baskiñas, Jesus Cellano, Josefino Cellano, Julio McCakeren, Percival

Palmes, Manuel Pelias and Alfredo Anajao—should have been released on Feb. 10, 1982 or shortly after, in view of the civil court's sentencing them to four-to-six month imprisonment when on that date they had already been detained for 16 months.

The detainees said that while they were grateful that one of their demands was met, partially at that, the government has yet to act on other pending demands.

The detainees said they would continue to press for these demands "in the name of justice and human decency."

They also thanked those who had helped them "gain another small step in the march toward freedom and justice."

CSO: 4220/581

## EXPORT PROCESSING ZONE AUTHORITY CAPITALIZATION INCREASED

Manila BULLETIN TODAY in English 20 Apr 82 p 13

[Text]

The authorized capitalization of the Export Processing Zone Authority (EPZA) is being increased from the present P200 million to P5 billion on account of the total funding required by the authority in establishing new zones in other ports of the country.

Sources at EPZA said yesterday that the EPZA's board of commissioners already received the recommendation of the planning group which was tasked to update and revise EPZA's authorized capitalization.

The board, according to the sources, has approved the recommendation in principle.

The increase in EPZA's capitalization, sources said, is part of the financial plan of the authority to raise financing for developing 19 export processing zones and industrial estates at a cost of P2.14 billion in five years.

It was noted that the total assets of EPZA

valued at P1.5 billion as of December 31, 1981 should at least be capitalized at P5 billion.

The authority's financial plan covering 1982-1988 involves funding of new infrastructure projects, including the three existing zones in Bataan, Mactan, and Baguio.

New zones are also included in the EPZA funding requirements. The Development Bank of the Philippines, the Overseas Economic Cooperation Fund of Japan and the World Bank are sources of funding for EPZA.

For the Cavite zone, which will be implemented this year, DBP is funding the project through a loan of P30 million at the rate of 16 per cent per annum and payable in equal installment for ten years.

The World Bank, meanwhile, is being tapped to fund seven export processing zones.

## SAVINGS BY GOVERNMENT ORGANIZATIONS

Manila PHILIPPINES DAILY EXPRESS in English 22 Apr 82 pp 1, 6

[Text]

**PRESIDENT MARCOS** ordered yesterday a drastic cutting down of government spending to help it reduce the estimated P10 billion deficit to P5 billion.

The President told newsmen that the "belt tightening" is necessary because of the continuing slump in the world economy.

In a memorandum to Prime Minister Cesar E. A. Virata and other Cabinet members, the President ordered all government agencies and government-controlled corporations to save 12 percent of their budgeted funds.

"I now direct that these reserves be held back from expenditures unless specific written authority to spend any part of them is first obtained from me," the President said.

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**THIS YEAR'S** budget is P59.749 billion; while the 1981 deficit has reached P9.2 billion, the President said.

He added that current government expenditures or operating expenses amount to 78 percent of the budget. This, however, had been reduced to 60 percent as a matter of policy.

The President said the following measures should be undertaken:

- Control of undue expenses for personnel of government offices, agencies and corporations.

- Rationalize regional operations of national agencies to control the

growth of operating expenses and that of low priority capital projects, such as public office facilities.

This means that agencies such as the ministries of education, and labor and the Central Bank will have to forgo their plans to set up regional buildings.

- Continue the rationalization of foreign-assisted projects such as fishing ports, telecommunications and hydro-electric power projects concentrated in areas where there are possible alternative sources of energy that are less costly.

- Review operations of government corporations which may be duplicated not only by other corporations but also by other agencies of government.

- Adopt a mechanism to correct situations or practices which result in expenses in excess of the estimated cost. For example, delay in the implementation of government projects is more costly than they have been estimated to be.

- Stop the practice for requests for readjustment and escalation of contract prices.

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**THE PRESIDENT** said that these measures mean that all lump-sum appropriations will be reviewed.

However, the President said that the government will push through the 11 big industrial projects, these being capital expenditures in the government's industrialization program.

He also said that expenditures will be reoriented to stimulate employment.

The President is expected to take up the move to reduce government spending with the leaders of the ruling Kilusang Bagong Lipunan during its scheduled caucus tomorrow in Malacanang.

## BRIEFS

COMPANY BUYS CANADIAN UNIT--TORONTO, Canada--A Philippine firm, SGC International Inc., has acquired a controlling interest in a Canadian company dealing in ladies undergarments. Its purchase of 74.3 percent of Exquisite Form Bras-siere (Canada) Ltd. of Toronto for \$1.04 million was recently given the go-ahead by the Canadian government. Exquisite Form at present imports most of its products from the Philippines, Puerto Rico and Mexico. A federal spokesman said the sale was approved because the Philippine buyer promised to invest \$150,000 in a bra manufacturing plant here and hire additional 103 workers. The controlling shares were purchased from Summit Organization of New York. There will be no charge in the company's management as a result of the sale, according to Joseph Gane, Exquisite's executive vice president. [Manila PHILIPPINES DAILY EXPRESS in English 21 Apr 82 p 10]

TELEPHONE COMPANY LOAN--The Philippine National bank (PNB) and several other international banks have completed syndication of a \$110-million loan for the Philippine Long Distance Telephone Co. (PNB) president, P.O. Domingo said. He said an agreement on the 12-year loan, which has a three-year grace period, will be signed in Hongkong next month. He did not give the terms for the loan whose lead managers other than PNB are European Asia Finance (HK) Ltd., FUJI International Finance (HK) Ltd., Gulf International Bank BSC, Mitsubishi Bank Ltd., Asia Pacific Capital Corp., First Interstate Bank of California, PCI Capital (HK) Ltd. and Yokohama Asia Ltd. Proceeds will be used to finance additional equipment needed for the company's expansion program. [Manila PHILIPPINES DAILY EXPRESS in English 21 Apr 82 p 10]

CENTRAL BANK LONG-TERM FUNDS--The Philippine Commercial and Industrial Bank (PCIB), one of four private universal banks, said yesterday the Central Bank's rediscounting window for medium and long term loans may be too small for the combined needs of the unibanks. Antonio Ozaeta, PCIBank president, said the CB has set aside initially P300 million to enable the universal banks to re-discount medium and long-term loans. Although the final guidelines have not been issued by the CB, PCIBank has lined up three projects worth P15 million to P20 million each for rediscounting, he said. Considering that there are six universal banks aside from the Development Bank of the Phils. (DBP), the P300-million fund may not be adequate, he added. OZAETA also disclosed that in 1981, PCIBank's net income dropped slightly to P52.6 million from P55.6 million the previous year. Assets increased P4.5 billion in 1980 to P4.8 billion last year. He added that loans rose to P2.8 billion from P2.5 billion [Manila PHILIPPINES DAILY EXPRESS in English 21 Apr 82 p 10]

IRRIGATION LOANS SET--The national irrigation administration (NIA) is getting a \$70-million loan from the World Bank and the International Fund for Agricultural Development to finance the construction of small irrigation projects nationwide. Dr. Fiorello Estuar, NIA administrator, is leaving on April 24 for Washington to finalize the loan agreement as representative of the Philippine government. The present thrust of the NIA is to build communal irrigation networks which will be operated by farmers' association in various areas. The involvement of the farmers in the operation and maintenance of the system would eliminate the overhead expenses incurred by the water agency if it has to operate the irrigation network. Bonnie Mangalidan NIA spokesman, said the new loan being arranged would irrigate some 33,000 hectares of arable land in different provinces. He said the administrator has adopted measures to step up the construction of more irrigation systems in compliance to the policy of President Marcos. [Manila BULLETIN TODAY in English 22 Apr 82 p 5]

ANTIMILITARY LEAFLETS--TAGUM, Davao del Norte--Col. Milton F. Tiburcio, PC/INP commander here, has criticized the alleged "unchristian attitude of the Diocese of Tagum for circulating a mimeographed leaflets right at the entrance of the Christ the King cathedral during the observance of the Holy Week." In his letter addressed to Bishop Pedro R. Dean, Tiburcio said the leaflets entitled "Padayon Ang Dinakpanay Sa Tagum" were libelous because they tend to besmirch and downgrade the prestige and reputation of the PC/INP. He said it is also subversive because it can inflame the people to go against the government. Tiburcio continued that with such publication the diocese is promoting hatred anger, distrust and violence rather than peace and love. The provincial commander also said that while his command can take legal action against the persons behind its publication, he referred the matter instead to Bishop Dean. [Manila BULLETIN TODAY in English 22 Apr 82 p 18]

CSO: 4220/581

STRENGTH OF SLFP EXAMINED

Colombo THE ISLAND in English 26 Apr 82 p 6

[Text] And so, stage number two of the unification of the SLFP occurred on Friday, amidst much heat generated by a minority in the SLFP Central Committee.

Moves by this group to get Anura Bandaranaike and nine others to apply for membership with the Rs. 3.25 membership fee and for their membership to be confirmed after six months was not accepted. Anura and seven others will be accepted immediately on the application they have submitted.

The seven others are Stanley Tillekeratne, Mangala Moonesinghe, H. V. Dixon Silva, Alavi Moulana, Saddhatissa Wadigamangawa, Basil Rajapakse and Mrs. Kumari Balasuriya.

The applications of J.R.P. Suriyapperuma and Mr. Sumathipala Jayawardena were not accepted. But a decision on them is expected within the next month. Ms. Bandaranaike, who had said publicly that Suriyapperuma will be one of those who will not be acceptable to be re-admitted, is said to have reconsidered the position.

In fact, Suriyapperuma's move to the Anura group when the SLFP (M) Politbureau met on March 31 was quite unexpected. He had been so closely identified with the Maithri faction that his name was also in the four named by Mrs. Bandaranaike in Ratnapura in late March as being not acceptable to the SLFP.

While T. B. Illangaratne and Vijaya Kumaratunge maintained their stand regarding, Anura's return, one of the strange surprises was the backing of Hector Kobbekaduwa for the Anura group to be re-admitted to the Party.

This was quite a change from the earlier position, including the publication of a pamphlet. Parts of the pamphlet were printed in a daily paper and Anura threatened to sue. The paper quickly carried an announcement to say that the views expressed in the pamphlet were not their's but Hector Kobbekaduwa's. Anura in a press statement then said that he will reply to Kobbekaduwa in the future and that when he does, Mr. Kobbekaduwa will take a long time to recover.

As things stand at the moment, what has recovered is the new relationship between Anura and Mr. Kobbekaduwa, and the blow threatened by Anura will not see the sign of day.

At the SLFP Central Committee meeting, two other members of Anura's group who came up for criticism were Alavi Maulana and H. V. Dixon Silva. In the case of Alavi, the issue was centred on his activities in the SLFP trade unions after the split of the SLFP. A number of the trade union hierarchy in the SLFP (S) section were not anxious for Alavi to be taken back.

With Dixon Silva, the issue was different. With the SLFP (S) giving prominence to the youth in the Matara District, the entry of Dixon Silva into the fold would mean that the latter's position would be threatened.

Mrs. Bandaranaike has been anxious to promote youth to the fore in the South, specially as this is where the JVP has made some headway. Prominent in this group is Mahinda Wijesekera, the former JVP supporter. As one who was in the JVP, Mahinda has the ability to speak with authority and knows well the way the JVP organisation works.

But in the long run, mainly because of Mrs. Bandaranaike's stand on the issues, it was decided to admit Anura and the seven others.

In the case of Sumathipala Jayawardena, the former treasurer, the SLFP is anxious to find out how the Commissioner of Elections will decide on his right to continue as a MMC, as the SLFP notified the Commissioner that he had been expelled. This could then be a test case for the SLFP, as the Select Committee on the four MPs of the SLFP whose expulsions were intimated to the Speaker, have begun sittings.

Here again another issue arises. Now that Parliament has been prorogued, the Select Committees will have to be reappointed. There is a move in the SLFP (M) group to write to the Speaker and tell him that Anura had been expelled from the SLFP (M). Parliament does not recognise which faction has the right to sack but according to the custom, a Select Committee will have to be appointed.

And thus, the situation in the SLFP is heading to some dramatic situation. Those within the SLFP realise that Mrs. Bandaranaike is the main draw. Unlike the UNP, which has a number of potential leaders, the in-fighting within the SLFP has created a situation where Mrs. Bandaranaike still remains the core. The irony is that the various actions of the UNP Government against Mrs. Bandaranaike has made her stronger within her party, rather than weakened her. This is one of the reasons why the return of 'prodigal' Anura could be achieved with such ease, though not all the factors that caused him to leave have not been rectified.

As far as Party positions go, Ratnasiri Wickremnayake, who had fealt threatened at one stage as Party Secretary because of Basil Rajapakse's return to the fold, has been assured that Basil will not make any claims.

Even in the case of the South, Basil is said to acknowledge that 'Mahinda Aiya' will be in the top rung of the Party list and that he will not challenge it.

But the next issue is that of the proposed bill being brought before Parliament, where those deprived of civic rights will not be allowed to even appear on election platforms or be acquainted with the election campaign of the candidate directly. The idea is to make Mrs. Bandaranaike a leper in politics. But there are those who believe that is the Government does this, it will be the best thing. "All she needs to do is to be in the audience. She can make a dramatic appearance during the meeting", a top SLFPer said.

"But she will not speak, nor will she be announced from the stage. That alone will win more votes and it will be an election won without the acknowledged leader not uttering one word!" This SLFPer was also wondering whether she should not appear with a handkerchief round her mouth, like the move by Dudley Senanayake in 1964 when he protested about the attempt to take over Lake House.

As far as leadership is concerned, it now seems clear that she will stand down nearer the elections. The obvious choice in such a situation is Anura, and that is what the rumpus is all about. But the situation is clearer, though unity has not yet been achieved.

CSO: 4220/579

CROP LOSSES REPORTED FOR FIRST QUARTER 1982

Colombo DAILY NEWS in English 26 Apr 82 p 1

[Text] The drought has dealt a kidney punch to Sri Lanka's vital tea industry with the first quarter's production down by about 9 million kilos from the previous year, the industry said yesterday.

"We have only got provisional figures of the March production and these show a 30 per cent crop loss against last year. We expect that the March crop to have been between 11 to 12 million kilos against 16.3 million kilos last year", a Colombo tea trader said.

He said that this would mean that Sri Lanka, which had reported a 4.8 million kilo crop loss in January and February would have lost over 9 million kilos in the first quarter of this year.

The worst of the drought now appears to be over with "fairly widespread rain" reported from most planting districts during the past fortnight resulting in increased crop intakes in most areas.

"Bright mornings followed by afternoon and evening showers were reported in many areas. These conditions are conducive to a good crop", one market report said.

For the week ending April 19 the following rainfall figures (in millimetres) had been reported: Badulla - 92, Diyatalawa - 54.2, Kandy--187, Nuwara Eilya - 64.6, Ratnapura --113, Bogawantalawa - 112.3, Maskeliya - 90.1, Watagoda - 124.3 and Watawala 20.2.

Sri Lanka's 1980 tea crop was the worst for a decade. Last year's recovery with an 18.8 million gain in production against the tide of crop losses in many other producing countries was widely welcomed.

Now the first quarter losses this year are causing great concern.

CSO: 4220/579

## PADDY PRODUCTION ALMOST DOUBLED

Colombo DAILY NEWS in English 29 Apr 82 p 3

[Text]

Agricultural Research and Development Minister, E. L. Senanayake said at Bellatta, thanks to the sustained efforts of the country's peasantry, paddy production had recorded a ninety-percent increase. This had enabled the government to effect a foreign exchange saving amounting to some Rs. 250 billion.

Annual rice imports had already been cut down by half a million tonnes. This meant that the massive amount of money which once flowed out of the country now found their way into the hands of the farmers here, he pointed out.

The minister was addressing a public meeting which followed a mass Paddy Transplanting campaign at the paddy tract at Kalagamwaduwa in Bellatta.

This tract, 160 acres in extent, asweddumized under a NORAD-funded project comes under the Kirama-oya Irrigation scheme.

Colombo Hospitals and Family Health Minister, Dr. Ranjith Atapattu, District Minister for Hambantota and Dr. P. M. B. Cyril also par-

ticipated.

Mr. Senanayake said he had a great respect for the people of Ruhuna and he always enjoyed his visits to that part of the country.

President Jayewardene had pledged that he would not let the people suffer from starvation. The government had fulfilled this pledge, he said.

The minister who quoted statistics to stress his point said the average paddy yield per acre in 1976 was 44 bushels. This figure had gone up to 57 bushels in 1981. Rice imports would be a thing of the past before long, he added.

Colombo Hospitals and Family Health Minister, Dr. Ranjith Atapattu said that the Kirama oya Irrigation Scheme would reach completion in about three to four months. NORAD had granted a sum of Rs. 400,000 to develop agriculture in the Bellatta electorate.

District Minister for Hambantota, Dr. P. M. B. Cyril, MP for Mulkirigala, T. D. Francis, chairman, Agricultural Insurance Board and V. S. M. de Mel also addressed the gathering.

## FOOD, BEVERAGE IMPORTS AFFECT EARNINGS

Colombo THE ISLAND in English 28 Apr 82 p 4

[Article by Chandrakanthi Dharmadasa]

[Text]

"Despite the strong possibilities of achieving self-sufficiency in rice in the near future a considerable part of the country's requirements of food yet depend upon foreign production", states the People's Bank, in its review of the trade.

According to the customs data, out of a total expenditure of Rs. 34,598 million spent in imports in the year 1981, Rs. 6,771 million was on the importation of food and beverage. The total earnings from the exports for 1981 was Rs. 20,585 million. According to this figure 33 per cent of the earnings from our exports go out to finance the imports of food stuffs.

The expenditure on this category has been increasing during the last five years to feed a starved market, these items had to be imported since the trade was liberalised. The value of food and beverage imports was Rs. 2,369 million in 1977 which rose to Rs. 4,389 million by 1978. The trend continued with rising costs on imports reaching a maximum of Rs. 6,940 million by 1980. However there has been a slight drop in the lot of imports in this category for the year 1981, as indicated above.

Among the imports of food stuffs the entire amount of wheat flour and 90 per cent of our sugar imports and 16 per cent of the rice, rank high in the list of food and beverage. Among the other major food stuffs imports are milk powder, chillies, potatoes, onions, maldive fish and dry fish.

The most important feature in the import pattern of food stuffs is the decline in the import of rice. The rice imports were as 538,000 MT in 1977.

This has come down to 148,960 MT by 1981. The imports in the previous year, 1980 was 168,275 MT. However, the value of imports of rice show an increase in 1981, the 168,275 MT. cost Rs. 755.3 million in 1980 but the 148,960 MT. imported in 1981 cost more, a total of Rs. 859.5 million. The price increase of a MT of rice in the world market in 1981 was estimated to be about 29 per cent.

The imports of wheat flour shows a significant decline in 1981 with increases in the importation of wheat, with the opening of the Prima Milling complex at Trinco.

The flour imports declined to a mere 2,990 MT in 1981 from 370,478 MT in 1980, while the wheat imports increased from 197,051 MT in 1980 to 509,950 MT in 1981.

The decline of the wheat flour imports averted a major loss that would have occurred owing to the high increase in the price of wheat flour in the world market, which was about 78 per cent in 1981. The increase in the price of wheat per ton was about 35 per cent in 1981.

The third major item in the list of food imports, sugar shows a progressive increase except a decline recorded for the year 1980. The sugar imports were 101,000 MT in 1977 an increase in 237,711 MT by 1981. The value of sugar imports show an ever increasing tendency. In 1981 the cost of sugar imports was Rs. 2661.7 million.

The cost of milk products also increased and the increase in the cost

of dried fish is about threefold according to the People's Bank study.

The cost on the imports of red onions, chillies and potatoes have also increased during the last three years. Price increases have been at times as high as 100 per cent.

However, the share of consumer goods imports have been decreasing in the total import bill which is a noteworthy achievement. The cost of living keeps increasing as a result of the price increases in most of the food stuffs.

The cost on the imports of floor and wheat could be pruned down by encouraging the growth of subsidiary food crops such as maize, manioc, kurakkan and sorgam which are popular among the people. Modern products made out of these crop such as floor, which is easy to prepare would help in this situation.

CSO: 4220/579

## SUBSIDIARY FOOD PRODUCTS PROBLEMS EXAMINED

Colombo THE ISLAND in English 25 Apr 82 p 5

[Article by Chandrakanthi Dharmadasa]

[Text]

THE subsidiary food crops which became a major source of income for thousands of farmers and covered an area under paddy in 1976 faced a bleak future by 1978, with alarming decreases in both the yield and acreage by 1978 and the situation continued to be the same in 1979.

Has the situation been arrested and reversed?

The total area under 17 subsidiary food crops which was 741,720 acres in Maha 1976 declined to 437,910 acres by 1979, according to statistics of the Ministry of Agriculture Development and Research. The maximum cultivable area was reached in 75/76 increasing from 263,535 acres in 1972.

The 17 subsidiary food crops which came under this study were chillies, red onions, b'onions, undu, cowpea, soya beans, green gram, dhal, maize, sorghum, kurakkan, meneri, potatoes, sweet potatoes, manioc, ground nuts and gingelly.

The first danger signals were given by the Ministry of Plan Implementation in a paper entitled "Current Trends in the Production of Subsidiary Food Crops" as early as August 1979. The Annual Report of the Central Bank for 1979 also drew the attention of the government to the situation.

A report of the World Bank,

May 1980 in a chapter "Sri Lanka Key development issues in the 1980's" noted the reversal of the development of this area, attributing the adverse effects mainly to liberalisation policies of the government.

The report pointed out that cultivation practices had not changed much and the area planted therefore has a direct relation to the yields where the subsidiary food crops are concerned, unlike in paddy where cultivation methods have improved to a certain extent to obtain higher yields per acre.

### Imports

The report also stated that financial incentives should be given to the farmers through curtailment of imports.

The growth of subsidiary food crops is mainly regulated by price trends in the market and rainfall patterns. If the price of a certain crop is attractive during the season, many farmers take to growing that particular crop, resulting in a glut in the next season. The result is a drop in prices. One basic feature of the subsidiary food market is having either too little or too much in a season.

The World Bank report also recommended "at the very least import schedules need to be arranged in a way that pays greater regard to producer interests, while a general adjustment to the cost of imports

(e.g. through protection) may be necessary to maintain local production."

### Floor Price

The Government took certain remedial measures in 1979 to rectify the worsening situation. A floor price scheme was introduced where the producer was protected with regular and reasonable prices for their products, preventing the private trader from controlling the market. This gave recognition to these crops as commercial crops, as well as Confining price fluctuations to around the floor price level. The crops which came under the scheme were soya bean, turmeric, gingelly, chillies, maize, black gram, sorghum, groundnut and onions. This was subsequently extended to cover cowpea, green gram and potatoes.

The floor prices have been revised and turmeric has been removed from the scheme to include kurakkan. Under the floor price scheme, a two-tier price system is offered for these products.

During the season the bottom of the market is established, so that the private trader may not be able to buy the produce at a mere song when there are large quantities in the market. A higher price level is offered during the off season, to encourage the farmer to produce more.

These steps seem to have had a favourable impact on the situation in the years 1980 and 81 which followed.

The food crops which showed an increase in 1979—green gram, potatoes and gingelly further increased in 1980. Increases in the area were recorded for potatoes, cowpea and dhall in 1979 and this trend continued except in the case of cowpea, where the area cultivated dropped.

The 1980 crop figures show an increase in the yields of red onions, chillies, dhall, ground nut, sweet potato, meneri, maize and cowpea. The acreage cultivated under these crops also increased.

In the case of sweet potato, maize and cowpea the area under cultivation declined although the yields increased.

The adverse effects on manioc, sorghum and kurakkan continued even in the 1980 and to the freer availability of wheat flour has been attributed the main cause for this.

### Manioc

Where manioc is concerned the decline in the acreage was more pronounced than the decline in production. In the peak year 1974, the area under manioc was 225,642 acres, which had come down to 66,795 acres by 1980. The production which was 8.3m tons in 1974 (100 cwts.) decreased to 3.3m tons by 1980.

Where sorghum and kurakkan are concerned it was the same situation—both the area and the crop had steadily declined. Sorghum recorded peak levels in 1975. The highest production of kurakkan was in 1977 and the largest area was in 1975. One redeeming feature in the bleak situation regarding these three products is the higher crop levels recorded for Maha 1981. It has to be seen whether this trend will continue.

Mr. Ranjan Wijeratna, Secretary to the Ministry of Agriculture Development and Research is confident that the subsidiary food crops have passed the worst stage in production and growth. He is optimistic that there will be a surplus of black gram, ground nut and gingelly for export. Already a certain amount of gingelly has been exported.

Mr. Wijeratna thinks the same of the yields of other products too. He surmises that there will be sufficient quantities of maize, soya bean, cowpea and green gram for the local market.

### Balance

He said the Government is aware of the price trends and every effort is being taken to strike a balance between producers and consumers needs. A buffer stock of about 2,000 tons of chillie is necessary to regulate the market, he said. He explained that certain food items had to be imported in 1977 to feed a market which had been starved for many years with controls. This may have created an insidious effect at the beginning, but the situation is under control now and there is no need to import many of the food stuffs he said.

### Flour

According Mr. Wijeratna, subsidiary food crops are not affected by the flour imports. He said that

Table shows the position as at the end of 1981 Maha

Crop	CULTIVATED AREA					PRODUCTION				
	IN ACRES (1000)					IN CWTS. (1000)				
	1977	78	79	80	81 Maha	1977	1978	1979	1980	1981 Maha
Maize	97	71	58	58	69	826	693	512	617	688
Kurakkan	63	44	27	20	32	447	288	212	133	219
Green Gram	31	30	30	35	29	154	165	191	254	257
Black gram	24	32	21	NA	NA	230	155	119	NA	NA
Cowpea	75	63	75	63	68	416	443	369	463	550
Soyabeans	3	5	3	NA	NA	22	57	26	NA	NA
Groundnuts	16	26	12	28	24	129	147	106	277	229
Manioc	135	98	83	67	55	10774	9773	7138	6519	4827
Sweet potato	31	22	16	16	13	1911	1608	835	1283	821
Potato	8	7	10	13	53	752	5888	1033	1494	712
Chillies	109	84	50	63	NA	613	554	430	501	NA
Red onions	20	16	15	18	NA	1307	1418	1230	1557	NA

Source: Agricultural Statistics of Sri Lanka and Ministry of Agricultural Development and research.

research is being carried out to improve the quality and quantity of these crops.

The co-ordinating committee appointed by the President to dispose local produce, which is headed by Mr. Lalith Athulathmudali, Minister of Trade and Shipping resumed sittings on February 8 this year. The committee will help to improve the marketing of these products he said. There are 200 purchasing centres throughout the island authorised to buy these products at the floor prices.

However, the private trader keeps a watchful eye on the market. After the floor price scheme came into operation the farmers are confident and demand higher prices, said Mr. Wijeratna.

### New Trend

"Most farmers now grow subsidiary food crops in the paddy fields

during the Yala season, when the water levels are too low for paddy growing. This is a new practice hitherto unknown and a very healthy trend", the Secretary commented.

According to Mr. Wijeratna, high prices of chillies, potatoes and onions are seasonal, chiefly due to adverse weather conditions like the drought which prevailed during the last few months. On the whole imports of these items show a significant tapering-off and self-sufficiency could be attained in the near future.

Although the declining trend in these produce seems to have been arrested, we are still far from being complacent. Most of the crops which showed increases in 1980 are still far below their peak levels.

Chillies which had become a very popular crop as well as a major source of income for many farmers

covered an area of 108,908 acres in 1977. The area under chillie in 1980 was 62,966 acres. Production of sweet potato though it has increased is still below half the mark of the production in the 1974 peak year. The acreage is below one third that of the peak year. Kurakkan and maize are far below the 1975 peak levels.

Compared with the yield per acre, not only with the developed countries, but also with some countries in the region, the yield per acre in Sri Lanka remains low. Steps have to be taken to improve this situation, but precautions should be taken not to employ highly sophisticated technology which would increase the cost of production.

The price is the major incentive to farmers and it is very important to see that the floor price scheme is maintained and implemented by the authorities concerned.

## BRIEFS

LSSP POLITBURO DISCUSSES PARTY SPLIT--The LSSP Politburo met in Colombo yesterday to discuss the breakaway from the party of Mr. Anil Moonesinghe and some other members of the party. The party's Central Committee is due to meet today when this matter will be further discussed. Dr. Colvin R. de Silva, the LSSP leader, said yesterday that the Central Committee's meeting had been previously scheduled to consider the Politburo decision that the LSSP should participate in the Sirima May Day rally in Colombo. Since then the Anil Moonesinghe episode had occurred and this would be discussed by the Central Committee today, he said. Meanwhile, the Communist Party (pro-Moscow) has said that the LSSP decision to participate in the Shima May Day rally had undermined its independence. The CP has regretted this decision, a party statement said. The CP daily newspaper, the 'Aththa' jibed at Mr. Anil Moonesinghe carrying his statement under the headline "Anil has become the big squirrel and is making noises!". [Colombo DAILY NEWS in English 17 Apr 82 p 1]

ARMS FOR POLICE--The police have decided that all sergeants and constables on duty in the North will in future be issued handguns (revolvers), the IGP, Mr. Rudra Rajasingham, said yesterday. A batch of sergeants is already being trained in the use of these small arms. When they join the force these men are only trained in the use of shotguns and rifles,' he explained. Most of the policemen killed by terrorist attacks in the North were either unarmed or carrying a rifle at the time of the attack. The rifle is difficult to handle as a combat weapon under conditions of surprise attack. The IGP is confident that policemen carrying revolvers in areas where they are vulnerable to surprise attacks can help the force to reduce the high casualty rate it has suffered in the North. 'My men need a weapon they can draw and use quickly in this situation,' he explained. The small arms training is being imparted at the Police College at Katukurunda. [Colombo DAILY NEWS in English 24 Apr 82 p 1]

FINLAND GRANTS AID--Finland will give Rs 600 million aid in three years from now to be invested in specific projects. Finance Minister Ronnie de Mel made this announcement after meeting a 5-member Finnish delegation led by Mr Lasse Lehtinen yesterday. The delegation which represented the Committee for Economic Co-operation with Developing Countries tentatively agreed that specific projects for their financing be selected from the areas of forestry and forestry industries dairy development rural water supply and sanitation, health and commodity aid. Mr. de Mel said the specific projects of investment would

be finalised when he visits Finland early in May. The Finnish delegation also agreed to co-finance large projects with the World Bank Asian Development Bank and the Arab Funds. They agreed to encourage Finnish investors to collaborate in joint ventures. The Finance Minister will address a symposium of Finnish investors at Helsinki in May. The delegation now on a tour of Asian countries came here after visiting Viet nam and Burma. Finland joined the Sri Lanka Aid Group in 1980 and gives 0.32 per cent of its GNP on foreign aid. It hopes to double it by the end of this decade. [Colombo DAILY NEWS in English 24 Apr 82 p 1]

NETHERLANDS GRANTS AID--An outright grant of DFL 46 million (about Rs. 370 million) has been pledged by the Netherlands as aid to Sri Lanka this year. Although the quantum of aid is the same as in 1981, this is the first time that the Netherlands, one of Sri Lanka's most consistent donors, has given the whole amount in the form of a grant, said an official source. While a part of the grant will be commodity aid the rest will finance ongoing development programs such as integrated rural development, slum and shanty clearance in Colombo, fisheries and health services. Of the DFL 46 million given last year, thirty million was on loan and the rest was a grant. [Colombo DAILY NEWS in English 24 Apr 82 p 1]

GUNMEN ATTACK MEMBER OF PARLIAMENT--A machine gun-toting gang yesterday attacked a jeep belonging to Mr. V. Dharmalingam MP for Manipay and bashed it up. The vehicle was badly damaged but no injuries were caused to any person. Although Jaffna was quiet yesterday morning despite a 'hartal' call by some political organisations, some incidents of stone throwing at buses and intimidation of shopkeepers to pull down their shutters was reported in the afternoon. Six persons have been arrested. Police said that similar incidents had also been reported from Vavuniya. The TULF opposed the hartal call and Mr. A. Amirthalingam called on parents to see that their children went to school and shopkeepers to keep their businesses open. The hartal proponents were described as "extremists." Police said that they had the situation under control. [Colombo DAILY NEWS in English 30 Apr 82 p 3]

BOMBERS ARRESTED AT POWER STATION--Three young men carrying arrack-stopper bombs were arrested in one of the country's main power-generating stations--the Kelanitissa Power Station early yesterday morning. Informed sources said that the turbines at this station could have been blasted with these small but powerful bombs. Most of the thermally-powered turbines are located at Kelanitissa and have been put to much use during drought seasons. The three men attired in trousers and shirt, were seen loitering within the premises at about 9 a.m. On being spotted, power station officials called in the Grandpass Police who rushed in and arrested the suspects. A handbag in their possession is said to have contained the now common but dangerous arrack-stopper hand-bombs. Police recovered four of them from the bag. According to Police investigators, these youths have connections with a radical political party well known for its fiery rhetoric. It is likely the three men will be handed over to the CID for further intensive questioning. Police is also surprised at the lack of adequate supervision at the entrance to this nerve-centre of the country's power supply, specially at a time when the country was facing a severe power crisis due to lack of rain. IGP Rudra Rajasingham has called

for a full report into this matter from the Grandpass Police. [Colombo THE ISLAND in English 24 Apr 82 p 1]

HOME GUARDS PLAN POSTPONED--The Home Guards scheme will not come into force from May 1 as earlier scheduled. Although it was envisaged that the Home Guard units would start functioning on an island-wide basis from May Day 'The Island' reliably learns that the date of implementation has now been postponed indefinitely. Mr. Mervyn Kularatne the Deputy Minister-in-charge of the Home Guards scheme told 'The Island' that he hoped to start recruitment from May 1. The scheme itself would come into operation at a later date said Mr. Kularatne. The Deputy Minister also added that the Home Guard units in all districts would start functioning on the same date. Mr. Kularatne said the recruitment of Home Guards had been done on an unofficial basis in some districts. This recruitment was not final and conclusive, he said. Mr. Kularatne said that a conference of the 24 district watch committees would be held on May 30. This conference would be attended by the District Ministers, the Development Council Chairmen, the District Secretaries and the Superintendents of Police in their capacity as members of the District Watch Committees. The watch committees would be briefed on the mode of selection and the code of conduct for Home Guards. [Colombo THE ISLAND in English 25 Apr 82 p 1]

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