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Near East & South Asia

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CONTENTS

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POLITICAL

INTERNATIONAL AFFAIRS

Dixit Tells Press Details on U.S. Talks	1
HINDU Correspondent's Report [THE HINDU 13 Mar]	1
INDIAN EXPRESS Report [INDIAN EXPRESS 13 Mar]	2
Establishment of Full Relations With Israel Praised	3
Practical, Realistic Move [JANSATTA 6 Feb]	3
Technical Help Needed [JANSATTA 4 Feb]	4
Previous Stand Obsolete [AJ 3 Feb]	6
Dalai Lama Talks to Newsmen in Orissa [THE TELEGRAPH 1 Feb]	7
Details of Pacts with Russia, Kazakhstan	7
Pact With Russia [THE SUNDAY TIMES OF INDIA 23 Feb]	7
Pact With Kazakhstan [THE SUNDAY TIMES OF INDIA 23 Feb]	8
Japanese Industrial Delegation Meets With BCCs [THE HINDU 31 Jan]	8

REGIONAL AFFAIRS

Rao Meets With Pakistani Prime Minister [THE HINDU 3 Feb]	9
Pakistani Actions Seen Misleading, Troublesome [ANANDA BAZAR PATRIKA 7 Feb]	10
Commentary Views Islamic Union, Islamic Bomb Potential [AJ 22 Feb]	10

INTERNAL AFFAIRS

Implications of JKLF March in Kashmir Explored	12
Security First Concern [JANSATTA 14 Feb]	12
Internationalization Was Mistake [JANSATTA 9 Feb]	14
ULFA Demands on Assam Citizenship Explained [THE STATESMAN 1 Feb]	15
CPI-M General Secretary Surjeet on Economic Policy [THE TELEGRAPH 26 Jan]	15
CPI-M Politburo Scores Government Decisions [THE TELEGRAPH 31 Jan]	18
BJP Said Becoming True Opposition Party	19
Disagreement on Economic Policy [AJ 17 Mar]	19
Differences Over Ayodhya [AJ 27 Mar]	19
Authenticity of Congress(I) Party Elections Doubted [AAJKAAL 13 Feb]	20
Political Realignment to Advantage of Congress(I) [DECCAN HERALD 10 Mar]	21
Opposition-Coalition's Disarray, Weakness Exposed [DECCAN HERALD 11 Mar]	22
Paper Reviews Results of Punjab Elections	22
Win for Congress(I) [THE HINDU 22 Feb]	22
Position in Lok Sabha [THE HINDU 22 Feb]	24
Article Analyzes Results of Punjabi Elections [AJ 23 Feb]	24
Punjabi Chief Minister Seen Facing Huge Challenge [AJ 17 Mar]	25
Center Spokesman Comments on Amnesty Report [THE HINDU 27 Mar]	26

ECONOMIC

Text of Finance Minister's 1 Mar Budget Message [THE HINDU 1 Mar]	28
Campaign Against Multinational Companies Supported [JANSATTA 31 Mar]	42
Doubts Expressed Concerning Direction of Economic Reforms [ANANDA BAZAR PATRIKA 7 Feb]	43
Scientists Develop 3-D Copper Oxide Superconductor [THE HINDU 8 Mar]	44

MILITARY

Pawar Discusses Missile Launching Plans	[INDIAN EXPRESS 7 Mar]	46
President Commissions Fourth Naval Base	[DECCAN HERALD 10 Mar]	46

INTERNATIONAL AFFAIRS

Dixit Tells Press Details on U.S. Talks

HINDU Correspondent's Report

92AS0823A Madras THE HINDU in English
13 Mar 92 p 9

[Article by R. Chakrapani]

[Text] Washington, March 12—The United States has agreed to bilateral talks with India on the issue of nuclear non-proliferation and these talks could be held within the next eight weeks.

This was disclosed by the Foreign Secretary, Mr. J.N. Dixit, during an informal briefing to Indian correspondents at the end of three days of discussions here with officials at the White House and State and Defence departments. He also met several Senators, including Mr. George J. Mitchell, leader of the majority Democratic Party, and Mr. Stephen J. Solarz, Congressman.

It is not clear whether the bilateral talks will be a prelude to a wider conference. Mr. Dixit, who was firm in opposing the proposed five-power conference two days ago, was noticeably mild on the issue.

Defence document: At the Pentagon, Mr. Dixit raised the issue of the leaked defence document on U.S. strategy in a new world order during his meeting with Mr. Paul Wolfowitz, Under Secretary of Defence Policy. Mr. Dixit told him that the allegation that India was a "hegemonistic power" in South Asia on which the document was based was unfounded. Mr. Wolfowitz reportedly said this was not the U.S. perception but perhaps some of India's neighbours felt that way.

Referring to the importance given by the document to reviving the military relationship with Pakistan, Mr. Dixit said he told Mr. Wolfowitz that in calibrating the U.S. military programme with Pakistan, the United States should take into account the improving relations with India. "We have no intention of interfering in the U.S. Government's relations with any country but they should take into account the sensitivities of Indian interests and concerns."

No pressure: The nuclear non-proliferation issue was raised at his meetings here with the Deputy National Security Adviser, Admiral Jonathan Howe, and also in the State Department and in his session with Senators and Congressmen. Mr. Dixit said there was advocacy that India should sign the nuclear non-proliferation treaty but there was no pressure. He found that the United States was keen on the proposal to hold a five-nation conference.

Mr. Dixit's response was that India was willing to discuss the issue of non-proliferation with the United States bilaterally. He got the perception from his interlocutors that a beginning could be made with the bilateral process.

When asked about the impression created by his statement during his meeting with the American press that India was agreeable in principle to a five-power conference, Mr. Dixit replied: "I will not be pinned down on that. I am under the assumption that I have given signals that this could be done in bilateral discussions." He said he would not go into details of what was discussed on the issue except to say that the U.S. side had accepted the bilateral proposal.

Mr. Dixit said that during his talks he had not "taken a clearcut position" on the five nation proposal.

Questioned about the issues that would figure in the event the bilateral talks materialised, Mr. Dixit cited several that could be discussed. They include what the United States wanted to achieve in the non-proliferation area, what their suggestions were about the peaceful uses of nuclear energy, the nature of confidence-building measures the United States wanted the parties to undertake and what measures would be taken by the United States.

PTI reports:

Mr. Dixit said that Mr. Wolfowitz "acknowledged that such a report (defence document) exists but that this had not been cleared and finalised" by him or the Defence Secretary, Mr. Richard Cheney.

Mr. Dixit said: "I also told him, suggested to him, that the perception of India as a hegemonistic power allegedly mentioned in that report would be a wrong predication on which to build U.S. policies. He agreed. he said, 'yes.' He tried to clarify it is not the U.S. perception but perhaps some of the neighbours feel that way and that 'we (the Pentagon) were only repeating them.'"

Mr. Dixit said he told Mr. Wolfowitz that it was one thing how neighbours might perceive India and another thing for others' perceptions to be included in a U.S. policy document of this kind. The United States would be wrong in conceiving India in such a negative light."

Military sales: Mr. Dixit said he raised the issue of commercial military sales by the United States to Pakistan (despite the Pressler amendment). "I said we take note of it and we will make our own assessments. They did not have much to say. They said, 'Well, yes, we know you have taken note of it.'"

'Briefing session': Mr. Dixit described his talks with members of the U.S. Congress as "basically a briefing session." The Senators and Congressmen wished to know how India approached the problems of non-proliferation, environment, human rights and so on. He drew the attention of the legislators to the fact that the establishment of a human rights commission was a point made in the manifesto of the ruling party and that action

on this would be taken. It could then become a catalyst for meeting the concerns regarding human rights in the international community.

INDIAN EXPRESS Report

92AS0823B *Madras INDIAN EXPRESS in English*
13 Mar 92 p 14

[Article by A. Balu: "India-U.S. Talks in Two Months"]

[Text] Washington—The only thing that can be said with certainty about the outcome of Indian Foreign Secretary J.N. Dixit's talks with senior U.S. officials here this week is that a five-nation conference on a nuclear-free South Asia is not imminent.

For the rest, it is not clear whether the proposal is dead as far as India is concerned, or whether New Delhi will not be averse to looking at it at a later stage depending on the results of a substantive dialogue with the United States on nuclear proliferation and security issues.

That dialogue, Mr. Dixit indicated on Wednesday, could take place in the next eight weeks. No date or venue had been fixed, the Foreign Secretary told Indian correspondents at the conclusion of three days of talks at the State Department, the White House, the Pentagon and on Capitol Hill.

Whatever conclusions one could draw from Mr. Dixit's statements to the press on India's stand on the five-nation conference proposal, it is possible to spell out a few salient features of the Indo-U.S. talks on the basis of information available from informed sources.

No U.S. pressure: There was advocacy but no pressure on the part of the United States that India should sign the nuclear non-proliferation treaty (NPT). India insisted on substantive bilateral discussions on non-proliferation. The United States was keen on convening a five-power conference. (It had even planned a March conference).

India took the view that the three powers (United States, Russia and China) acting in a "patronising" manner towards India and Pakistan was not the right approach. If there was to be a five-nation conference or a larger conference, the participants must be willing to take on obligations on themselves also.

There was no difference of opinion or questioning of India's contention that there is a difference between signing the NPT and being committed to non-proliferation.

Mr. Dixit said there was general consensus in his dialogue with U.S. officials and lawmakers that despite differences on some issues, Indo-U.S. relations were moving along positive lines. The mood was that though there were differences, there was willingness to work out compromises and areas of agreement.

Stand unclear: Two briefing sessions with the Foreign Secretary left the Indian correspondents somewhat confounded, if not confused, about India's stand on the five-nation conference that will involve the United States, Russia, China, India and Pakistan.

Mr. Dixit is a consummate diplomat, not given to fudging, but his responses to reporters' questions failed to reveal the Indian position on the Bush administration's plan (originally advanced by Pakistan) for the five-nation conference.

It would be uncharitable to suggest that Mr. Dixit was speaking in many voices, but one could not but discern differences at least in emphasis on his version of his talks at the State Department as he presented them separately to Indian correspondents, American reporters and to editors of THE WASHINGTON POST.

Mr. Dixit refused to be drawn into a "controversy" over his reported remarks to the POST that closer U.S.-India ties could make his country more receptive to the proposed five-nation conference. A correspondent had suggested that they were at variance with what he had told Indian reporters on Monday, namely, that India could not accept the proposal.

"I do not want a controversy in this," Mr. Dixit said. "We want to move forward on non-proliferation. We want to meet genuine U.S. concerns and we want to meet international concern on this sensitive issue. We are not a nuclear-weapon inclined state. We shall work out details of the strategy as things develop."

The Foreign Secretary added that it was his assessment that "I have given signals that we are willing to move forward and discuss with them (United States) bilaterally in tangible terms. They accepted the suggestion."

Asked if he would describe his talks as substantive on non-proliferation, Mr. Dixit replied: "substantive in political terms, not in technical terms."

Mr. Dixit apparently had a problem in going into details of his talks, while briefing Indian correspondents. With Parliament in session, he did not wish to be too specific about his discussions, lest he was hauled up for divulging information to the press before it was given to MP's. He was not prepared to "negotiate through the media," the Foreign Secretary said, because "I have a responsibility."

The twists and turns he probably gave to his assessment of Indo-U.S. talks at his meeting with the editors of THE WASHINGTON POST seemed to reflect his anxiety to ensure that India did not sound unreasonable before an American audience on the issue of non-proliferation, which is high on the Bush administration's foreign policy agenda.

The Pentagon document: Mr. Dixit's meeting with U.S. Under-Secretary of Defence Paul Wolfowitz, on

Wednesday, brought further clarification about the Pentagon document that had, among other things, referred to the need to "discourage Indian hegemonic aspirations" in South Asia.

Mr. Dixit said the Pentagon official told him that the document had not been cleared by him or Defence Secretary Dick Cheney. His explanation was that it was not the U.S. perception but perhaps that of some of India's neighbours and the document repeated that.

Mr. Dixit said Mr. Wolfowitz agreed with him when he suggested that any perception of India as hegemonic power would be a wrong predication on which to build U.S. policies. The United States would be wrong in perceiving India in a negative light.

The two officials also talked about defence cooperation. Mr Dixit said one of the ideas India and the United States were discussing concerned joint exercises somewhere in the Indian Ocean.

Establishment of Full Relations With Israel Praised

Practical, Realistic Move

92AS0634A New Delhi JANSATTA in Hindi
6 Feb 92 p 4

[Article by Ray Singh: Indian Policy on a Practical Road"]

[Text] "What requires a lot of time will result in the right decision" is an old and popular saying. However, it does not prove to be accurate in the context of Indian-Israeli relations. The Indian leaders neither understood the process behind the establishment of Israel nor did they objectively analyze their policy when Israel was established in 1948. The Congress party leaders, in the name of Mahatma Gandhi, endorsed the anti-Israel actions of the Palestinians. They never tried to understand how harmful it is for the interests of an independent India to form enmity with any country. When Israel became a country on 15 May 1948, all Arab countries attacked Israel to destroy it and kill all Jews. At that time, India kept quiet. When Pakistan attacked Kashmir in 1947, which was actually an attack on India, India submitted a resolution against the Pakistani attack in the United Nations. India neither said anything about the Arab attack against Israel, nor did it support the countries that opposed this attack. The leaders at that time believed that if they opposed this attack, then all Arab and Muslim countries would get angry at India and not support it on the Kashmir issue in the United Nations. However, in spite of India's ignoring this attack, no Arabian or Muslim countries supported India on the Kashmir issue. The only result of this policy was the anger of Israel and the powerful Western nations. At that time, India needed their approval more than anything else.

The other strange belief that these Indian leaders had was that if India did not support Arabian nations, then Indian Muslims would get angry, and communalism in India would become worse. If we compare communal clashes 25 years before and 25 years after the independence, then we will find that the number of clashes has increased rather than decreased. There are several reasons for this, but one proven truth is that these leaders did not make decisions based on proven facts. They were just scared of communal problems. The truth is that the opinion of these leaders about Indian Muslims is very unfair to them. After the partition of this country, these Muslims became Indian, and Indian leaders were mistaken in suspecting their sincerity. This mistake gave rise to communal problems in India.

When Israel became a member of the United Nations, India had no alternative but to recognize it. Then Prime Minister Jawarhalal Nehru refused to establish diplomatic relations with Israel by saying that the situation in Israel was not conducive to opening an Indian embassy there at that time. This situation has continued for the last 40 to 42 years. Even Arabian countries like Egypt established diplomatic relations with Israel after the 1978 agreement at Camp David. This year, on 24 January, even the fundamentalist Islamic country of Saudi Arabia announced the establishment of diplomatic relations with Israel. On that day China, a strong supporter of Palestine, also announced in Beijing that it will establish diplomatic relations with Israel. China made this decision during Israeli Foreign Minister David Levy's visit to China. Mr. Levy, however, frankly told the Chinese foreign ministers that until Chinese-Israeli relations were established, it would not be allowed to participate in the Western Asian peace talks. China is very interested in taking part in the West Asian Peace Conference, because it feels that if it does not, it will be left out of the international political arena.

The Chinese foreign minister issued a joint communique with Israeli Foreign Minister David Levy on 24 January in China's capital. They declared their plan to establish diplomatic relations. He proved that China was willing to take such actions to protect its national interests and thus started a new chapter of friendship with Israel. Opposite to it, and at exactly the same time, India honored PLO leader Yasser 'Arafat in the capital and had a meeting with the terrorist Libya's Staff Major Abdessalam Jallud. By doing so, India put "a block of ice" on its relations with Israel. PLO leader Yasser 'Arafat had to announce in New Delhi that India must participate in the Western Asian Peace Conference, and that he did not object to India's establishment of diplomatic relations with Israel. All of these complicated tasks gave the impression that a large and powerful country like India had to get permission from a foreign leader to establish diplomatic relations with Israel. After all these incidents, Indian leaders did not demonstrate any sophisticated thinking by not establishing diplomatic relations with Israel until 29 January.

If, when Egypt established diplomatic relations with Israel a few years ago, India had done the same, it would have gained prestige. Israel would have welcomed the decision and, perhaps, would have been indebted to it. India lost a lot and gained nothing by postponing its decision to 29 January.

Dr. Moshe Yeager, deputy director of the foreign ministry who accompanied David Levy on the latter's visit to China, frankly said in Beijing that if India wanted to play a role in the Western Asian Peace Conference, then it had to establish diplomatic relations at an ambassadorial level with Israel. Dr. Yeager said that this country did not have full and equal relations with Israel and therefore would not have any place in the Western Asian Peace Conference. Because of this, there was no room for India to participate in the conference. Dr. Moshe Yeager emphasized that until an Israeli embassy was established in New Delhi, Israel would not allow India to participate in the Western Asian Peace Conference. The only exemption that Yeager made was that India could have its embassy in Tel Aviv instead of Israel's capital, Jerusalem. Mr. Yeager said that Israel held various talks with India during the last 42 years without any results. He also said that the Indian leaders' belief that their establishment of diplomatic relations with Israel would make them lose Arab support against Pakistan was unfounded. The Arabs have always been pro-Pakistan and will remain that way. Dr. Yeager said that if India was unwilling to establish diplomatic relations with Israel now, then Israel would wait, since it would not be hurt by not having these relations. Yeager's statement clearly indicates that India, because of its unilateral policy, has lost this opportunity to play a role in the Western Asian Peace Conference.

Even more important than Dr. Yeager's statement was the statement issued by Levy on 23 January after his five-day visit to China. David Levy said at a Beijing press conference that it was time for India and Israel to establish diplomatic relations with each other. According to him, this step would be in India's interests. Mr. Levy also said that China had agreed to establish ambassadorial-level relations with Israel. The Soviet Union also made a similar announcement earlier. After the former Soviet Union crumbled, not only the twelve republics belonging to it, but also three independent republics in the Baltic region recognized Israel. It is clear from Mr. Levy's 26 January statement that if India wants to play a role in western Asia, then it has no alternative but to establish relations with Israel.

The Indian Government, by announcing its decision to establish diplomatic relations at the ambassadorial level with Israel on 29 January 1992, not only accepted David Levy's suggestion, but also showed its own understanding. On 31 January, Prime Minister Narasimha Rao was due to arrive to participate in the summit conference of the UN Security Council. By announcing a pro-Israel attitude on 29 January, Narasimha Rao created a friendly atmosphere before his trip to the United States of America. This congenial atmosphere will give a

new direction to Indian-Israeli relations, because the two countries will benefit by cooperating not only economically, but also politically and in regional security-related areas.

Everyone in India, except for fundamentalist Islamic leaders and communists, praised the decision of the Indian Government. We can understand the opposition by fundamentalist Muslims; however, the Indian communists, who call themselves progressive socialists, do not appear to show any prudence by opposing this decision. Mr. Farooqi, the secretary general of the Communist Party of India (CPI), criticized the Indian Government's decision by calling it "an indication of American pressure." Another CPI leader called the decision "a hasty step." The truth is that the Indian Government was in a dilemma for the last 40 years, worrying that diplomatic relations with Israel might upset Arab and Muslim countries. This was actually an imaginary fear, because in the present era, relations between countries are not based on religion. These relations are based on policy, regulations, and mutual benefits. The greatest proof of this is the decision made by a fundamentalist country like Saudi Arabia on 24 January. According to this decision, Saudi Arabia expressed its desire to establish diplomatic relations with Israel. Unfortunately Indian communists, even after the fall of the Soviet Union, continue to repeat statements from the Stalin era like an old parrot. The Indian Government's decision is a welcome development, because it points to a change in Indian foreign policy that is extremely necessary.

Technical Help Needed

92AS0634B New Delhi JANSATTA in Hindi
4 Feb 92 p 6

[Article by Manik Bhattacharya: "Behind the Relations With Israel"]

[Text] One political party has called the decision to establish diplomatic relations with Israel a "step in the right direction." Another called it "unnecessary and immoral." Still another party said it was "a step taken in haste." These reactions reflect the policies and thoughts of these parties, developed over many years, and is natural. Even the Congress party itself had followed the policy of staying away from Israel. By giving the argument of friendship with the Arabs and the rights of the Palestinians, the Indian Government declared Israel the villain of western Asia. However, this policy was not based on profound thinking or long-term national interests. It was based on a fear emerging from internal politics. Because of the politics of the Muslim vote bank, the Congress party and the government were afraid of an undefined fear that if close relations with Israel were established, other countries would become angry. According to them, the anger of Arab nations would affect oil imports from western Asia. The major danger, however, was considered to be the Muslims being cut away from the party in power. This would also have given the Arab nations cause to incite Indian Muslims. If

we study the whole situation and keep the future of our country in mind, then this belief does not seem to be appropriate. This is supported by the fact that Arab nations always supported Pakistan against India on the Kashmir issue. They gave no special treatment for oil imports either.

Several leaders had felt this for a long time; however, they were afraid to get out of the political atmosphere they had created around themselves. Several incidents occurred during this time that effected important changes at both the national and international levels. Fundamentalism increased in Kashmir, which was supported by Pakistan with money and weapons. This terrorism has evolved into a regular guerilla war, and India has not been successful in controlling it at the political level. This has resulted in a feeling of uncertainty among the Indian people. During the last two to three years, the Hindus have developed a new tenacity over the symbol of Ram Janambhumi, and this demand has given birth to aggressive feelings among the Hindus in several states.

At the political level, one result of this development was a polarization that is being felt for the first time since independence. This Hindu wave helped the Bharatiya Janata Party [BJP] to reach the Center after the 1989 election and during the 1991 mid-term elections. Opposite to it, the Muslims reacted by supporting the National Front and communist parties instead of the Congress party. As a result, Muslim voters were cut off from the party. It will be no surprise if Muslim voters lean toward the Congress party during the next elections, and that the loss of the Muslim vote bank proves to be a temporary setback for the Congress Party. One thing, however, is clear: the polarization among Hindus is not temporary, and it is becoming clear that if this tendency continues, then in spite of the Muslim vote bank, the government will be formed by a party like the BJP. In other words, the so-called requirement of the Muslim vote bank is not important now. This could be a temporary problem for the Congress party; however, the present Congress leadership is aware that it cannot depend on the so-called Muslim vote bank in the future. Therefore, The Congress Party is getting psychological ready to get out of the fear that it had until the end of Rajiv Gandhi's era.

At the international level, and after the disintegration of the Soviet Union, the United States is facing the challenge of a coalition of Muslim nations; at least the policymakers of the West believe so. It is a common belief in the Western political system that traditional Western philosophy will be challenged by the Muslim world at a much larger scale than that of the communist world. This does not mean that the western Asian nations of Iran and Pakistan will become such militarily powerful nations that they will be able to counter the West in an open war. There is no possibility of such a war. The reason the Islamic challenge is considered much more serious than the communist challenge is that by forming a coalition, these countries will thwart the dream that the United States and European countries

had been planning to realize after the fall of communism. The Gulf war has shaken the West severely. After the independence of the Central Asian republics, there is worry about danger from the West, and that the world will be forced to fight many wars like the Gulf war. The United States does not want to have this danger because of various pressures on its economic machinery, especially when it depends so much on oil from western Asia.

There has been a qualitative change in Arab nations since the Gulf war. Many Arab nations in western Asia have begun to feel the danger that a country like Iraq could try to change the political map of western Asia. If the United Nations and other Western nations had not taken the powerful initiative, then other Arab nations would not have been able to expel the Iraqis from Kuwait. The Arabs face a similar danger from Iran also. Therefore, in order to protect themselves, they unwillingly took refuge with the West. Most Arab nations agree with Europe and the United States of America over the establishment of peace in the Gulf region. However, there are different reasons for this agreement. The United States of America and Europe want peace in this region for political and economic reasons, while the small Arab countries of western Asia and the emirates want to protect their own interests.

In this situation, the inclusion of Arabs, Palestinians, and Israelis in the present peace talks allows us to understand this reality. A few years ago, we could not even have imagined that the al-Qadhdhafi government of Libya would apologize to India in a resolution referring to the Kashmir issue and India would still vote against Libya in the United Nations even after this unwanted issue was removed. It was also difficult to imagine that PLO leader Yasser 'Arafat would come to India and state that he had no objection to India's establishing full diplomatic relations with Israel.

The fact is that since the major changes in the Soviet Union, all Arab countries that do not want to directly join the U.S. camp as Saudi Arabia and Egypt did, will need a friend like India. Even al-Qadhdhafi, known for his angry and dangerous actions, has begun to feel that there are limits to challenging the West, given the present power equation. Therefore, he has also established a softer and more thoughtful attitude. The PLO leaders have also begun to feel that the political situation around the world has changed so much since the Gulf war that if they want to establish a separate nation for the Palestinians, then they cannot afford to ignore reality. There is also the question of the age of the Palestinian leaders, and this is also necessary for the morale of Palestinians who had been living in many countries as refugees for many years. Therefore, Yasser 'Arafat wants to have a third non-Arab group to support him against the West and Israel in order to get some concrete results from the present peace talks. The Gulf war has made the Palestinian situation even worse. Because of their wrong estimations, Yasser 'Arafat and other Palestinian groups supported Iraq. After its defeat, Palestinian groups are being viewed suspiciously in Saudi Arabia, Egypt, and

other countries. The helplessness of Jordan also shows that there is not much weight to King Hussein's political endorsement.

Because of the real or imaginary fear of Islamic fundamentalism, Pakistan's value has also fallen in the eyes of the United States. The United States of America, which only four years ago was providing a great deal of military and economic aid to fundamentalist Muslim tribes to throw out the Najibullah government, is trying to establish a moderate type of government in Afghanistan. Because of economic and military pressures, Pakistan had to agree to establish an interim government in Afghanistan. Because of economic problems, the United States of America felt it necessary to invest in the huge market offered by India. Therefore, it is important to U.S. military and economic interests that internal and external peace in India be maintained. In this situation, it becomes very easy for the Indian Government to give recognition to Israel. The government knows that it will be a business partner with the United States of America for a long time. It also knows that U.S. Jews play a major role in U.S. politics and trade. Jews in the United States of America are very angry that India has been presenting Israel as a villain. Therefore, it does not matter what the makers of India's foreign policy thought about bilateral economic benefits while establishing full diplomatic relations with Israel, the experts in the Indian Government have a good idea about the interests of U.S. business community. Therefore, it is not incorrect to say that the entry and investment in India by U.S. international conglomerates was going to happen sooner or later.

Now that the Israeli ambassador's office will open in New Delhi and India will send its ambassador to Tel Aviv, it is imperative that this new relationship be used for permanent political and economic gains. It does not matter whether India participates in any phase of the western Asian peace talks; at least it is possible that through the Indian embassy, the governments of both countries will try to find a way to resolve the Israeli-Palestinian problem. If India's initiative in this area plays an important role in the success of these talks, then India's claim to be the leader of developing countries will become more acceptable. However, the most important issue here is the trade and technical relationship between India and Israel. It is true that Israel is a small country without the ability to meet India's export needs. But it has made considerable progress in scientific and technical areas. Even in such a geographic and political situation, it has managed to make great economic and military progress. Therefore, we can benefit from Israel's experience. If peace is established in western Asia, then Israel can act as a window between this region and the West.

Previous Stand Obsolete

92AS0634C Varnasi AJ in Hindi 3 Feb 92 p 6

[Editorial: "Indo-Israeli Relationship"]

[Text] India's recognition of the Jewish nation of Israel and its establishment of diplomatic relations at the ambassadorial level represents a new direction in India's foreign policy. Forty years ago, when the Jewish nation was established in western Asia in Palestine, according to a UN resolution, the United States of America and the Soviet Union recognized it immediately. The countries that did not recognize Israel included western Asian Muslim nations, China, and India. Later, during the Arab-Israel oil confrontations, the Soviet Union supported the Arab side and diplomatic relations between Israel and the Soviet Union were broken. India and other countries opposed the establishment of Israel because this new nation was established by displacing the Palestinians who had lived there for centuries. According to a UN resolution, half of Palestine was taken over from the Palestinians and given to the Jews. The Palestinian and Arab nations strongly opposed the existence of Israel in the Arab region. Later, in some ensuing struggles, Israel also took over the region that the United Nations had given to Palestinians. Israel also established Jewish settlements to make that region a permanent part of Israel. India had opposed this action also and had supported the PLO, which was fighting for its rights. India supported the UN resolution, which declared that the Jewish faith supported prejudice. India's policy about western Asia was a major part of its international policy.

This policy has changed now that the decision has been made to establish diplomatic relations at the ambassadorial level with Israel. The change started when India supported the UN resolution to repeal its earlier resolution regarding the Jewish faith. India's stand in western Asia was to allow the Palestinians to get justice and to establish peace in western Asia based on it. Israel was not willing to leave the Palestinian areas that it has been occupying. Many countries supported the idea of Israel and Palestine cooperating through talks. India also supported this idea. India was called anti-Israel in many countries, and the Indian Government said that it supported Palestine in order to satisfy the Muslims in India. India supported the Palestinian and Arab stands at an international level on the basis of fairness. The PLO gained strength from India's support. The welcome accorded to Mr. 'Arafat, the PLO leader, relates to this stand. The Indian policy has nothing to do with supporting the Muslims of western Asia. It is clear that in spite of India's continued support for the PLO, western Asian Muslim nations never appreciated India. These countries opposed India on the Kashmir issue directly or indirectly. Now, given the changed international situation, it was imperative for India to change its western Asian policy.

There have been two meetings of the peace conference, and India has not been included in either. Israel had set the condition that only countries that recognize it would be included in these talks. The basis of India's policy about western Asia has been to get justice for Palestine. India had not recognized Israel until now because of this. India now feels that its participation on the peace talks is necessary to help Palestine get justice. Therefore, India had to recognize Israel. The peace talks, after two meetings, have not made any progress because Israel is adamant that only those people who live Israel-occupied Palestinian area should represent Palestine. Israel is not very supportive to giving independence to this region. It is unwilling to include the Palestinians living outside of this area, because they are talking about an autonomous Palestine, which includes the area occupied by Israel. They are being represented by the PLO. The United States of America and Russia are trying to include the Palestinians in these talks to move the talks in the right direction. In these talks, India's presence will help put pressure on having appropriate representatives. India decided to recognize Israel before Prime Minister Narasimha Rao left for New York to participate in the UN Security Council meeting. This allowed India's Prime Minister to talk authoritatively with the Russian and American leaders for the success of these talks. As mentioned earlier, the prime minister had discussed the issue of recognition of Israel with the leaders of other political parties before the decision was made. This shows that all politicians in India are in support of the government's decision. Until now, there used to be different opinions from political parties about India's foreign policy. The BJP [Bharatiya Janata Party] had been talking about establishing diplomatic relations with Israel for a long time. By recognizing Israel, we can say that the Indian government's foreign policy has been approved by all political parties.

Dalai Lama Talks to Newsmen in Orissa

92AS0794A Calcutta THE TELEGRAPH
in English 1 Feb 92 p 4

[Text] Berhampur (Orissa), Jan. 31 (PTI)—Tibet will be liberated "from China's clutches within the next five to 10 years and China is desired to meet the same fate as that of the erstwhile Soviet Union," the Tibetan spiritual leader and Nobel Prize winner, the Dalai Lama, said here yesterday.

"The Tibet problem can be solved through non-violence, dialogue and negotiations and both China and India will benefit from the liberation of Tibet," he said, adding that India would have to play the role of "our political and cultural guru" after Independence.

The Dalai Lama, who spent three days at the Tibetan refugee settlement at Chandragiri in Ganjam district, was talking to newsmen here on his way to Delhi en route to Bhubaneswar. He said he had already formulated a Constitution for Tibet under which an elected body would rule the country after it achieved independence, and added that the "democratic process is much nearer to Buddhism."

Declaring that "Chinese occupation of Tibet" was not acceptable to the Tibetan people, the Dalai Lama regretted that the Indian government did not provide "political support" to the Tibetans in securing liberation for themselves though it had supported the cause of the Palestinian people and the Blacks in South Africa.

The Dalai Lama said with Tibet acting as a "buffer state," India had no problem with China until the Chinese occupation of Tibet in 1949-50.

Asked if he would provide leadership to Tibet once it achieved Independence, he said he would be happy to live there as a simple citizen. "I will be a simple citizen without entering any contest for power." Mahatma Gandhi, after having played the key-role in the struggle for India's freedom, lived a simple life, the religious leader recalled.

Replying to a question, the Dalai Lama said he had no intention either of indulging in any political activity in India or meddling in Chinese internal affairs as he was "very hopeful" of going back to his own country and living there.

Stating that he had been living in India for many years and thought of himself as an Indian, the Dalai Lama expressed concern over the growing cult of violence and terrorism in the country. "But I am confident that values of non-violence will ultimately liquidate violence and terrorism from India," he added.

Asked if he proposed to raise the Tibet issue at the United Nations, the Dalai Lama said at present he had no such intentions, but the Human Rights Commission of the United Nations recently discussed the Tibet problem at Geneva.

The United Nations had passed three resolutions on the issue in 1959, 1961 and 1965, with the last one supported by the late Indian Prime Minister Lal Bahadur Shastri, he said.

Alleging Chinese repression on the Tibetan people, the Dalai Lama said about 1.2 million people in Tibet had been killed since 1949-50. About 4,33,000 [as published] people were killed in Chinese Army action, 3,43,000 people starved to death due to wrong Chinese policies and 93,000 were tortured to death, he claimed.

Details of Pacts with Russia, Kazakhstan

Pact With Russia

92AS0805A Bombay THE SUNDAY TIMES OF INDIA
in English 23 Feb 92 p 1

[Text] New Delhi, 22 February—India and the Russian Federation today agreed to continue with the rupee trade during 1992 as a transitional arrangement and signed a trade protocol for the year envisaging a two-way turnover of RS[rupees]7,500 crores with a technical credit provision of RS 850 crores from India.

In addition to the trade under the bilateral rupee-clearing arrangement, the protocol also provides for hard currency trade between business organisations of the two countries.

The protocol, which is the first legal document to have been signed between India and the newly-independent Russian Federation, envisages trade and business cooperation at the enterprise level in the form of barter, buy back and counter trade.

Under the trade protocol, exports from Russia will include petroleum crude, kerosene, diesel, non-ferrous metals, polyethylene synthetic rubber and newsprint. Exports from India will mainly comprise tea, coffee, textile items, black pepper, soyabean extractions, castor oil, medicines, shoe uppers, paints, cosmetics, detergents and plastic products.

The contracts under the rupee payment arrangement will be denominated in freely convertible currencies at internationally competitive prices, but the payments will be made in India rupees at the prevailing exchange rate between that hard currency and rupee.

Pact With Kazakhstan

92AS0805B Bombay *THE SUNDAY TIMES OF INDIA* in English 23 Feb 92 p 1

[Text] New Delhi, 22 February—India and the Republic of Kazakhstan today signed a framework agreement on cooperation in trade, economic relations and science and technology.

Following this framework agreement, the two countries will conclude a trade agreement and a trade protocol for 1992 during the forthcoming visit of an official delegation from Kazakhstan to India.

The framework agreement was signed by the minister of state for commerce, Mr. P. Chidambaram, and the minister of foreign economic relations of Kazakhstan, Mr. Syzdik Abishev. This was one of the five agreements signed between the two countries in the presence of the Prime Minister, Mr. P.V. Narasimha Rao, and the president of Kazakhstan, Mr. Nursultan Nazarbayev.

Under the agreement, both sides have agreed to continue and consolidate their historic friendship and cooperation and impart a new impulse to the traditional, and mutually beneficial ties in trade, economic relations and science and technology on a long-term basis. Towards this end, the two countries have agreed to accord each other most favoured nation treatment in all matters of trade and economic cooperation.

The framework agreement provides for payments and settlements to be made in a manner to be mutually agreed upon by the two countries. Both sides have agreed to encourage investment, technology cooperation and joint ventures.

The framework agreement, valid for five years, also provides for promotion of contacts between the trading and industrial enterprises of the two countries through exchange of business delegations, participation in fairs and exchange of information in order to expand and diversify trade and industrial cooperation.

Earlier, Mr. Chidambaram called on the visiting Kazakhstan President and discussed with him matters of mutual interest relating to trade and investment.

Japanese Industrial Delegation Meets With BCCs

92AS0793A Madras *THE HINDU* in English 31 Jan 92 p 9

[Text] New Delhi, Jan 30—Japanese investors looking for entry into areas such as automobiles, consumer electronics and white goods have been told to approach the Foreign Investment Promotion Board (FIPB) which has the powers to over-ride the industrial licensing policy.

This suggestion was made to the visiting Japanese industrial delegation which had pointed out that to encourage greater foreign investment in India, the list of industries subject to licensing should be narrowed to exclude sectors like automobiles, consumer electronics and white goods where the Japanese industry was strong. The Japanese team also wanted the foreign investment equity limit to be raised beyond the 51 per cent and permission to foreign companies producing goods exclusively for the domestic market to repatriate dividends.

Among the other suggestions made by the Japanese delegation in the course of the two-day meeting of the India-Japan Business Cooperation Committees (BCCs) was the permission to freely import capital goods by new companies as also for expanding existing ones and a fair and smooth withdrawal of foreign equity in case a foreign company so wanted.

Responding to these points, the Indian side pointed out that the industrial policy had kept 18 industries under the purview of licensing mainly because of their strategic nature or because of the social concerns involved. However, this did not mean that foreign investment could not be permitted in these areas because the investors could approach the FIPB which did not take much time in clearing proposals.

The Japanese were also told that the limit on foreign equity of 51 per cent was for automatic clearance in specified high priority areas. However, higher foreign equity was permitted under the present law in the case of 100 per cent export oriented units and industries requiring sophisticated technology not indigenously available.

On repatriation, the Indian side made it clear that there were no restrictions on repatriation of dividends. In case of foreign investment eligible for automatic clearance, remittance of dividend was linked to export earnings. The requisite export earning would be insignificant, the Japanese were told and in any case, the provision would be irrelevant once the rupee became convertible.

Similarly, it was clarified that there were no restrictions with regard to import of capital goods if the foreign exchange availability was ensured through foreign

equity. The same held true on disinvestment as there had been no restriction on disinvestment by a foreign company, only the selling price of the shares used to be fixed by the Controller of Capital Issues. This restriction had now been relaxed.

At the meeting, the Indian side urged the Japanese to consider India as part of their global strategy and source their requirement in India and set up production bases here for export to third countries. Responding to this proposal, the Japanese side said that while this request could be considered, the taxes in India had to be reduced to make the cost of production here competitive.

The Indian side also expressed concern that the Japanese companies here continued to import raw materials and components from Japan even though they were indigenously available. The Japanese side assured that they could consider buying the requirements locally if the high Japanese standards were adhered to and prices were competitive.

REGIONAL AFFAIRS

Rao Meets With Pakistani Prime Minister

92AS0795A Madras THE HINDU in English 3 Feb 92
p 1

[Article by K. K. Katyal]

[Text] Davos (Switzerland), Feb. 2—The Prime Ministers of India and Pakistan, Mr. P.V. Narasimha Rao and Mr. Nawaz Sharif, met here today, carrying further the process of personal diplomacy begun some four months ago. It did help promote rapport between the two leaders—but nothing beyond that at this stage.

As the two Prime Ministers emerged out of their one-hour talks, they spoke of the merit of the discussions and dialogue at their level. No aides were present during the discussions—this, according to Mr. Rao, created a different, helpful ambience.

The responses of the Prime Ministers during a brief session with journalists were couched in generalities. According to Mr. Sharif, the talks had gone on well. The meeting was a continuation of the process that started in Zimbabwe when they resolved to settle their problems through negotiations in a conducive atmosphere. He was hopeful, he said of tangible steps. Meanwhile, the Foreign Secretaries would meet as part of the on-going exercise, he said.

Difficult Quality

What was the progress after Zimbabwe, Pakistani journalist asked Mr. Rao. The talks at their level, replied Mr. Rao, had a different quality. "It was not a question of giving progress reports every now and then but of creating a conducive atmosphere, of understanding each other's difficulties. The nitty-gritty of the problems was left to be settled by officials.

Was the Kashmir issue taken up? It was always discussed—"it is a part of the gamut of relations. It is an important part but not the only one. Our talks were general and specific both."

He replied in the same vein when asked whether nuclear non-proliferation figured in the talks.

Had the two Prime Ministers switched from generalities to specifics? The issues, Mr. Sharif replied, stood identified and were known to them. It was now a question of making progress. Mr. Sharif was asked whether the countries would be addressing to trade between them. He had told Mr. Rao, the Pakistani leader said, that the economic reforms and liberalisation processes would be of no avail if tension continued in their relations, as none would come for investment.

The Prime Ministers were invited to each other's country. They will be meeting next in Rio de Janeiro at the time of the environment conference later this year.

Both of them were here for the World Economic Forum meeting—though Mr. Sharif had been here for the last two days, Mr. Rao came today, after attending the U.N. Security Council summit in New York. The present series of talks between the two Prime Ministers began last October at Harare at the time of the Commonwealth summit. This was followed by a brief meeting in Colombo during the SAARC [South Asian Association for Regional Cooperation] conference. Like the Colombo talks, today's meeting was squeezed into their tight schedule at the last moment.

The Davos round came close on the heels of Mr. Rao's talks with the United States President, Mr. George Bush, who wanted India to accept the proposal for a five-nation conference to work for a nuclear-free South Asia. This was not acceptable to Mr. Rao because the nuclear-free zone was not considered a practical proposition in view of the global spread of nuclear weapons. Mr. Rao, however, had no objection to officials of India and the U.S. discussing the feasibility of the suggestion now that one of the five nations proposed participant, the Soviet Union, had disintegrated.

The proposal for five-nation talks was the U.S. idea though it was first mooted publicly by Mr. Sharif. He commended it again today, while addressing the Forum meeting. He wanted the new international order to address five points, the last of which was: "The progressive elimination of all weapons of mass destruction. The concept of regional non-proliferation must seriously be pursued in South Asia so that regional non-proliferation becomes the essential first step towards the ultimate goal of a global banishment of all weapons of mass destruction."

Other points mentioned by Mr. Sharif included: a commitment to upholding the United Nations Charter principles faithfully and uniformly implementing its resolutions, the settlement of regional disputes peacefully and

by negotiations, the upholding of human and democratic rights and of openness, justice and good governance.

Pakistani Actions Seen Misleading, Troublesome

92AS0641A *Calcutta ANANDA BAZAR PATRIKA*
in Bengali 7 Feb 92 p 4

[Editorial: "Pakistan: Face and Mask"]

[Text] It has become known once again that the Pakistani attitude and stance about Kashmir has not changed. The Pakistani Prime Minister Nawaz Sharif called for a general strike in Pakistan as a token of his nation's integrity with the "struggle" of the people of Kashmir. The government declared the day of the strike as a holiday in advance just to ensure the success of the strike. In an interview the Pakistani high commissioner in New Delhi, charged that India had violated the principles of human rights by following a policy of suppression in Kashmir. There is involved debate about the role of Pakistan in helping and providing training to the secessionists in their movements in Kashmir and Punjab in order to sabotage India's regional integrity. This truth has always been proved beyond doubt. So, it is natural that Pakistan would openly reveal its involvement with the secessionists' movement in India. In one sense, the Pakistani prime minister did a good thing by openly revealing the intentions and activities of his government. The doubts of Pakistan's friends in the Western and Arab countries, who still had some questions about the anti-India activities of Pakistan, should have become clear after this. The act of the prime minister and the ambassador of Pakistan made it clear that whatever interest India might have, Pakistan is not at all interested in reducing the tension in the subcontinent and establishing a bilateral relations based on good-neighbor manners. In fact, they are still living with the mentality of the Cold war period.

This is really unfortunate. The end of the Cold war ushered in a new era of peaceful coexistence not only in the sphere of international politics. But also in that perspective, new thoughts began to move toward reducing tension on the Indian subcontinent. As a part of this new process, the prime ministers of India and Pakistan met at a private meeting in New York. The tone of the discussion during the meeting also carried the signs of their intention to reduce tension in this region. But unfortunately the Pakistani prime minister revived the anti-India cry as soon as the meeting was over. The critics are saying that the Pakistani prime minister suddenly revived this old cry just to secure his own position. It may be possible. The government of Nawaz Sharif is faced with numerous charges of corruption and nepotism in his own country. There will be nothing surprising if Nawaz Sharif adopted the same old technique, as followed by his predecessors in a similar situation, of diverting the attention of the people toward an imaginary foreign enemy country. But there is no doubt that the strike in Pakistan "in support of the

struggle of the people of Kashmir" will provide inspiration and moral strength to the anti-India and pro-Pakistani forces of the Kashmir valley. Moreover, when a general election is being held in Punjab after a long time, this anti-India cry of the Government of Pakistan on the eve of this election might be taken as a green light by Pakistani-aided Khalistani terrorists to begin their destructive activities with a new force. The Indian Government has sufficient reason to be worried and anxious. The pro-Pakistani fundamentalists of Kashmir, inspired by the example of their patrons in Pakistan, called for a general strike in Kashmir, which got a good response. Recently Pakistan has been more actively patronizing these fundamentalists. In fact, JKLF [Jammu Kashmir Liberation Front], the original organization that demanded "independent Kashmir," has become relatively less important to Pakistan. The Pakistani Army took all possible measures to stop the march to India by Amanulla Khan, the leader of this organization.

The manner in which the Pakistani ambassador criticized India's Kashmir policy, may make it appear that Pakistan is a model country with an ideal democratic and open society. It is paradoxical that a country like Pakistan, which is not yet indoctrinated into the cultivation of a democratic system and where the heavy breath of the military generals is always felt on the shoulder of the "elected" government, to criticize the "autocratic military administration" of India. It is something like throwing stones at others living in glass houses. India is certainly not unfortunate enough to have to take lessons of democracy from the Pakistani ambassador. In spite of all of these, the audacity they showed by criticizing India should be rebuffed by the foreign affairs ministry at the diplomatic level. It should not be thought by Pakistan or her friends that India wants to improve bilateral relations with Pakistan out of weakness. Pakistan has equal responsibility with India in establishing mutual good relations as well as reducing tension on the subcontinent. If Pakistan wants to avoid her responsibility, what can India do by stretching her hand of friendship? In any case, India's foreign and defense ministries must remain careful and alert. A careful vigilance of the border is also very important. India's vigilance of the border should not slack even if inspired by a possible alliance or friendship.

Commentary Views Islamic Union, Islamic Bomb Potential

92AS0724A *Varnasi AJ in Hindi* 22 Feb 92 p 6

[Commentary by Jagdish Arora: "Muslim Union and Islamic Bomb"]

[Text] French astrologer Nostradamus not only forecast 400 years ago the third world war in September or December of 1995, but also sketched the incidents that would take place five years prior, or in the beginning of the 90's (see the article, "When and Where Will the Third World War Be Fought," in *AJ*, 16 Jan 1992).

According to his prophecy, a major Muslim union would be formed during these five years. In northern Africa, Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Ethiopia, and Somalia are Muslim majority nations. In central Asia, Saudi Arabia, Yemen, Oman, Jordan, Syria, Lebanon, Turkey, Iraq, Iran, Afghanistan, and Pakistan are Muslim majority nations. In this line, exactly in the north, are the recently independent nations of Azerbaijan, Turkmenia, Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan, which are also Muslim majority countries. The Muslim population in Armenia, Greece, and Cyprus is between 8 and 30 percent. The number of Muslims in China and Mongolia is only 8 percent, however, they own 40 percent of the land there. In Southeast Asia, Indonesia and Malaysia are Muslim countries.

Uproar. There is a lot of commotion in these Muslim countries. One common development in all these Muslim countries is the spread of fundamentalism. In the elections held in Algeria two months ago, the fundamentalists won big, however, the military did not let them take over the government. The military command invited the 72-year-old King Mohammed Boudiaf, who was living in exile in France for the last 27 years, and made him the president. Fundamentalism is also on the rise in Egypt, considered to be the most liberal among all Muslim countries. The fundamentalists have control in Pakistan's government also. Democratic rules are being dressed in Islamic garb there.

The peace efforts between the Arab nations and Israel over Palestine started by the Soviet Union and the United States of America are in its last phase. However, there have been no concrete developments. Meanwhile bloody skirmishes between Palestinian guerrillas and Israeli troops are continuing and increasing daily. Pakistan, Iraq, and Iran are competing to establish economic and military relations with the Central Asian Muslim republics. One of the republics, Kazakhstan, even have nuclear weapons. Pakistan, after lying for several years, has also admitted that it has nuclear bombs.

Pressler. U.S. Senator Pressler, who visited India during the last week of January, informed India about the danger of Muslim union. The union has not been fully formed yet, however, three efforts are afoot. Until the Palestine issue is resolved, one must work with the Arab countries. It does not matter whether the Arab-Israeli peace talks will succeed, this is an opportunity for Arab countries to unite.

The second effort is being made by Pakistan. Pakistan is not helping the Afghan Mujahidin against its former enemy Afghanistan even though Pakistan still has over 500,000 Afghan refugees living there. Pakistan is active in creating a new coalition of Pakistan, Afghanistan, Iran, and six new Muslim republics. These countries share their borders and all are Muslim-majority nations. There are very few other religions or minority people there. The third attempt is being made by Turkey. Turkish people, who were part of the Ottoman empire

before World War I (1914-1919), are settled in these newly independent republics. Turkey is trying to form a coalition with these countries because of their common religious and racial heritage. The markets of these new countries are flooded with goods from Turkey, Pakistan, and Egypt.

Muslim Coalition. The Palestine issue, increasing fundamentalism in Muslim countries, nuclear capability or the presence of nuclear bombs in the new Muslim countries, increasing hatred of Pakistan against India and the Kashmir issue, U.S.-Russian support for India and Israel, and India's diplomatic recognition of Israel are forcing the Muslim countries to form a coalition. They have unlimited wealth from the petrodollars as well as nuclear bombs, the desire for blood, and China's support. France is also helping Pakistan with nuclear technology.

However, the Muslim union lacks a leader accepted by all. Most of the Arab nations do not like Palestinian leader Yasser 'Arafat. The Arab nations are not talking with Israel over the Palestine issue because their love for Palestine or Arafat. They are doing this all because if Israel pushes the Palestinians from Israel then these people will move to neighboring Arab countries and start making problems there. Al-Gadhafi, the Libyan president, is a strong leader, however, his image until now has been of a boaster. Iraq's president, Saddam Husayn, fought with 23 nations last year on his own. The United States, in spite of all its efforts, could neither have him killed or thrown out. According to U.S. intelligence reports, Saddam Husayn will try again in two years.

Economy. The second major hurdle in the path of the Muslim union is economics and the refugee problem. About 2 million Kurds are living in tents on the Iraqi-Turkish border. Five million Afghan refugees are living in Pakistan. Their condition was good until recently because of U.S. aid to Pakistan. The situation has changed now and these Afghan refugees have become a headache for Pakistan. Weapon smuggling, drug trafficking, murders, rapes, and other crimes are on the increase.

About 200,000 Burmese Muslims have entered Bangladesh. The flow of Bangladeshi refugees entering India has never stopped. The famine and starvation in Ethiopia and Somalia is still raging and 4,000 people die daily of starvation. According to a UN report, 100 million people are suffering from starvation in Muslim countries alone. These countries received a lot of assistance from the United States and the United Nations, however, at this time everyone's entire attention is focused on providing all kind of financial aid to the 11 republics that used to be the part of now-defunct Soviet Union. There is the fear that if a civil war broke out then a dictator of Stalin's mold might rise and cause problems for Western nations again.

Cycle of Events. Most of the countries in the world are suffering from violence, terrorism, and economic problems. After the failure of Pan American Airways, another major U.S. airline, Trans World Airways, has also toppled. The world's largest department stores chain, Macy's, has declared itself bankrupt. After General Motors, the Ford Motor Company also announced factory closings, personnel lay offs, and heavy reduction in production. Demonstrations and strikes by laborers have begun in Japan against reductions in force. Every other day, one or the other cabinet member in Japan is being arrested for taking bribes.

General elections will be held in the United States, France, Great Britain, Israel, and Italy in 1992. There will be elections for a new president in India. The wars in Armenia and Azerbaijan is still going on. The civil war in Yugoslavia is still raging. There is violence in Cambodia and El Salvador (South America) even after peace talks and agreements were signed. Two Russian space ships are still in space even after the scheduled time for return has passed because the country that launched them (the Soviet Union) has disintegrated and the 11 republics coming out of it have not agreed to anything yet.

INTERNAL AFFAIRS

Implications of JKLF March in Kashmir Explored

Security First Concern

92AS0635A New Delhi JANSATTA in Hindi 14 Feb 92
p 4

[Article by Jawaharlal Kaul: "The Political Importance of the Kashmir March"]

[Text] The greatest allegation against Murli Manohar Joshi's Ekta Yatra [unity pilgrimage] is that it helped all the terrorists in Kashmir to unite. In retaliation to Joshi's march, all terrorist parties from the Jammu-Kashmir Liberation Front (JKLF) to the Hezbul Mujaheddin united against it. This was treated as proof of the unity among all terrorist groups. Government propaganda media and prestigious columnists alike were so impressed by the temporary unity of the terrorists that no one among them try to seriously analyze the separatist and terrorist character of various campaigns in Kashmir. Because of this attitude of the media, no one tried to consider the results of the Ekta Yatra, and the BJP's [Bharatiya Janata Party] effort became just another incident. Meanwhile, Amanullah Khan presented another edition of this campaign with the slogan "March on Kashmir."

There are more than three dozen terrorist organizations in the Kashmir Valley. However, based on their influence and working style, they are divided into two groups. One believes in Islamization and fundamentalism and wants Kashmir to join Pakistan. All groups endorsed by the Jamaat-i Islami fall under this category. The Hezbul Mujaheddin is the strongest and largest party in this

group. The JKLF leads the other group, whose goal is to establish Kashmir as an independent nation, and not to join either India or Pakistan. It is clear that the success of Amanullah Khan also means independence for Pakistan-occupied Kashmir. Therefore, the goals of both groups are clearly in conflict.

In addition, there are differences in the styles and methods of operations of both groups. Amanullah Khan had announced the formation of a government in exile from Jammu and Kashmir. His cabinet not only included representatives from the Dogras of Jammu, but also had a Kashmiri pundit. The JKLF does not support fundamentalism. Actually, it is a political form of Islam that is more regional than religious. Amanullah Khan also makes statements condemning the kidnapping and killing the innocent. This way, the JKLF is a more aggressive form of Sheikh Abdullah's National Conference, which has used Islam as a political weapon. It is not a coincidence that several of Sheikh Abdullah's supporters were in their so-called cabinet.

The Jamaat-i Islami, however, supports Nizam-i Mustafa (a pure Islamic form of government), the kind of government being implemented in Saudi Arabia or Iran. In such a government, words like democracy, humanism, or modern are taboo. The Jamaat-i Islami's founder, Maulana Maududi, has a definition of Islam that he considers to be the only one, and to him, no other definition is correct. Anyone who thinks otherwise is a "kafir." They support the strict implementation of rules about veils, practicing all rules according to Shariat, and not participating in or enjoying music, drama, cinema, and other such "satanic" acts. During the beginning of the terrorism, this party had forced the closure of all movie houses. The place called Lal Chowk was known as Palladium Square before. The old movie house that was called the Palladium has been closed for two years. The wine shops are also closed. Girls who do not wear the burqa are threatened with physical harm. During those days, Kashmiri citizens used to advertise in newspapers, begging forgiveness for their sins. For example, "I have given up singing." Therefore, the Hezbul Mujaheddin and the Liberation Front are totally opposed to each other over the political goals and in their characters. All separatist groups can join against the BJP on one point, because this party supports the total supremacy of India in Kashmir. However, Pakistan is an important issue for the terrorists, and both groups oppose each other over it. The fact is that the progress of one group can endanger the other group's existence.

Amanullah Khan's party had started the separatist campaign in Kashmir. Then-President Ziaul Haq had found Amanullah Khan a useful political weapon. Ziaul Haq not only gave financial assistance to Amanullah Khan, but also started a campaign to give him international recognition. Pakistan's intelligence agency, ISI, trained and educated this simple man from Kashmir's hilly area of Gilgit such that he could successfully represent and support the terrorists and Pakistan in the Western countries. However, once he was established, Amanullah

Khan started his own brand of politics. That is why, during the last months of his life, Ziaul Haq had tried to cut Amanullah down to size. Benazir Bhutto also followed the policy of leaving the JKLF out. In answer to a question, Benazir said, "There are only two solutions to the Kashmir problem—India or Pakistan. We do not recognize any third solution."

In order to distance Amanullah from the terrorist campaigns in Kashmir, some Arab countries began to give a lot of financial assistance to terrorist groups supported by Jamaat-i Islami's organizations. Jamaat-i Islami is not new in Kashmir. This party had started to control the mosques, even during Sheikh Abdullah's government. The fact is that in the first phase of the separatist movement, the politics of controlling mosques was very prevalent. Maulvi Mohammed Farooq had continually tried to save his traditional position. Meanwhile, Anantnag's Maulvi Nisar continued to declare himself the leader of all mosques in southern Kashmir. The Jamaat-i Islami continued to expand its influence during the tug-of-war between these two leaders. Later, it opened about 150 schools. The kind of education provided in these schools is exemplified by a primer, which was used in a school in Anantnag. According to it, "kaf" [k] is for kafir, and killing a kafir is an honorable thing. Until Maqbul Butt was hanged, the Liberation Front was very popular in the valley. Later, the Hezbul Mujaheddin and many other fundamentalist organizations took control rapidly. When all of this happened, Pakistan stopped providing weapons and training to Amanullah Khan's followers. Amanullah Khan continued to scream like a wounded cheetah; however, he could not get his way, because of the Hezbul Mujaheddin.

The Hezbul Mujaheddin has been controlling all terrorist activities for the last two years, but it did not have any dramatic success. Pakistan's prestige is rapidly falling in the international community, and the West has found its new enemy—the fundamentalist Muslim coalition. According to the United States, the Muslim brotherhood can form a new coalition, which could begin from the republics in Central Asia and spread to Iran, Afghanistan, and Pakistan. If Kashmir secedes from India, it could become a very important link in this chain of events. Therefore, Pakistan is viewed suspiciously by the West, and this is causing serious problems for the present Pakistani government. The Kashmir issue has been giving strength to Pakistan until now; however, the Nawaz Sharif government has virtually made it its lifeline. This government is running with the support of the Jamaat-i Islami, and this party is encouraging terrorism in Kashmir. In the changing political equation in the world, Pakistan cannot take any concrete action on the Kashmir issue except to raise the people's emotions. Neither is any country in the subcontinent in the mood

for a war, nor can Pakistan get any support from the west. Thus, Amanullah has decided to take advantage of this difficult situation.

Amanullah must have been planning to stage a drama, and BJP President Murli Manohar Joshi provided him with the opportunity. Amanullah Khan has organized the Kashmir march for 11 February and made strategic plans for it. It can be an important incident, since they were planning to cross the control line. As announced, it does not matter whether his followers are terrorists; they just do not want to cross the control line by fighting. This is a kind of weaponless campaign, which he is using to bring the world's attention to himself. He knows well that the Pakistani Government will not allow him to cross the border. Perhaps he guessed that it will have a strong reaction in India, and the international community will also pressure Pakistan to stop this march. The most important aspect of this, however, is that if Amanullah Khan crosses the border line and a few hundred of his followers manage to mix with the local people, then it will be a JKLF victory. There has been a stagnation in the Kashmir movement during the last two years. The security forces and terrorists are involved in a kind of tug-of-war. In spite of the controlled activities of the security forces, the terrorists do not appear to make any major progress. Among the terrorist groups, the Jamaat-i Islami's supporter groups are more active. The JKLF has only limited activity. Therefore, if Amanullah Khan crosses into the Kashmir Valley with his followers from any point, then the JKLF will become more prestigious as compared to the Hezbul Mujaheddin. In other words, the campaign will move into the hands of those who demand an independent Kashmir, and this would be a political defeat for Pakistan.

Perhaps Amanullah has guessed that Pakistan will never let this happen and will stop his followers. There could be some violence or, if his followers somehow crossed the borders, they risk of facing the Indian security force's bullets. In either case, they would be called martyrs. The effect of such incidents would also be negative for Jamaat-i Islami-supported groups. The BJP Ekta Yatra has put the Indian Government in a dilemma. It cannot fully stop this march, nor can it allow it to leave according to its announced schedule. The Indian Government has found a middle way. Since this march will be in part of India, it can let it go part of the way. Pakistan does not have such flexibility. It had to either stop Amanullah's march or let him go. In either situation, the beneficiary would be Amanullah Khan. It is difficult to say whether the BJP had expected such a reaction from the terrorist group in Pakistan; however, one thing is certain. Both of these marches have created an atmosphere for confrontation between the Hezbul Mujaheddin and the JKLF in Kashmir. If we analyze this from a political perspective, then all of this would not be very bad for the security forces, the Kashmir government, or the Indian Government.

Internationalization Was Mistake*92AS0635B New Delhi JANSATTA in Hindi 9 Feb 92
pp 1,12*

[Article by Aarti R. Jairath: So Now India Also Has Internationalized the Kashmir Issue“]

[Text] New Delhi, 8 February—The present war of words between India and Pakistan is part of the political rivalry between the two countries. Both have focused their dialogue on the Kashmir issue according to their perspective. They are both trying to get international support.

After India failed to stop the Pakistani effort to internationalize the Kashmir issue, it decided to start its own campaign at the international level. India's plans to present this issue to the five permanent members of the UN Security Council, the European Community, SAARC [South Asian Association for Regional Cooperation], and other groups is part of this decision.

In order to win this race, both countries are taking support from the two troublesome issues under the new world order. These concerns are human rights and the government-supported terrorism tied to Islamic fundamentalism.

After the successful freedom campaigns in the former Soviet Union and Yugoslavia and the raised voice of the West for Tibet's independence, Pakistan is determinedly presenting its case for a plebiscite in Kashmir. This has made India's stand on the human rights issue weaker.

Last Tuesday, the Pakistan National Assembly passed a resolution declaring India a violator of human rights. This resolution appealed to international communities to stop India from violating human rights in Kashmir. It also appealed for a plebiscite in Kashmir, according to the UN resolution, to be held under UN supervision.

The Pakistani propaganda machinery has been very active during the last several months in getting the support of the Organization of Islamic Countries (OIC). It succeeded in this effort last year, when the OIC condemned India in two resolutions for violating human rights in Kashmir. The National Assembly resolution expanded on these resolutions and has appealed to the world community.

On the other side, India aggressively put the full blame on Pakistan for encouraging terrorism in Kashmir. Prime Minister P.V. Narasimha Rao and other Indian leaders made statements according to a preplanned strategy, condemning Pakistan for running training camps for terrorists. These statements try to give Pakistan the image of being a country that encourages terrorism. By declaring Pakistan a terrorist nation, they are asking for similar restrictions on it as are being threatened against Libya. The responsibility for appealing to the world community has been left to Lalakrishna Advani. The Indian Government has also hinted at such an appeal in meetings with Western leaders here and abroad.

After the fall of communism, the West considers fundamentalist Islam as its new enemy. In this situation, the Indian Government's efforts to connect the Kashmir issue with the security concerns of the West is easily recognized by the West. The United States has changed its attitude totally and is declaring openly that Kashmir is a bilateral issue, which can be resolved following the 1972 Simla Agreement. The United Kingdom has also accepted the Indian allegations about Pakistan's terrorist activities. Great Britain and the European Community have told Pakistan several times to stop encouraging terrorism in Kashmir.

By joining the Kashmir issue with the concern that the West has, India has knowingly or unknowingly made Kashmir an international issue. In the past, it tried to keep it a regional issue. At present, the Indian Government is in a dilemma. There is a major problem associated with a vast Islamic region from Iran to Pakistan to the Central Asian republics: nuclear proliferation and the Islamic atom bomb.

Both the United States and European countries are pressuring India heavily to sign some kind of agreement with Pakistan for nuclear nonproliferation. India has flatly refused to sign the NPT [Nonproliferation Treaty]; however, in order to create an appropriate atmosphere over a sensitive issue like Kashmir, India has to rethink its nuclear capability. The United States has suggested a summit meeting of five nations to stop the spread of nuclear weapons in the Indian subcontinent. India instead offered a bilateral talk with the United States.

Pakistan expressed its reaction immediately when India invited the United States of America on an equal basis to help in making arrangements for regional security. On Friday, Pakistani Foreign Minister Shaharyar Khan did accept the important aspect that Pakistan does have the capability to make atom bombs. At the same time, showing how smart he is, he said that Pakistan would only follow India in destroying its atom bombs. He invited the United States to help make such an arrangement between the two nations.

This is an example of smart Pakistani diplomacy, which has always succeeded. The purpose of such diplomacy is to make proposals that India gets worried about losing its supremacy, and Pakistan should have nothing to lose. Foreign Secretary J. N. Dixit will go to Washington in March to discuss the nuclear issue. At that time, he will have a reply to the Pakistani proposal. In spite of these pressures, India has the benefit of the Western world's decision to deal with Islam, and India is with the West in this effort. It is clear that any Western power, including Russia, will not want a part of the world, meaning Kashmir, to be taken over by Islamic fundamentalists. Therefore, the Indian stand on Kashmir is getting more support.

At the same time, the results of the diplomatic competition in the subcontinent depend on some hard facts, and Narasimha Rao is more knowledgeable about these facts than anyone else. Kashmiri terrorists are involved in many incidents now, so that the accusation against India for violating human rights could be made stronger. It does not matter whether Pakistan is helping the terrorists or not; it brings the accusations at the international level.

In this situation, a slight mistake by India could nullify all its victories. Therefore, the result of the present diplomatic efforts depends on how India forms its internal policy about Kashmir.

ULFA Demands on Assam Citizenship Explained

92AS0792A Calcutta *THE STATESMAN* in English
1 Feb 92 p 1

[Excerpt] Senior ULFA [United Liberation Front of Assam] leaders have suggested that the "dual citizenship" issue be the basis for talks with the Government. According to official sources in Calcutta, the ULFA demand has been conveyed to the Prime Minister and the Union Home Ministry is examining the proposal.

The ULFA has demanded that two types of citizenship be introduced in Assam. The Assamese in the State should hold dual citizenship—that of India and Assam. This would entitle them to vote in both Assembly and parliamentary elections, while the non-Assamese, according to the ULFA, would have Indian citizenship and vote only in the parliamentary polls. This has been supported by the Asom Gana Parishad [AGP] and the Nutam Asom Gana Parishad [NAGP].

"The ULFA, AGP and NAGP leaders are trying to make a distinction between the Assamese and the non-Assamese because they are afraid of losing political power to outsiders who, they feel, will form the majority in Assam in the next few years. They say that considering Assam's peculiar demography and problems arising out of it, an assurance must be given by the Government that the Assamese will continue to have a decisive say in the State.

"The Home Ministry is examining this unprecedented demand since it has serious ramifications," the sources said. [passage omitted]

CPI-M General Secretary Surjeet on Economic Policy

92AS0798A Calcutta *THE TELEGRAPH* in English
26 Jan 92 p 10

[Interview with CPI(M) General Secretary Harkishen Singh Surjeet by Manini Chatterjee; place and date not given; quotation marks as published]

[Text] [Question] The 14th CPI(M) [Communist Party of India-Marxist] Congress had a very heavy agenda—political, ideological, organisational. What is the post-congress agenda before the party?

[Answer] It is true that the 14th congress had the heaviest agenda. There were reasons for this. One, the crisis in the international communist movement, the second was the complex situation existing in the country itself. And third, the party is not able to cope with the situation, because organisationally, it is not strong enough, taking the country as a whole, though the responsibility that the people expect from it is very great.

The one positive factor is that despite all difficulties, we have succeeded in uniting the party and the party adopted all the documents unanimously. That itself proves wrong all those who expected our party to be adversely affected by the changes in the international situation were proved wrong.

So, the first and foremost talk would be to unify the party ideologically. Though the documents have been adopted unanimously, it doesn't mean that all aspects of the situation are equally understood by the party rank and file. We have to go into this aspect and politically and ideologically unite the party.

The political situation is also very complex and we have to undertake a programme by which we are able to seize the initiative. At the moment, the country is facing two serious challenges. One arises from the threat posed by the communal forces aided by the BJP [Bharatiya Janata Party] which are out to disrupt national unity and divide the people on communal lines. The second important challenge is coming from the ruling party itself. Though we had our own criticism of the Congress policies, India was so far following the policy of self-reliance with importance given to the public sector. Now, in the name of crisis in the economy, all that we built is being demolished.

It is a pity that at a time when there is a threat to national unity from communalism and threat to our economic independence because of the government's policies, some opposition parties are engaged in internecine quarrels among themselves. They are parties with whom we have been cooperating. They must realise that their first and foremost job is not fighting among themselves, but going to the people and taking up their problems. Only then will they be able to strengthen their parties. In this complex situation, we have to fight the forces of disruption, we have to fight the forces against national unity and seize the issue from them.

Today, the discontentment is being used by the BJP. They are supporting the IMF-World Bank policies and want to provide a cover to the government by resorting to these yatras [pilgrimage] and all that.

[Question] The CPI(M) has decided to launch mass movements against the economic policies. Do you think the Left has the strength to seize the initiative from the BJP and stall the economic policies?

[Answer] Yes, because whatever they (BJP) may do, even those who support them need two square meals. With the growing inflation, nobody can rest content. So we have to take up these issues and unleash mass movements till we are able to defeat the government's policies. We are working out some proposals on the basis of which a situation can be created where a new realignment of forces can take place. This can encourage even those parties who are opposed to the Congress but are involved in internecine quarrels. They also will be brought into the fold. We will launch the movement at the end of next

month when the Budget is presented and we are confident that we would be able to create a new awareness among the people and take the initiative.

[Question] Earlier, your view was elections at this point may lead to the emergence of the BJP as the real alternative to the Congress(I). However, you have now decided to oppose Congress even if it leads to the fall of the government. Why?

[Answer] Note the point which I am raising. Now, because of the policies the government is pursuing, the people do not stand where they stood at that time (soon after the last elections). The situation has changed—the people are fed up with the price rise, with unemployment. If we succeed in arousing the people against the economic policies, the attempt by communal forces to divert the discontent will also be foiled.

[Question] But the BJP has already started attacking the economic policies and is talking of launching a swadeshi [indigenous] movement.

[Answer] They have also realised that people are getting agitated. But they have supported the policies so far. Even if they attack the economic policies, they will not make it the main issue. Their main aim is to arouse communal feelings. We have seen it earlier also—they have never been able to mobilise the people on a large scale except over divisive issues.

[Question] Do you really think the Left is strong enough to battle against both the BJP and the Congress(I) at present?

[Answer] Yes, because the response of the people will be so great. The capacity of the Left does not depend on its organisational strength alone. It also depends on the issue it picks up. It has always been the case that a party, even when organisationally weak, can come up when it takes up an issue which appeals to the people.

[Question] You have said that differences within the Congress(I) both on economic policies and the stand on secularism are going to widen. Are you going to wait for that or will the Left play a role in the process?

[Answer] The first thing is to move the masses. We don't believe in holding talks and parleys. Today's Congressmen don't have the principles to stand up against policies. Each is out to look after his own interest. But when the people are awakened and come out on the streets, the differences will come out in the open. We know that even today there are a lot of differences on the policies, on the GATT proposals. But they will come out openly only when they see the reaction among the masses.

[Question] Do you see the potential dissidents in the Congress as potential allies?

[Answer] It depends on the shape it takes. Naturally, those who resist these policies and defend the economic independence of the country will be welcomed. We

cannot pre-suppose many things but we do feel that the masses behind the Congress, which is still the biggest party in the country, won't take things lying down.

[Question] Coming to the ideological question, at the end of the Madras congress you changed the title of the resolution from a resolution on ideological issues to 'On Certain Ideological Questions' leaving the debate open...

[Answer] There is a reason for that. One of the issues the comrades raised was why we did not take note of the problems in the socialist countries earlier. We admitted that we had also been carried away by the understanding of 1957 and 1960 (when the international communist decreed that capitalism was on the decline and socialism on the upswing). Of course, at that time the background was quite different. The Chinese revolution had taken place, the Vietnamese were fighting heroically against American imperialism, the national liberation movements were growing immensely—one country after another was getting liberated.

All these factors influenced our understanding also and we forget the basic things. The basic thing was that two-thirds of the world was still capitalist. They were powerful. Karl Marx and Engels had warned in the Manifesto itself how the bourgeoisie has the capacity to manoeuvre though they will constantly be facing a crisis. It takes a long time for the crisis to reach a proportion from which they cannot come out. Despite this, we were carried away by the understanding (underestimating the power of capitalism) and this blinded our vision. Secondly, we also failed to understand that socialist revolutions had taken place in comparatively backward countries. It was not as visualised by Marx and Engels. This had its own implications.

You see when polarisation takes between the working class on one hand and the capitalists on the other, the fight is very simple. But when there is no such correlation, when the bulk of the peasantry, whose property instinct is very strong, has to be moulded, it becomes difficult. We did not understand the difficulties. To abolish the feudal yoke is one thing but to bring the peasantry to Marxism is hell of a job. It takes a long time. We also failed to note that this was the first experience. There was no model before them. And in implementing, socialism, they were committing mistakes which were not being corrected in time. We pointed out all this to the delegates (attending the congress).

But that did not satisfy them fully—they pointed out that the leaders had been visiting the USSR regularly but did not take note of what is happening. Why? They asked, 'How was democracy functioning? We claim that socialist democracy is superior to bourgeois democracy. But you now admit that in reality the working class was reduced to the party which was reduced to the central committee which was reduced to the politburo and finally rule by a coterie. How did you not take note of this?' We said we were relying on whatever information they were providing. Then, we decided that while the

broad understanding that we had arrived at was correct—the relevance of Marxism-Leninism, the distortions in the building of socialism, the adverse role played by revisionism—we needed more time to study why we had not understood this from the beginning. In the resolution itself, we had stated that more in-depth study is required. The title of the resolution only reflects this assessment.

[Question] Do you think more debate is required on the change in the nature of capital and in the nature of the working class because of technological advance?

[Answer] We do not think the change in the nature of the working class is to the extent that theories are being propounded now. But no doubt, we have to take note of changes. Even in our country, where in certain places there has been advance in agriculture, our approach has to be different. We can't have the same approach as we had 40-45 years. A lot of changes have taken place and agricultural labour as an organised force has come into being. But, the change in the traditional working class has not taken place everywhere. It applies more to the European workers, we are still backward. But even in the West, the nature of the working class may have changed but the mode of exploitation remains. What we have to understand is how to approach the workers. (The change in the nature) does not come in the way of raising their consciousness because the theory of surplus value remains valid and they still are (even the highly skilled workers earning big salaries) working for the profits of the big monopolies.

[Question] On the organisational front, the party hasn't made much progress since the Salkia Plenum 14 years ago...

[Answer] That is not entirely correct. Our report says we have made some progress since Salkia but it is not commensurate with the prestige we have acquired, the political intervention that is required and the responsibilities we have to shoulder. We have not completely fulfilled what was stated, in the Salkia report. Our growth has been uneven and we are still weak in the areas where there is the maximum reaction, in the Hindi belt and other backward areas.

For that we have worked out a plan. First and foremost, a communist party cannot be built like a bourgeois party. They take up the issue of Mandal and rally people, they take up the issue of mandir [temple] and rally people. But a communist party has to fight against not only the system of exploitation but the deep-seated ideology of the bourgeois-landlord class. And that can be fought by organising mass movements and struggles. Only then will people realise that those who are involving them in other issues are only serving the interests of the ruling class.

But we also have to build the organisation. We have had the experience of leading big mass struggles but after the struggle is over, the organisation remains the same. Therefore, after a struggle we have to immediately take

up the task of organisation—first recruiting them (the people who have been aroused through the mass struggles) into the mass organisations and taking the activists who come up into the party. Only taking them would not do, particularly because the bulk of party cadres have joined in the last decade. They have to be trained. Therefore, it is necessary to ideologically equip the party. After that two things are required—first, the party has to be built from the top and second, the basic unit has to function. Unfortunately, we have followed the bourgeois pattern. Our mass organisations take up some issues, mobilise the people and when it is over, there is no functioning organisation. A communist party cannot function like that. We have to activate the basic unit—the village unit, the factory unit. Today this is very much lacking. It meets once a year, twice a year but there is no constant activity. Moreover, the intervention has to be all-sided—not just waiting for specific issues. There are every day issues in the villages which people feel agitated about. They must take up these issues immediately and stand by the people. So these are some of the measures which we are working out in detail after the party congress.

[Question] But in view of the collapse of socialism abroad and the anti-Left feeling being built up in India, do you think the party can attract new cadres now?

[Answer] I don't think any anti-Left feeling can be built up in India. The Indian situation is quite different. Just now I have received two forms, sent directly from people who want to join the party. This is the first time we are receiving forms directly from remote corners. I have received many letters hailing our stand. International communist parties have also praised our point of view. But the most important thing is that since the Indian ruling classes have not succeeded in solving any of the basic problems, class struggle is going to be very acute in our country. We are not going to allow anti-Leftist feelings to grow in the country, we will go ahead with the struggles and everybody will recognise that we are a force to be reckoned with.

[Question] The basic thrust of your ideological assessment has been that any communist party is doomed if it gets alienated from the people. Given the understanding, how do you apply that in Indian conditions, particularly where you are in office?

[Answer] We rely on the weapon of criticism and self-criticism. In the West Bengal state party conference, a state where we have been in power for 15 years, we took note of the shortcomings and we are trying to overcome them. It is not as if some outsiders told us of the shortcomings. We ourselves realise that bourgeois vices come in when you are in power and things which have to be given priority go into the background. This was revealed by the report of the state committee itself and we are conscious of the factor and we will overcome that.

[Question] Did the 14th congress give more weightage to this question than before?

[Answer] Yes, undoubtedly. The organisational report has gone into the question of bourgeois vices entering the party and the necessity to struggle against them.

[Question] You have emphasised on Left unity and the need for independent Left activities. How far will the term 'Left' include the Naxalites?

[Answer] Not immediately, but we have stated that there are lot of changes in the position of Naxalites. The Naxalites have many groups. There has been a lot of change in the position of one group in Andhra Pradesh which is negotiating with us and in the position of the IPF [Indian People's Front]. We have told them that we require two things—one, while they are entitled to criticise the Left Front government their overall attitude has to be positive. We are not against criticism of policies but they must realise that the Left Front government is existing despite the best efforts of the bourgeoisie and continues to inspire people in other states. Secondly, their target should not be the CPI(M) which is the biggest Left force. They need not agree with all our positions, we don't expect that, but the attitude should be positive. We have made this clear to them. We would welcome these forces (on the basis of this understanding).

[Question] Will you include them in the Left Coordination Committee?

[Answer] Not immediately, discussions are going on. It would not be proper to include them (in a hurry) and then remove them. But the process has started.

[Question] And what about communist unity—at least between the CPI [Communist Party of India] and CPI(M) [Communist Party of India-Marxist]? Is that on your agenda?

[Answer] No, that involves ideological unity. (It is not on the cards) particularly at a time when those communist parties who were vacillating on fundamental questions have collapsed, have immediately started changing their names to social democratic parties.

[Question] But the CPI has given up that line (drift towards social democracy).

[Answer] I am talking of the other parties (abroad). But in a world where communist parties who were wavering on basic theoretical principles have collapsed, we don't see yet the possibility of communist unity. In the CPI, the leadership was tilting towards the other side but there has been resistance from their ranks.

[Question] Finally, despite all the setbacks, what makes you hopeful that Marxism is still relevant and a revolution will take place, one day or another, in India?

[Answer] We don't see that the philosophy of Marx, which was based on their analysis of the entire historical experience till their time, has become irrelevant. We don't see that the philosophy that the bourgeois and feudal leaders advocate can replace that scientific outlook of life. In the sphere of political economy, the

theory of surplus value, exploitation and based on that the whole classification of society into different classes has remained valid. In the field of social sciences, the theory of historical materialism. Nobody has challenged that. What is being challenged is the implementation. The only thing we have to understand is that it is a science, a developing science. We should not be dogmatic, we should take note of the changes taking place in a situation, basing ourselves on the same philosophy and same premise.

CPI-M Politburo Scores Government Decisions

92AS0791A Calcutta *THE TELEGRAPH* in English
31 Jan 92 p 4

[Text] New Delhi, Jan 30—The CPI(M) [Communist Party of India-Marxist] Politburo today strongly criticised the government's decision to establish full diplomatic ties and felt the timing of the decision endorsed the current "aggressive intransigence" being displayed by Israel in the ongoing peace process in West Asia.

Elaborating, it said, "It is refusing to vacate illegally occupied Arab lands and has created conditions forcing the PLO and the Jordanian delegations to absent themselves from the current Moscow talks. India's decision, in this background, can only mean the endorsement of Israeli positions."

It further said, "This is the second major reversal of India's nonaligned foreign policy stand taken by the Narasimha Rao government. This decision, along with India's support to the US-sponsored resolution in the United Nations repealing an earlier decision equating zionism and racism, is an eloquent expression of India succumbing to US pressure. Such succumbing will only be detrimental to India's independence and sovereignty."

Fera liberalisation: The CPI(M) Politburo also criticised the changes announced by the Reserve Bank of India in provisions of the Fera on the working of foreign companies in the country.

It pointed out that foreign companies were to be given equal and national treatment on par with Indian companies to borrow and accept deposits from the public and would also be allowed to acquire and sell immovable properties, use their trademark, open branches and liaison offices.

The statement said, "The Narasimha Rao government is systematically scuttling the Fera in order to meet the conditionalities of the IMF and World Bank. It is not accidental that these measures have been announced when a Japanese big business team is in India which has presented "21 demands."

BJP Said Becoming True Opposition Party

Disagreement on Economic Policy

92AS0817A Varnasi AJ in Hindi 17 Mar 92 p 4

[Editorial: "BJP's New Politics"]

[Text] The Bharatiya Janata Party (BJP) has presented a very strong and damaging strategy against the central government, led by Prime Minister Narasimha Rao. That is what we have to conclude if we review the proceedings of the BJP's three-day national working committee meeting in Varanasi. The central government's new economic policy is effecting major changes in the country's administration and political thinking. In this context, the Janata Dal and other left-wing parties have been strongly criticizing the central government's decision and its negative effects on the country's administration and the future. They say that it will put heavy pressure on India's economic system and on the people. In contrast to these opposition groups, the BJP's attitude toward the central government's new economic policy has been very vague. Its top leaders have even openly endorsed the fundamental principles inherent in the new economic policy and had welcomed the liberalization of industry and trade. In the working committee's meeting, no clear decision was made about the central government's new economic policy. It was clear that they did not present any other option either. In this context, the lack of agreement in the leadership has encouraged the party to start a nationwide campaign against the government over the timely issue of the budget.

The BJP is not only the largest political party after the Congress was installed at the Center, but also the party that has governments in four states in the country. Therefore, it plays a very important role in our country's politics. Because it is also the major opposition group in the Lok Sabha, it can also claim to be the next in line after the party in power. It has succeeded in this effort because of its strength as a party and also because of the weakness and shortcomings of the Congress Party, which has been ruling the country for the last 40 years. The anti-Congress campaign started by the opposition parties—including the BJP, the Janata Dal, and other left-wing parties—had benefitted the BJP directly after the Congress Party was dethroned and its support base was broken. The other parties in this anti-Congress campaign were left behind. By raising the question of backward groups, the Janata Dal and its supporting parties were successful only in their limited sphere of influence. The BJP, however, influenced the majority group and associated its strategy with the "temple-mosque" issue and emerged as the largest party after the Congress Party in the Lok Sabha. It also established government in four states, including Uttar Pradesh, and achieved the position of challenging the Congress Party at the Center. Both within the legislature and without, the BJP leaders reflected this attitude in their speeches, actions, and

activities and emphasized BJP President Murli Manohar Joshi's "Ekta Yatra" to Sri Nagar to raise the national flag at the Lal Chowk.

Because of the BJP position, the people have begun to expect various things of it. Curiosity about the BJP's policy and decisions and their clear definition about India and Indian national issues was expressed both inside India and abroad. During the BJP working committee's meeting, we had expected a clear announcement about it. As mentioned in the beginning of this column, there is still ambiguity about the economic policy. The BJP is in a dilemma over the Center's new economic policy and the resulting widespread changes. It is not in a position to say anything openly either in support of or against this policy. It does not even have an alternative structure about it. In this meeting a resolution was passed about the country's political situation, Jammu-Kashmir, Punjab, and Assam. The party only repeated its previous stand about the serious situation in these states. The Congress Party was blamed for the whole situation. There is no indication or hint in these resolutions as to where this party, which claims to establish a government at the Center later, stands. There are some ideas about relations between the Center and the states in the political resolution; however, this could be because the BJP is continually in the situation of clashing with the central government as it has four states. Against the background of the international situation and major changes that are affecting developing countries, the BJP has not made any clear statement about it. One thing, however, is clear. The BJP has not only endorsed the Congress government's decision not to sign the NPT [Nonproliferation Treaty], but has praised it. The BJP cannot take its opposition campaign very far by supporting the central government for its economic policy and foreign affairs, or even by adopting a soft attitude toward it. It is becoming even more difficult now when the Janata Dal and other left wing parties have started a strong tirade and opposition campaign against the Center's economic policies, the new budget, and the resulting negative effects on the people.

Differences Over Ayodhya

92AS0817B Varnasi AJ in Hindi 27 Mar 92 pp 1,11

[Article: "The Honeymoon Between BJP and Congress Is Finished"]

[Text] New Delhi, 26 March—The honeymoon between the Congress Party of the central government and its major opponent, the Bharatiya Janata Party (BJP), is over. The Ayodhya issue has caused tension, and at this point, there seems to be no hope of improvement. The next phase of this clash will be when the proposed Ayodhya trip is implemented by the National Unity Council's permanent committee and the joint legislative group. Perhaps the BJP will boycott this trip.

BJP leader Lalkrishna Advani is alerted by Home Minister Shankar Rao Chavan's warning. He says that before

we go with the proposed trip to Ayodhya by the legislative group or the permanent committee, we must think about it. Especially in this situation, when the home minister is saying that if the legislative group or the permanent committee recommended dismissing Kalyan Singh's government, then we will approve it. Mr. Advani said that the home minister is starting a new tradition of dismissing state governments. Until now, the central government used to make decisions on establishing presidential rule.

Mr. Atal Bihari Bajpai used to represent the BJP in the permanent committee of the National Unity Council. Some chief ministers are also included in this council chaired by the home minister. Mr. Advani said that he had to discuss the issue with Mr. Bajpai and Joshi and both were not available. Mr. Advani's angry attitude indicates that the BJP will not participate in this trip.

After the strong criticism of Uttar Pradesh during the last three days, the BJP has adopted a very strict attitude. It did not only staged a walk out to show its opposition to the proposed budget, but also raised the question of Bofors in the Lok Sabha and pressured the government to make a statement. Not only the right and left-wing candidates support this proposal, but the CPI's [Communist Party of India] Somnath Chatterji went so far as to say that only two days earlier, Advani had called the left-wing parties' support for the Soviet Union more scandalous than Bofors. He added that Yashwant Singh had eliminated the misunderstanding about the BJP by raising this issue again. When this issue was raised at the eleventh hour, the BJP appeared to be close to the right- and left-wing parties.

During this tug-of-war, Mr. Advani announced a walkout to show opposition to the general budget, and the BJP started a national campaign outside of the Parliament.

According to BJP sources, the BJP has become very serious about playing its role appropriately and keeping its distance from the Congress(I). This distance is also becoming visible between Prime Minister P.V. Narasimha Rao and Lalkrishna Advani. Because of the accusations levied by other opposition parties, the BJP has become very careful. Mr. Advani went to visit the prime minister at his residence the day before yesterday at 1900; however, he was careful not to discuss this issue. Mr. Advani stayed with the prime minister for about 20 minutes. He informed the prime minister of the demand of the Railway Security Force to establish a union. Mr. Advani explicitly said that he was careful not to mention Ayodhya and said that he felt the prime minister was also very careful.

Authenticity of Congress(I) Party Elections Doubted

92AS0641C Calcutta AAJKAAL in Bengali
13 Feb 92 p 4

[Article by Tabhalin Singh: "We'll Have To See How Much the Voters Will Be Cheated"]

[Text] If you want to know why the organizational election was not held in the Congress party for last 21 years, it is my request—please come to Jaipur at least one time. Yes, the organizational election of the Rajasthan State Congress party finally ended a few days ago after overcoming numerous obstacles. And for that reason, I am requesting that you come to Jaipur. Please come and see how much cheating was necessary to win the election. The whole of Jaipur is now full of aggrieved leaders of the Congress party. If they know that you are not a person with the High Command, they will explain to you how much had been done by the High Command in the organizational election of the party. The aggrieved leaders are saying that the cheating was done mainly by some leaders who actually belong to other states. Some of the congress members of the parliament, elected from Rajasthan, did not originally belong to this state. In this respect, one of the aggrieved leaders openly pointed his finger to Balaram Zakhar and Rajesh Pilot. He said that Zakhar belongs to Punjab while Pilot belongs to Uttar Pradesh. But both of them were elected to the parliament as Congress candidates from Rajasthan. And both of them did the maximum amount of cheating in the organizational election of the state Congress party.

How were these cheatings done? It will be explained to you in the simplest ways by the present aggrieved leaders of the Rajasthan state Congress party. For example, one leader told me that it was been done by distributing plenty of money and by using the help of the relatives and friends. Do you have any problem understanding? Let me make it clear. Balaram Zakhar's son married the daughter of Ram Nivas Mirdha. Again, Ram Nivas Mirdha's son married the daughter of Parashram Madharn. And this Madharn is the president of the Rajasthan state Congress Committee. It is alleged that this family union, with the help of Rajesh Pilot, subdued the factions of the state Congress party led by Harideo Joshi and Nawal Kishor Sharma. After talking to the Congress members of the state legislature and the district leaders, what I understood from their sayings is that the election, in the truest sense of the word, was not held at the organizational level of the state Congress party. Everyone was asked to bring the list of voters on the day of the election. But the election officials remained at home on the election day. The whole calculation—who will win and who will lose—was made by staying home.

As a result, that happened what ought to have happened. When the grievances of the local leaders reached a climax, H.K.L. Bhagat was summoned from Delhi. He came, saw the situation, and talked to the leaders of the state Congress. The aggrieved leaders were also happy after talking to Bhagat. Then Bhagat sent a report to the High Command of the party. The state Congress leaders became frustrated when the report reached the High Command. They took it for granted that the report would be of no use. One of the leaders said out of frustration—"Now I see that the previous practice was a better one. The leader, in a reward of his flattery, was nominated directly through open patronization. He did not have to pretend to come through an election. And, naturally, the question of cheating by distributing money did not arise." But in fact, Rajasthan is a small example of showing how the Congress party is run and how the High Command controls its activities. Congress works in the same manner throughout the country. The organizational election is complete, although it still appears that the character of the party may not be changed. How would it be changed? The party mechanism had been rotted by corruption. The methods of fraud and cheating were used on a large scale to get leaders of own group elected in the organizational election. The hopes of the people about the return of democracy within the party has gone up in smoke. Congress is still run in the fashion of the Mughol court of the medieval period of Muslim rule. Any person who tries to criticize the top leadership is ousted from the party by the High Command, which is eager to keep its authority. The notice of six years' suspension is served to them. Those Congress workers who hoped that this whimsical and arbitrary practice of the High Command would no longer be in existence after the election, have had that hope destroyed by the large-scale cheating in the party election in Rajasthan. Congress is faced with another problem after this organizational election. The bonafide criminals and mafia leaders were elected to state Congress committees in different states. The case of Uttar Pradesh is the biggest example. It may be easy to talk about ousting these people from party posts, but it is extremely hard to do so. The aggrieved leaders of the Congress of Jaipur are saying that for the first time in Rajasthan the mafia entered the party in large numbers.

Another matter attracted my attention in Rajasthan. The local Congress leaders are openly criticizing Delhi. Many of them are saying that the decay in the Congress party began in 1971. After hearing this repeatedly, I asked a person, "Why are you pointing to that year?" The answer was—"Sanjay Gandhi began to interfere into politics starting that year." But everyone here is very respectful to Rajiv and Indira. But at present none in Rajasthan is ready to give full marks in their assessment of any national leader. Nobody takes Sharad Pawar or Arjun Singh seriously. The image of Madhavrao Scindia is relatively better. But on one point everyone in Jaipur is unanimous—Narasimha Rao was put in the right place at the right time.

Political Realignment to Advantage of Congress(I)

92AS0775B Bangalore DECCAN HERALD in English
10 Mar 92 pp 1, 9

[Article by Raman Nanda, DH News Service: "Congress(I) Rules the Roost"]

[Text] New Delhi, March 9—The surprisingly wide margins by which the minority Congress(I) Government could secure the passage of the motion of thanks to the President for his address may well signal a political re-alignment in the Lok Sabha to the Congress(I)'s advantage and at the cost of the National Front.

The loudest political statements of the day, it would seem, were made by about half-a-dozen dissenting Janata Dal members and nine Telugu Desam members, who by absenting themselves from today's proceedings, displayed their proximity to the Congress(I). In a House with an effective strength of 532, as many as 55 members did not vote today.

More rumblings within the Janata Dal and a review by the Telugu Desam's of its relationship with the National Front cannot be ruled out. All of this can be a bonanza for the minority Congress(I) Government, which, together with its allies, is already close to having a numerical majority in the Lower House.

Whip Circumvented: Take the 55-member Janata Dal, party spokesman Hari Kishore Singh declined to divulge the number of absentees, believed to be about half a dozen, most of them with close affinities with Mr. Ajit Singh. Four of them are believed to got themselves hospitalised or have secured medical certificates to prove their illness and hence their inability to obey the Dal whip to vote against the Government—a strategy to retain their membership of the Lok Sabha while circumventing the Dal whip.

Senior Janata Dal leader Ramvilas Paswan claimed that the party would initiate action against the members who absented themselves. This itself would pose a dilemma. If action is taken against them, a legal wrangle might follow and the declaration of four or five members as "unattached" would only augment the unattached four-member Ajit Singh group of erstwhile Janata Dal members. Mr. Ajit Singh's group voted with the Government. If the group's strength rises, it would only benefit Mr. Ajit Singh and the Congress(I).

Failure to take against these members at a time when the Janata Dal is trying to protect itself as a "disciplined" party, will only encourage them to obliquely go to the assistance of the ruling party (by absenting themselves) whenever the Opposition might press for a crucial vote in the days to come.

The Telugu Desam, which saw nine of its 13 members in the Lok Sabha absent themselves, seems to be in far greater confusion over its relationship with the "Andhra Bidda" as they call Prime Minister Narasimha Rao. The whip issued by Telugu Desam's Renuka Choudhary, the

party's leader in the Lok Sabha maintained, was not applicable as Ms. Choudhary is a Rajya Sabha member. Senior Telugu Desam leader P. Upendra went on to say that the National Front-Left Front strategy in voting of the motion of thanks itself was "wrong"!

TDP Introspection: Against the backdrop of Telugu Desam's reluctance earlier to field a candidate against Mr. P.V. Narasimha Rao in the Lok Sabha bye-election from Nandiyal and unconfirmed reports that party President N.T. Rama Rao too is a contender for presidential and vice-presidential polls due a few months hence, the party's voting pattern today suggests that the Telugu Desam's relationship with the Opposition National Front may be under some intense review.

Regardless of the time span within which political formulations change in the Lok Sabha, the Narasimha Rao Government is no pushover, not in the immediate future at least.

For, even the Bharatiya Janata Party, as Mr. L.K. Advani's remarks suggested, does not want to pull down the Government. Mr. Advani, who saw today's vote as an affirmation of the Narasimha Rao Government's "de facto majority", hoped that the way would be cleared for a "more constructive" dialogue and cooperation between the government and the Opposition.

The tenor of Mr. Atal Bihar Vajpayee's speech in the Lok Sabha was conciliatory. Though he cautioned the Government against moving excessively towards giving capitalistic orientation to the economy, he was categorical enough in defending the Congress (I) Government against the National Front Left Front groups attack over the alleged "surrender" of Indian economic sovereignty to this World Bank and the IMF.

Opposition-Coalition's Disarray, Weakness Exposed

92AS0775A Bangalore DECCAN HERALD in English
11 Mar 92 p 9

[Article by Jagpreet Luthra, DH News Service: "Voting Exposes Opposition Weakness"; boldface words as published]

[Text] New Delhi, March 10—Monday's motion of thanks to the President's Address, in retrospect, turned out to be a test of the opposition's standing rather than the test of survival of the P.V. Narasimha Rao Government that it was expected to be and the standing of the Opposition appears at best wishy-washy and at worst unworthy.

The negative appearance of the Opposition following the motion is further highlighted by the hype that the Opposition gave their "oust the Rao Government" move.

BJP [Bharatiya Janata Party] leader L.K. Advani, commenting on the defeat of the amendments moved by his party, said that it mainly sprang from the lack of floor coordination among the Opposition parties. A few days before the Party's plan to move the amendments was

made known, Mr. Advani had also given the impression that his party would be keen on better floor coordination among the Opposition, a suggestion that was summarily snubbed by the Janata Dal [JD] Leader Ram Vilas Paswan the following day.

And yet when the BJP decided to move its amendments Mr. Paswan was quick to announce that the National Front [NF] partners would vote to bring down the Government regardless of which party was making the first move towards that.

Glaring Divisions: The BJP on the other hand did not participate in the voting on the three amendments moved by the NF-LF [Left Front] combine. Thus, the main opposition parties including the BJP, the NF and LF partners, while appearing to be fighting for a common cause, did nothing to achieve it and the threat to oust the Government turned out to be a false one.

Besides showing the disarray in the Opposition parties that are in any case on the opposite sides of the fence in their political thinking, the voting on the amendments also revealed the glaring divisions within various Opposition parties and fronts—the TDP [Telugu Desam Party] in the National Front for instance. Nine of the party's 13 MPs [Members of Parliament] did not turn up in spite of a whip issued in one House while TDP MP from the Rajya Sabha P. Upendra actually criticised the move made by the NF to oust the government.

A sizeable number of JD MPs were also not present in the House again in defiance of the whip. In all, a total of 45 MPs belonging to different groups were absent from the House including those who had party whips saying otherwise.

Failed Effort: The disunity in the smaller parties was best explained by the SJP [Samajwadi Janata Party] which has five MPs in all in the Lower House. While four of them including former Prime Minister Chandrasekhar were not present in the House, Mr. H.D. Devegowda was there, despite illness, to vote for the ruling Congress-I. Thus, a vote that was implicitly supposed to be a test of the unity of the Opposition against a minority ruling party showed that the Opposition has failed. And the irony of it all is that the Opposition particularly the NF was trying to put the Rao Government to test. Its failure, observers say, is bound to have an effect on the voting on the budget as well which is the next most crucial test the Government has to face from an Opposition that is just beginning to assert itself though without sufficient preparation.

Paper Reviews Results of Punjab Elections

Win for Congress(I)

92AS0789A Madras THE HINDU in English
22 Feb 92 p 1

[Text] Chandigarh, Feb. 21—The Congress(I) today attained its third biggest victory in the history of elections to the Punjab Assembly, winning 87 of the 117

seats. In the Parliamentary elections, it equalled its 1980 record, securing 12 of the 13 seats.

In 1957, the Congress won 120 out of 154 Assembly seats and in 1952, 96 out of 126 seats.

The final party position in the Vidhan Sabha this time is: Congress(I)—87; Bahujan Samaj Party [BSP]—9; BJP [Bharatiya Janata Party]—6; CPI [Communist Party of India]—4; Shiromani Akali Dal (Kabul)—3; CPI(M) [Communist Party of India-Marxist]—1; UCPM [as published]—1; Janata Dal—1; Independents and others—5.

The elections were boycotted by six Sikh political organisations as well as by the Bharatiya Kisan Union and witnessed the lowest voter turnout ever. While the State Government claims it is about 22 percent, others say the figure could be lower. From the details available so far, the lowest number of votes polled were at Joga in Bhatinda—only 1,072 voted out of an electorate of 1,00,111. [as published]

Mr. Santokh Singh Randhawa, senior Congressman, lost the Ferozepur Parliamentary seat to Mr. Mehan Singh Phalianwala of the BSP by about 1,200 votes. Mr. Randhawa raised some objections, delaying the announcement of the results, but these were overruled.

The Congress(I) candidates who made it to Parliament are Mrs. Sukhbans Kaur Bhinder from Gurdaspur, Mr. R.L. Bhatia from Amritsar, Mr. Surinder Singh Kairon from Tarn Taran, Mr. Yash from Jalandhar, Mrs. Santosh Chaudhary from Phillaur, Mr. Kamal Chaudhary from Hoshiarpur, Mr. Harchand Singh from Ropar, Mr. Sant Ram Singla from Patiala, Mr. Gurcharan Singh Ghalib from Ludhiana, Mr. Gurcharan Singh from Sangrur, Mr. Kewal Singh from Bhatinda and Mr. Jagmeet Singh Brar from Faridkot.

Mr. Beant Singh, Pradesh Congress(I) Committee chief, who has won from Jalandhar Cantonment, is likely to be chosen to head the Government. More than 50 percent of the Congress(I) candidates who have won are loyal to him. The elected legislators are scheduled to meet in New Delhi tomorrow.

Another reason why Mr. Beant Singh is not likely to face any opposition is that most of the dissidents, including their leader, Mr. Bir Devinder Singh, have lost. Moreover, except Mr. Harcharan Singh Brar, who has won from Muktsar, there is no leader who can put up a fight against Mr. Beant Singh. Mr. Gurcharan Singh Nihalsinghwal, who could have been a challenger, lost to Mr. Vijay Kumar of the Janata Dal by nine votes.

[Boxed item: Final Party Position]

Punjab Assembly

Total Seats:117
Results declared:117
Congress(I):87
Akali Dal: (Kabul).....3
BJP:6

CPI:4
CPI(M):1
BSP:9
Janata Dal:1
Independents/Others:6

Lok Sabha

Total Seats:13
Results declared13
Congress(I).....12
BSP1

[end boxed item]

The newly-elected Congress(I) legislators will meet at Punjab bhawan in New Delhi tomorrow to discuss the leadership of the legislature party, Mr. Beant Singh said.

Addressing newsmen, he however said a final decision in this regard had been left to the party high command. Another meeting of the newly elected party members would be summoned thereafter to formalise whatever decision the party high command takes.

Mr. Beant Singh said the Congress(I) Government would hold talks with the militants if necessary to restore peace and normality in the State.

Talking to newsmen here, he however, rejected the demand for "Khalistan." He said the Army would remain deployed in the State till the law and order was restored.

Mr. Beant Singh said the first priority of the Congress(I) would be to restore peace and communal amity in the State.

Incidentally, Mr. Vijay Kumar's father, Mr. Roop Lal Sathi of the Janata Dal, lost in Moga to Dr. Malti Thapar of the Congress(I) by only four votes, the lowest margin in the elections.

The Shiromani Akali Dal (Kabul) and the BJP have suffered a major setback. Capt. Amrinder Singh, who was elected unopposed from Samana amidst a controversy, lost his security deposits in the Kharar and Sunam constituencies.

The Zira and Khadoor Sahib seats won by the Shiromani Akali Dal show that wherever rural Sikhs voted in substantial numbers, they favoured the Akali candidate. For example, Mr. Harcharan Singh Hero of the Congress(I) lost to his Akali rival, Mr. Inderjit Singh, mainly because out of 40,000 votes polled, 35,000 were from the villages.

The miserable performance of the BJP can have some consequences even at the national level. The Punjabi Hindus, who accounted for the majority of the votes polled, preferred the Congress(I) to the BJP.

PTI & UNI report.

The Congress(I) will be able to muster the just-needed wafer-thin majority of 267 members in the Lok Sabha with the ruling party winning 12 seats in Punjab and confident of getting the support of two breakaway Shiv Sena members and four expelled members of the Janata Dal.

Position in Lok Sabha

92AS0789B Madras *THE HINDU* in English
22 Feb 92 p 9

[Text] The following is the party position in the Lok Sabha after Punjab elections:

Congress(I):.....	243
BJP [Bharatiya Janata Party]:.....	119
Janata Dal (including three expelled members):.....	58
CPI(M) [Communist Party of India-Marxist]:.....	35
CPI [Communist Party of India]:.....	14
Telugu Desam:.....	13
AIADMK [All India Anna Dravida Munnetra Kazhagam]:.....	11
Jharkhand Mukti Morcha.....	5
Samajwadi Janata Party:.....	5
RSP [Rvolutionary Socialist Party]:.....	4
Shiv Sena (including two who have resigned from the party):.....	3
Forward Bloc:.....	3
Bahujan Samaj Party:.....	3
IUML [Indian Union Muslim League]:.....	2
Others:.....	11
Unattached:.....	1
Nominated:.....	2
Speaker:.....	1
Vacancies (Jammu and Kashmir six, Bihar three, Uttar Pradesh one, Delhi one):.....	11
Total:.....	545

Article Analyzes Results of Punjabi Elections

92AS0724B Varnasi *AJ* in Hindi 23 Feb 92 p 6

[Article by Abhinav Kautilya: "Who Won And Who Lost in Punjab?"]

[Text] We declare that no one won or lost in Punjab. Is not it satisfying enough that the hopefuls [candidates] did not meet their deaths. There was the fear that whoever filed papers [of candidacy] would be signing his own death sentence. This fear has now left the people. They have more courage now. We have also learned that there are some brave people in Punjab who risked their lives for the sake of democracy. One brave person narrowly escaped making this list. His wife made him insignificant by her actions.

You must have read about the person who wanted to vote and who his wife locked up for five days so that he would not go out and file his papers and put a question mark of her married status. We are very eager to learn the name of this person. Now, we do not know how long will he lament wondering how he could have filed the papers and made it to the legislative house! There are times when the wife becomes a major hurdle in one's way to greatness. Look here, just for petty selfishness, this merciless wife crushed the soul of a would-be leader!

The way the elections were held in Punjab should be emulated everywhere. The election process was so peaceful and organized that one never knew when it

began and when it ended. There was no noise or pandemonium, no violence or processions or elections meetings. No leaders made any speeches and there were no crowds gathered in the name of movie stars. No mention was made of Rama and no din was raised over the temple-mosque affair. People did learn the names of the hopefuls and saw their pictures on the posters. Thus, every aspect of the elections was taken care of.

Only 30 percent of the voters exercised their extremely valuable right to vote by risking their lives. This was not an ordinary miracle. Usually only 45 to 50 percent of the registered voters come out to vote. Keeping all this in mind, the voter turnout was good. It was a far cry from the original belief that not even one person would travel to the voting center and those who dared would find their heads in the voting booth and the rest of the body in the fields. However, nothing like this happened. All of them are safe even today. None of the government employees working on the elections were hurt. It is possible that the family members of some of the insured employees were hurt because they missed an opportunity to inherit 200,000 rupees insurance because the [insured] employee returned home safely!

Until yesterday, some people were saying that there was no possibility of any votes during the elections because no government employees would be willing to work to perform various election duties. [It was assumed that] the government was not going to find people even from Haryana and Himachal Pradesh. Now those people have to tell us whether the Election Commission managed the elections with the help of the angels or the ghosts. There used to be saints whose all domestic work was done by either ghosts or genies. The chief of the Election Commission must be one of those saints! If not, then India's chief election commissioner must be awarded the Padma Vibhushan [highest award] and all those government employees who risked their lives and established new standards for serving the nation should be given an increment in their salaries.

The political parties that took part in the elections and those who ran away with their "tails between their legs" benefited equally in these elections. Those who adopted the process and those who boycotted it also benefited. Why should we think bad of anyone? This is the hole they dug themselves. Why should we go fill it? They will neither die nor will they fall into it during the night. We have observed that those who dig holes for others usually fall into them themselves.

We are grateful to those terrorists who did not do anything unsavory during the elections and gladly offered the opportunity to the home minister to set fire to the pyre of their dreams. Perhaps they wanted to demonstrate that they also believe in democracy and did not want anyone to think that they were the enemy of democracy. We are pining to go touch the feet of these people who have shown such respect to the democratic

process. We are praying that they will give the opportunity to the elected people to survive the way they gave them the opportunity to get elected.

Thus, everyone triumphed and the only person was left out was Mr. Nawaz Sharif! His nobility was praiseworthy during this period. He neither arranged a communal riot nor incited the terrorists, and did not even send troops to India. It appears that he has some other plans in his mind. That is why he let the elections in Punjab occur so smoothly. Why should he want the election process in Punjab to be successful and let the Indian Government rule here instead of establishing Khalistan? Now the Indian Government is in the position to announce that the Punjabis do not want Khalistan, they want India, and want to remain a part of India indefinitely.

Mr. Narasimha Rao would never even have dreamed that he would be able to achieve so much so easily. Intelligence of great thinkers will be stumped thinking about it. We can say that Narsimha Rao has shut up many people with his sharp move on the chess board. It is obvious that he will have to start another game now. We have expressed our gratitude to everyone. Now, it is time to express thankfulness to the wounded democracy, which was eager to breathe the air in Punjab. We do not know for how long it has been waiting. Democracy has been protected in this country from all kinds of poisonous gases until now. We wore all kind of amulets and talismans to protect democracy and have raised its flag. The elections in Punjab are a great victory of democratic forces. We have always maintained that if anyone was fighting well against the terrorists, then it was the democracy itself. This is a very valuable item, and we must take good care of it.

Let us not discuss who won and who lost in Punjab. Let us not talk about who formed the government and who is going to sit in the opposition benches. All these questions are worthless. Other states also have people in power that are not worth seeing or being listened to or are perfect. Bihar is also part of this country. The turn of events there is not any different than in Punjab and Jammu-Kashmir. The only difference is that Bihar is a state protected from all sides. It is not on the border. If we are tolerating Bihar, we should be able to tolerate any other state.

Winning and losing elections is the part of the democratic process. We cannot say that this is not democracy. We cannot debate who won and who lost in Punjab. The need is for this government to provide law and order to the Punjabis. If people live in peace and harmony, the devil will leave on its own.

Perhaps the wounds suffered by the afflicted families will heal now. It is not necessary to hate the wayward people. What they need is pity, not hatred. However, it is important that we sever the hands of those persons who are paid by Pakistan so that they stop making trouble here and not destroy peace and harmony in Punjab again.

Punjabi Chief Minister Seen Facing Huge Challenge

92AS0815A Varnasi AJ in Hindi 17 Mar 92 p 4

[Article by Safaddar Rizvi and Vinamra: "Beant Singh Is Surrounded by Unending Problems"]

[Text] After getting the most election votes in the history of Punjab, the winning Chief Minister, Beant Singh, is surrounded by unending problems. Last month in the Vidhan Sabha and Lok Sabha elections in Punjab, the Congress(I) won 87 of 117 Vidhan Sabha seats and 12 of 13 Lok Sabha seats, establishing a new record for seats won. This election also established another record. Of the 21.6 percentage of votes cast, the Congress(I) only got 9 percent to win the election.

There is a great deal of doubt that Chief Minister Beant Singh will remain for long as strong as he seems to be in the eyes of the electorate and the majority of the people at this time. The reason is clear. If we speak frankly, this government may have gotten more votes, but it does not have the support of the majority. There are no two opinions about it. A government cannot succeed in Punjab if Sikhs ignore it or do not participate in its election. That is what happened during these elections. With a few exceptions, the Sikhs did not vote.

In villages, voting was totally boycotted. The major reason for this was the directive issued by the khadkus (terrorists), which asked people not to participate in the elections. The people were scared because of this. The truth is that the Akalis who took part in the election were not influenced by the appeal to boycott.

This was a very strange election. The rural residents of Punjab and their majority votes were totally ignored. Neither did any candidate nor any Akali leaders come to ask them for their vote. A few dozen posters warning about the boycott, and more so, the false rumors about vendettas, forced people to stay in their homes. As a result, out of 13.1 million eligible voters, only 3.1 million cast their votes. Of these, 135,000 votes were declared ineligible. Of the remaining votes, the Congress(I) only got 1.4 million, which is only 9 percent of the total votes. In Punjab this is especially important since, except for the 1952 election, the voter turnout was never less than 64.3 percent. During the 1985 election, 67.5 percent of the people voted.

What can be more serious than the fact that not even one vote was cast in 2,000 villages? In the remaining 10,000 villages, only between 1 to 15 percent of the people voted. Those who voted were either Hindus or Harijans, who are also known as "religious Sikhs." One example of how this election was a joke is that Surjan Singh of the Indian People's Front Party was elected to the Vidhan Sabha with only 394 votes. In this Vidhan Sabha constituency of 100,111 registered voters, only 1 percent, or 1,072 people, cast votes.

Beant Singh not only has to deal with terrorists and terrorism, but also has to face the challenges of the huge chasm between Hindus and Sikhs created by these elections. Arresting the Akali leaders who endorsed the boycott of the elections was a major blunder. The reason for this is that the Akali leaders who had become powerless became stronger by being jailed by the government. A new polarization that resulted from these elections is that common Sikhs, Akali leaders, and khadkus have all gathered on one platform.

Perhaps people in the villages would have come out to vote; however, they did not have any candidate to support. Presenting Captain Amrender Singh as Punjab's future chief minister was a mistake. The people elected only three members of his party, which included electing one unopposed candidate, and gave the message to the government that Punjabis do not want the government that the Center wants, but a government that represents the people of Punjab. Captain Amrender Singh was badly defeated in Kharad. He even lost his election deposit.

In this situation it is clear that Beant Singh will have to walk on a two-edged sword. The question arises: How long can he keep the Akali leaders in jail? There is no doubt that terrorism was reduced after the military was deployed in Punjab.

The question is: How long will the army continue to help the civilian government establish law and order? Prominent military officials admit that the troops should not stay very long with the people. Another major problem is that the candidates who, before the elections, were afraid to go to villages because of the fear of terrorists, will not have the courage to visit their constituencies and meet the voters after they have won the elections. Of course, it is our country's misfortune that very few elected officials visit their voters after winning an election. This will further isolate the government from the people.

Beant Singh is facing a dilemma. His party has government at the Center and in Haryana. The prime minister and the home minister said repeatedly before the election that they did not know whom to consider Punjab's representative. They said that the party that established government after the election would discuss the Punjab issue to find a viable solution for it. Now we have to see how and what Beant Singh will get on the negotiation tables for Punjab.

Because of Bhajan Lal's obstinacy, the Punjab package was suspended before the election. If the unreasonable demands of the Akalis and the khadkus are ignored, can Beant Singh resolve the issues of Chandigarh and river water? We doubt it. Even if he succeeds in reaching an agreement with the Center and Haryana, it will prove ineffective. In 1985, the Rajiv Gandhi-Langowal Agreement was signed with the Akalis. At that time, the Akalis were united. They were divided after this agreement and as a result, the Barnala government fell. Now that the Akali leaders are in jail, what basis of agreement can

there be among the Congress(I) governments in Punjab, the Center, and in Haryana? The Akalis will definitely say that they do not agree with such an agreement because the Beant Singh government does not represent the Sikhs in Punjab. They have already begun to call the Punjab issue the "Sikh issue."

Not only are the Akali leaders in jail, but the runner-up party in the elections, the Bahujan Samaj Party (BSP), is also causing headaches for Beant Singh. The BSP won one Lok Sabha and nine Vidhan Sabha seats. Its leader, Kanshi Ram, is even worse than the Akali leaders. Recently he not only declared election boycotts appropriate, but also expressed open support for terrorists. In addition, he declared that the more terrorism there is in Punjab, the better. He praised the methods employed by the terrorists and is talking about taking up weapons himself. There is no doubt that the BSP legislators will cause a lot of headaches for the government.

There seems to be no indication of release of the Akali leaders. The government can perhaps succeed in keeping their mouths shut by keeping them behind bars, but it will not succeed in suppressing the anger of Sikhs and silencing the guns of khadkus. If Beant Singh holds talks with the Center without taking the Akalis in confidence, then it will be meaningless. The people are comparing Beant Singh's government with the Congress(I) government that came to power in Assam after the 1983 election. The only exception is that Beant Singh has many more problems. He can neither offend the central government, nor can he make the khadkus happy. It is very difficult to satisfy them both. Only time can tell how successful he will be in meeting this challenge. It is definite, however, that the Akalis will not be quiet until they establish their own government.

The major problem with the Akalis in Punjab is that they start fighting among themselves as soon as they establish a government. After they lose their government, they unite again on one platform and start their struggle to get back into government. This is just another phase of their struggle.

Center Spokesman Comments on Amnesty Report

92AS0819A Madras THE HINDU in English
27 Mar 92 p 9

[Quotation marks as published]

[Text] New Delhi, March 26—The recently released Amnesty International's report on India has evoked sharp reaction from the Indian Government.

Describing the report as an 'ex-parte condemnation' of a nation which is concerned about protecting human rights and has an established mechanism to look into the complaints of excesses and abuse of power, the spokesman said the Amnesty International had drawn conclusions in the absence of specific evidence. He reiterated the Government's stand that there was no need for India to seek the help of any external agency to

look into the cases of human rights violation. The report is filled with 'inaccuracies' and 'generalisations', he added.

According to the spokesman, the report was received here during the second week of March and the Government had indicated that it would need three to four weeks' time to verify the reports from the States concerned, but the Amnesty International published its report without waiting for the Government's comment. The Amnesty's stand that the view of the Government would be incorporated in the next report indicated that it wanted to 'damn' the country first. The spokesman recalled that earlier in 1991 when Amnesty International published its report on Punjab, it had not included the Government version though it was made available to it prior to the publication.

While attempting to highlight torture, rape and deaths in custody, the recent report fails to take into account the situation in Punjab and Kashmir. It has no mention of the assistance the terrorists in Punjab and Kashmir have been getting from abroad. All this does not reflect the level of 'judicial restraint' one expected from Amnesty, the spokesman regretted.

Parochial objectives: Political observers here feel that the Government's request for time and not including its

responses in the report have been prompted by narrow parochial objectives. They feel that the report has been released in haste because of the elections in Britain. The conclusion drawn in the report might give certain elements in the Labour Party an opportunity to derate the Conservatives who had been supporting India.

The spokesman said that in a country of this size, there could be cases of excesses and abuse of power, but as a largest democracy its judicial and legal system provides for redress of such grievances. He reiterated that the Government has been keen on dealing with cases of atrocities expeditiously.

Referring to the Amnesty report's observation that there were no special courts to deal with cases of atrocities on scheduled castes and scheduled tribes, the spokesman said Rajasthan and Andhra Pradesh have set up special courts under the Prevention of Atrocities Act, 1989. Several other States too have designated courts for this purpose.

Referring to the action taken by the Government in the cases of atrocities or human rights violation during the last four years, the spokesman said that in Jammu and Kashmir, 79 cases were registered against the security personals for alleged excesses.

Text of Finance Minister's 1 Mar Budget Message

92AS0822A Madras *THE HINDU in English* 1 Mar 92
pp 4-6

[Quotation marks as published]

[Text] Sir, I rise to present the Budget for 1992-93.

The fiscal year now drawing to a close has been a difficult one by any standards. It has been a year of crisis and of crisis management. It has also been a year of great economic challenges and bold new initiatives.

Honourable Members would recall that when the new Government assumed office eight months ago, we inherited an economy on the verge of collapse. Inflation was accelerating rapidly. The balance of payments was in serious trouble. The foreign exchange reserves were barely enough for two weeks of imports. Foreign commercial banks had stopped lending to India. Non-Resident Indians were withdrawing their deposits. Shortages of foreign exchange had forced a massive import squeeze, which had halted the rapid industrial growth of earlier years and had produced negative growth rates from May 1991 onwards.

This is the grim legacy we inherited.

Our first and immediate challenge was to arrest the slide and restore India's credibility both domestically and in the eyes of the world. To achieve this objective we had to take immediate measures to avert a default in international payments and also take steps to restore macroeconomic balance in the economy in the short run, with a view to controlling inflation and reducing the balance of payments deficit to a manageable level. Our medium term objective was to place the economy back on the path of high and sustainable growth.

The new Government took several initiatives in pursuit of these objectives. We took emergency measures to prevent a default in external payments, which would have been highly disruptive. The previous Government had already decided to use a part of the gold held by the Reserve Bank of India to mobilise temporary liquidity abroad. We did not consider it prudent to reverse this decision. But we promised to redeem the gold at the earliest opportunity and we have kept our word. We began the process of restoring macroeconomic balance by seeking to reduce the fiscal deficit which had grown very large in the previous year. We also embarked on a medium term programme of structural reform, including new initiatives in trade policy and industrial policy aimed at improving the efficiency, productivity and international competitiveness of Indian industry. Our longer term objective is to evolve a pattern of production which is labour intensive and generates larger employment opportunities in productive higher income jobs, and reduces the disparities in income and wealth between rural and urban areas.

Structural Reform

Production was bound to suffer in a year of crisis and this has happened in 1991-92. Agricultural production was below the target in the kharif season, but the prospects for the rabi crop look good. Industrial production suffered because of severe import compression and tight credit conditions. However, the infrastructure sectors, which are the foundation on which the future industrial growth depends, have done well. Overall, I expect GDP [Gross Domestic Product] growth in 1991-92 to be around 2.5 per cent. I expect a distinct improvement in 1992-93, and a return to high growth in 1993-94. However, this revival can be achieved only if we persevere unflinchingly with the process of stabilisation and economic reform begun in the current year.

Stabilisation and structural adjustment are never painless or quick especially when we are dealing with imbalances and structural rigidities which have built up over several years. It will take sustained effort, over at least three years, to bring the economy back to the path of rapid and sustainable growth. A firm commitment to austerity, the pursuit of excellence and the promotion of efficiency and productivity for the benefit of the common people has to be an integral part of this effort. Given our limited resources, our people cannot afford to copy the soulless consumerism and the wasteful life styles of the affluent countries of the West. Conspicuous consumption has to be actively discouraged. The virtues of thrift have to be emphasised. The owners of wealth, as Gandhiji used to say, must learn to regard themselves as the trustees of society. We cannot postpone structural reform and adjustment, but we must ensure that the burden of adjustment on the poorer and weaker sections of our society is ameliorated to the maximum possible extent. We are travelling through difficult and uncharted terrain, where no action is without the attendant risks, and success will not always be immediate. We need patience, perseverance and national cohesion, if we are to succeed.

It has been alleged by some people that the reform programme has been dictated by the IMF and the World Bank. We are the founder members of these two institutions and it is our right to borrow from them when we need assistance in support of our programmes. As lenders, they are required to satisfy themselves about our capacity to repay loans and this is where the conditionality comes into the picture. All borrowing countries hold discussions with these institutions on the viability of the programmes for which the assistance is sought. We have also held such discussions. The extent of conditionality depends on the amount and the type of assistance sought. However, I wish to state categorically that the conditions we have accepted reflect no more than the implementation of the reform programme as outlined in my letters of intent sent to the IMF and the World Bank, and are wholly consistent with our national interests. The bulk of the reform programme is based on the election manifesto of our party. There is no question of

the Government ever compromising our national interests, not to speak of our sovereignty.

Although the full fruit of our policies will take time to materialise, I am happy to report to the House that we have made substantial progress even in this short space of eight months. We have achieved our most immediate objective of restoring India's credibility and pulling the economy back from the slide into financial chaos. Our foreign exchange reserves have been rebuilt to about Rs. 11,000 crores. Non-Resident Indians are no longer withdrawing their deposits. We have successfully concluded arrangements with the multilateral financing institutions such as the IMF, the World Bank, and the Asian Development Bank to obtain quick disbursing funds to support the balance of payments in the current year.

Inflation Rate

Inflation remains a difficult problem, and one to which we attach the highest priority, because inflation hurts the poor and the fixed income earner most of all. Inflation was accelerating in June 1991, when our Government came to power, and the annual rate of inflation reached a peak of 16.7 per cent in August 1991. Since then, the rate of inflation has come down to about 12 per cent, but I am painfully conscious that this is still far too high. We are determined to bring inflation under control. This is why the Budget for 1991-92 focussed on the need for fiscal discipline. I am confident that as we persevere with fiscal discipline in 1992-93, and this we must do if we want to bring prices under control, the rate of inflation will come down substantially in the coming fiscal year.

Our ability to fight inflation has been considerably enhanced by the improvement in our foreign exchange reserves. This has enabled us to relax the restrictions imposed last year on imports, thus ensuring near normal availability of essential imports in the months ahead. This will help production and ease inflationary pressure. The comfortable reserves position has also given the Government greater flexibility to finance additional imports of essential items to deal with shortages and break inflationary expectations.

The Government will remain fully vigilant on the prices front and will use the Public Distribution System to counter inflation and in particular to protect the poorer sections of the population from high prices and shortages. The Prime Minister announced on 1 January this year the launching of the revamped Public Distribution System in about 1,700 of the most backward blocks of the country. We are determined to ensure that foodgrains and essential commodities reach the poor and the under-privileged in adequate quantities and at affordable prices.

Next to inflation, our major problem in the short term is the management of the balance of payments. We have averted collapse and gained some flexibility, but a sustained improvement in our external payments position requires much more. Our export earnings have suffered badly this year, mainly because of the disruption of trade

with the former Soviet Union, and also because of recessionary conditions in world markets. As a result, we have not been able to finance our normal import requirements.

There are some who argue that all we need to do to solve our balance of payments problem is to compress our imports. I would like to point out that import compression has already been carried to the extreme and any further compression can only be at the cost of both growth and employment. Imports of non-essential consumer goods should certainly continue to be discouraged.

However, we must recognise that the only lasting solution to our balance of payments problem lies not in compressing imports but in a rapid expansion of exports. A growing economy needs a growing volume of imports of fuel, and other industrial inputs and also of capital goods embodying modern technology. This is not to deny the importance of self-reliance, but self-reliance in today's world of integrated global markets cannot be achieved merely by reducing import dependence and insulating the economy from the world. Following that path will only lead to more import controls and promote inefficiency and corruption. It will perpetuate an environment in which Indian entrepreneurs will not have the flexibility they need to compete with other developing countries in world markets. The resulting inability to export will actually make us more, rather than less, dependent on the outside world. Our vision of a self-reliant economy should be of an economy which can meet all its import requirements through exports, without undue dependence on artificial external props such as foreign aid. I suggest to this august House that this is precisely the vision of self-reliance as bequeathed to us by Jawaharlal Nehru as elaborated in the Third Five-Year Plan, and translated to the realities of today's world.

Rupee Convertibility

While introducing the new trade policy last year, the Government had indicated that it would be our objective to move towards convertibility of the rupee on the current account. The achievement of convertibility is a sign of economic strength and true self-reliance. We are now ready to take the next important step in this direction by introducing a new system of partial convertibility. The new system is designed to provide a powerful boost to our exports as well as to efficient import substitution. It will further reduce the scope for bureaucratic controls which contribute to both inefficiency and corruption. It will also greatly reduce the incentive for illegal transactions in foreign exchange. Under the new system all foreign exchange remittances, whether earned through exports of goods or services, or remittances, will be converted into rupees in the following manner: 40 per cent of the foreign exchange remitted will be converted at the official exchange rate while the remaining 60 per cent will be converted at a market determined rate. The foreign exchange surrendered at official exchange rates

will be available to meet the foreign exchange requirements of essential imports such as petroleum and oil products, fertilizers, defence and life-saving drugs. All other imports of raw materials, components and also capital goods will be made freely importable on Open General Licence but the foreign exchange for these imports will have to be obtained from the market. There will be a specified 'negative list' of raw materials, components and capital goods which will continue to be importable only against licences. There will be change in the import policy for consumer goods which will remain restricted as at present. Foreign exchange required for other payments on private account, including travel, debt service payments, dividends, royalties and other remittances will also have to be obtained at the market rate.

The new system will replace the system of Eximscrips. There will be no need to issue Eximscrips for each export transaction as the new system will operate through the banks instead of a premium on Eximscrips, exporters will have the benefit of the premium on 60 per cent of this earnings in the foreign exchange market. What is more, the incentive for earning foreign exchange will now be available to remittances from our workers abroad. There is no reason why our workers, who earn foreign exchange by the sweat of their hard labour abroad, should be denied incentives presently given to exporters of goods and professional services. I salute our workers from Kerala and other States working abroad. What I have announced today is a small token of our appreciation of their magnificent contribution to India's foreign exchange earnings.

With these changes we will have achieved a major simplification of trade policy, eliminating licensing and the associated bureaucratic delays and inefficiencies over a wide range of items. We will also have introduced a self-balancing system to manage a large part of the balance of payments. The total volume of imports will be automatically regulated by the available volume of foreign exchange. Scarcity of foreign exchange will be reflected in a premium which will accrue to exporters and to those making remittances thus providing a built-in incentive to increase this flow. The details of the new exchange system are being notified by the Reserve Bank of India. The changes in trade policy are being notified separately by the Commerce Ministry.

One of the reasons why foreign exchange is diverted to illegal channels is the illegal import of gold. It is time we took a bold step to recognise the realities of the situation and legalise the import of gold. The Government proposes to allow returning Indians and NRIs [Non Resident Indian] to import 5 kg of gold per passenger with a modest import duty provided the gold as well as the import duty is financed from foreign exchange earned abroad.

Gold Bond Scheme

Many Honourable Members of the House have suggested that the Government should introduce a Gold

Bond, which would help to mobilise the idle gold resources of ordinary citizens to supplement official reserves. I had indicated in parliament that this should be considered only when the balance of payments situation improves, and adequate confidence has been built in the capacity of the Government to manage the economy. This has now been achieved. Our reserves are large and do not need supplementing, but I see no reason why patriotic citizens should be denied the opportunity to contribute their mite to the development of India's economy. I propose to introduce a scheme under which citizens can obtain a Gold Bond in return for gold. The bond would be for a period of five to seven years and would be liquidated by return of gold, or equivalent value, at the option of the holder. It would enjoy a small interest, which will not attract income tax. The bonds will also be free of wealth tax and gift tax. As an added incentive, holders of such bonds will not be asked any questions about the source of the gold holding. The Reserve Bank of India is preparing a detailed proposal along these lines.

One of the initiatives of the New Industrial Policy is a new approach towards foreign investment, which can play a vital role in upgrading our technology levels, integrating our industry into the global economy, and bringing in non-debt resources. The Government proposes to actively encourage foreign investment in critical infrastructure sectors where capacities are inadequate and needs for investment are large. A policy to encourage private investment, including foreign investment, in the power sector has already been announced. Another area which is critical for our future development, and for management of the balance of payments, is the hydro-carbon sector. The Government has already announced that joint ventures will be permitted in both exploration and development, including development of existing fields. The Government will welcome proposals for private investment, including foreign investment, in production, refining and marketing of oil and gas, with a view to maximising the growth potential of this crucial area.

Concern is sometimes expressed that the policy of welcoming foreign investment will hurt Indian industry and may jeopardise our sovereignty. These fears are misplaced. We must not remain permanent captives of a fear of the East India Company, as if nothing has changed in the past 300 years! India as a nation is capable of dealing with foreign investors on its own terms, Indian industry has also come of age, and is now ready to enter a phase where it can both compete with foreign investment, and also cooperate with it. This is the trend all over the world and we cannot afford to be left out. The House can rest assured that we have enough policy instruments at our disposal to ensure that enterprises with foreign equity function in accordance with our national priorities.

The new approach to industrial policy calls for a review of regulations such as the Foreign Exchange Regulation Act, which introduced a great deal of detailed administrative control over companies where the foreign equity

exceeded 40 per cent and also on non-resident Indians. The Reserve Bank of India has recently liberalised the procedure by granting general exemption from several of these controls applicable to Indian companies with foreign equity and to non-resident Indians returning to India. There are other restrictions which prevent Indian companies and Indian residents from entering into various types of commercial relations with companies abroad without prior approval. These provisions are out of line with the needs of today's economy, where Indian businesses will have to deal extensively with their counterparts abroad, requiring expeditious decision making. The Government proposes to introduce comprehensive amendments to the Foreign Exchange Regulation Act to bring it in line with the requirements of the new policy.

Creating Market for Securities

In my Budget speech last year, I had referred to the importance of financial sector reforms and had announced the establishment of a committee on the financial system. The Narasimham Committee has submitted its report which has been tabled in Parliament. While commending the progress made by the banking system in several directions, the Committee has drawn attention to serious problems posed by the deterioration in the financial health of the system because of low profitability, poor portfolio quality and inadequate provisioning for bad debts. The Committee has made comprehensive recommendations for reform covering all aspects of banking, including the introduction of better capital adequacy norms, better provisioning for bad debts, rationalisation of the provisions for directed lending and the associated interest rate structure. The thrust of the Committee's recommendations is to move to a more efficient and competitive banking system, including a larger role for the private sector. Many of the recommendations can be implemented very quickly. Others need further consideration. The Government proposes to implement the recommendations of the Committee in a phased manner.

As a first step in implementing the recommendations of the Narasimham Committee, the Government has decided to begin a phased reduction in the Statutory Liquidity Ratio (SLR) which at present locks up large quantities of bank funds in relatively low yielding government securities. Accordingly, the SLR on incremental domestic liabilities of the commercial banks is being reduced from 38.5 per cent to 30 per cent with effect from 1992-93. This reduction is in line with the proposed reduction in the fiscal deficit, which will reduce the Central Government's need to borrow from the commercial banks. It will release funds for banks to expand credit to agriculture and industry. The market borrowing of the States will not be affected. Steps are also being taken to develop an active market for government securities which will make the Government less dependent on statutory borrowing from the banks in future.

In view of the decline that has already taken place in the rate of inflation, it is possible to provide some relief in the interest rates charged by the banks on commercial advances. Honourable Members will be pleased to know that the Reserve Bank of India is separately notifying a reduction in the floor level of interest rates on commercial advances by one percentage point.

Foreign Investment

Financial sector reform also includes reform of the capital markets, which will increasingly play a vital role in mobilising and allocating resources from the public. Several initiatives announced in my Budget speech last year have since been implemented. The Securities and Exchange Board of India (SEBI) has now been established on a statutory basis. As we gain experience, additional powers will be given to the SEBI to strengthen its capability. The Government has also issued guidelines which will govern the operation of new private sector mutual funds. The Government has also decided to give permission to companies with a good track record to issue convertible debentures or equity to investors abroad and to extend to these issues the same tax benefits as are available for Offshore Mutual Funds. This will enable the domestic companies to tap the large pool of equity funds available in world capital markets. We will also consider ways of allowing reputable foreign investors, such as pension funds, to invest in our capital markets, with suitable mechanisms to ensure that this does not threaten loss of management control.

The role of the Controller of Capital issues in the Finance Ministry needs to be reviewed, especially in the context of the emerging industrial and financial scenario. The practice of government control over capital issues, as well as over pricing of issues, has lost its relevance in the changed circumstances of today. It is, therefore, proposed to do away with government control over capital issues, including premium fixation. Companies will be allowed to approach the market directly provided the issues are in conformity with the published guidelines relating to disclosure and other matters related to investor protection. The Government proposes to bring necessary legislation to implement this decision.

National Renewal Fund

In presenting the Budget for 1991-92, I had announced the Government's intention to establish a National Renewal Fund with the objective of ensuring that the cost of technological change and modernisation does not fall too heavily on the workers. This Fund was intended to provide a social safety net which would protect the workers from the adverse consequences of technological transformation. The Government has now established the Fund. The Fund will provide assistance to cover the cost of re-training and redeployment of labour arising as a result of modernisation and restructuring, and also provide compensation to labour affected by restructuring of an industrial unit, the Government also proposes to approach multilateral financial institutions to

meet part of the requirement for the Fund. It is estimated that about Rs 1,000 crores would be available from the International Development Association to be used for social safety net schemes under the Fund, including special schemes for unorganised sector workers. In this context we would work out a scheme to upgrade the technology of handicrafts which employ a very large number of people in the decentralised sector. Honourable Members may rest assured that the Government is firmly resolved to protect the interests of labour while dealing with the problems of industrial sickness and structural reforms.

Agriculture is the foundation of our national prosperity and no strategy of economic development can succeed in our country if it does not ensure rapid growth of production and employment in agriculture. Nor can we hope to provide sufficient jobs for our growing rural labour force unless we can transform the economy of our rural areas. This calls for a multi-pronged strategy involving effective implementation of land reforms, large investments in irrigation and drainage, improvement in water management systems, control of land degradation, strengthening of the credit system and improvements in agricultural extension and research. Much of this effort has to be made by the State Governments since agriculture is a State subject, and it is our hope that the State Governments will give these issues the highest priority. The Centre on its part is firmly committed to continued funding and revampment of the various poverty alleviation schemes, which are a major element in our development strategy.

Special attention needs to be paid to supporting innovative ideas for generating income and employment in rural areas through support to various types of agribusiness. As an experimental measure, the Government proposes to set up a Small Farmers' Agri-Business Consortium as an autonomous corporate entity funded by the Reserve Bank of India, NABARD [National Bank for Agricultural and Rural Development] and IDBI [International Development Bank of India]. The Consortium will include representation from various Development Boards dealing with individual crops and Public Sector Corporations dealing with agriculture and agro-industries, private sector companies, banks, scientific organisations and farmers' associations. The Consortium will function on the principles of economic efficiency, environmental soundness and social equity and will organise 12 major projects in 1992-93 in different parts of the country, based on a mix of enterprises with active participation by the State Governments and farm families. The programme will be expanded as we gain experience. We must begin a new chapter in our agricultural history where farm enterprises yield not only more food, but more productive and higher income in rural areas.

Revised Estimates

I now turn to the Revised Estimates for 1991-92. Our major macro-economic objective in 1991-92 was to

reduce the fiscal deficit in order to restore macro-economic balance in the economy. I am happy to inform the House that we have succeeded in this objective.

The Budget Estimates for 1991-92 provided for a total expenditure of Rs. 1,13,422 [as printed] crores. Unlike in the past, when the Revised Estimates of expenditure showed substantial increases over the Budget Estimates, this year they are marginally lower by Rs. 320 crores. On the revenue side there has been a large shortfall of Rs. 3,760 crores in Customs revenue owing to the severe import compression during most of the year, but this has been partially off-set by higher realisation from excise duties and income tax so that the shortfall in gross tax revenues is Rs. 1,869 crores. The non-tax revenues and capital receipts are also significantly higher. As a result total receipts are estimated at Rs. 1,06,070 crores which is higher than the Budget Estimates of Rs. 1,05,703 crores.

The Budget deficit in the Revised Estimates for 1991-92 is Rs. 7,032 crores which is lower than the Budget Estimates of Rs. 7,719 crores, and much lower than in 1990-91, when the Budget deficit reached Rs. 11,347 crores. The fiscal deficit, which takes into account all borrowing, is Rs. 37,792 crores in the Revised Estimates. This is almost identical to the figure of Rs 37,727 crores in the Budget Estimates, and is much lower than Rs. 44,650 crores in 1990-91. With this, we have successfully reduced fiscal deficit from about 8.4 per cent of GDP in 1990-91 to around 6.5 per cent in 1991-92.

Fertilizer Subsidy

The reduction in the deficit was made possible by enforcement of strict discipline on the expenditure side. Certain additional expenditure provisions became necessary after the Budget was presented. The most notable of these was the additional requirement for fertilizer subsidy, consequent on the decision to restrict the price increase from 40 per cent proposed initially to only 30 per cent, and also the fact that the rupee cost of imported fertilizers was higher than assumed in the Budget Estimates. As a result, the provision for fertilizer subsidy has been increased from Rs. 4,000 crores in the Budget Estimates to Rs. 4,800 crores in the Revised Estimates. Even this amount does not fully cover the subsidy claims for 1991-92 and some amount will spill over into the next year as is normal commercial practice. A separate provision of Rs. 405 crores has been included in the Revised Estimates for the scheme for supplying fertilizers to small farmers at the pre-revised prices.

I have also had to increase the Budget provision for food subsidy by Rs. 250 crores on account of the delay in increasing issue prices. An extra amount of Rs. 550 crores has also been provided for the export subsidy. This subsidy was abolished on July 3, 1991, but the claims in the pipeline appear to be much more than was originally anticipated. These demands for additional

expenditure have, however, been offset by savings located within the sanctioned Budgets of various Ministries.

The difficult resource position in 1991-92 had its impact on Plan expenditure. Overall resource constraints forced the Government to restrict Budget support for the Central Plan and the Revised Estimates for this item are 7 per cent less than the Budget Estimates. Despite the marginal reduction, efforts were made to ensure that projects of high priority are not affected, and the reduction has been achieved mainly by regulating the release of funds to match the actual progress of schemes on the ground. However, Central assistance for State and UT Plans was stepped up by Rs. 651 crores, mainly on account of larger rupee requirements of extremely aided projects.

The House will be happy to note that even though the Central Government's own expenditure in the Revised Estimates is below the Budget Estimates, the total transfer to the States by way of share of taxes, and Central Plan assistance is higher than the Budget Estimates by Rs. 1,683 crores. This more than offsets the shortfall in small savings loans of Rs. 1,365 crores. We have not allowed our fiscal difficulties to come in the way of meeting our obligations to the States in anyway.

I now turn to the Budget Estimates for 1992-93. The Eighth Five-Year Plan commences from April 1, 1992 and aims at the objective of achieving near full employment in a period of ten years. The investment requirements of every sector are large, and it is important that Plan allocations should enable the implementing agencies to make a good start, especially in the infrastructure sectors. However, we have had to work within the limits imposed by the continuing need to restore macro-economic balance, which is essential if we are to contain inflation and manage the balance of payments. This calls for a further reduction in the fiscal deficit in 1992-93. Larger Plan expenditure can be accommodated within a smaller fiscal deficit if, apart from increasing tax and non-tax revenues, the Government's non-Plan expenditure can be contained. I must admit that this has been a daunting task.

More Outlay for Defence

Interest charges are the largest single item of non-Plan expenditure and account for Rs. 32,000 crores in the Budget Estimates for 1992-93. This represents an increase of Rs. 4,750 crores over the Revised Estimates for 1991-92, which is larger than the increase in total non-Plan expenditure of Rs. 4,405 crores. This means that in 1992-93 all other items of non-Plan expenditure taken together are actually lower than in the current year. Honourable Members will appreciate that interest charges are a committed expenditure, reflecting the cumulative effect of past deficits. This item can be controlled only by reducing the reliance on borrowed funds and I intend to do this by reducing the fiscal deficit for 1992-93. However, the benefit of this action will be

felt only by the Finance Ministers presenting the Budget in future. I venture to think that my successors as Finance Ministers will be able to sleep far more peacefully than has been my lot thus far.

Pension Rates

For the Defence Services I am providing Rs. 17,500 crores, an increase of 7 per cent over the provision of Rs. 16,350 crores in the current year. Combined with some economies and tight expenditure control, I am confident that this allocation will enable our armed forces to fulfil their responsibilities in ensuring the security and defence of the nation.

In the election manifesto of our party, we had committed ourselves to find an innovative solution to the long-standing demand of defence pensioners for "one rank one pension." An empowered committee, under the chairmanship of Raksha Mantri and comprising ex-servicemen and Members of Parliament representing the major political parties has looked into the issue and its recommendations have been accepted by the Government. Accordingly the Government has sanctioned ad hoc increase in the pension rates applicable to Defence personnel. This decision effective from January 1, 1992 will benefit over six lakh armed forces pensioners of all ranks, of whom over two lakhs are jawans, some of whom retired after January 1, 1986. The Government has also ordered grant of ex gratia family pension to the families of deceased reservists not in receipt of family pension. These benefits will entail an expenditure of over Rs. 120 crores per annum at the current rates of dearness relief.

Subsidies are another important component in non-Plan expenditure. Last year, food, fertilizer and export subsidies were the three major subsidies and their rapid growth has been one of the main factors behind the unchecked growth of non-Plan expenditure. We made an important change this year by abolishing subsidies. However, some subsidy payments still remain in the pipeline, and I am providing Rs. 480 crores on this account.

Food subsidy is a part of our system of food security for the poorer and weaker sections of our population and is a basic element in our social policy. I am providing an allocation of Rs. 2,500 crores on this account which should be sufficient for the normal requirements of the system. The revamped Public Distribution System being implemented in 1,700 backward blocks will require an additional allocation of Rs. 250 crores on account of the additional subsidy and also the cost of constructing a large number of godowns with a capacity of three lakh tonnes. The allocation for these items will be augmented in the course of the year to meet the requirements fully.

This brings me to fertilizer subsidy which has grown into the largest single subsidy in our system. There is no doubt that fertilizer is an essential ingredient for agricultural production, and agricultural development is vital not only for economic growth in general, but also to

ensure rising levels of income and employment in rural areas. In 1980-81, the fertilizer subsidy was 12 per cent of the total allocation in the Central and State Plans taken together for agriculture, rural development, special area programmes and irrigation and flood control. It increased to 33 per cent in 1991-92. A Parliamentary Committee is currently looking into the whole issue of fertilizer pricing and subsidy, including alternatives for restructuring the subsidy. I propose to wait for the report of this Committee and take a view on this matter later in the year. Taking all factors into account, I am making a provision of Rs. 5,000 crores for fertilizer subsidy in 1992-93.

Other items of non-Plan expenditure have been tightly constrained in the allocations provided to keep the fiscal deficit within manageable levels. I have requested my colleagues in all Ministries to review the expenditure control system in their Ministries to ensure that every possible step is taken to enforce economy so that the provisions being made in the Budget Estimates are not exceeded. As in the last two years, in the Budget Estimates for 1992-93 also no separate provision is being made for the additional dearness allowance instalments that may become payable in that year. All Ministries will be expected to absorb the additional expenditure on this account within the approved Budget provisions.

With these provisions, the total allocation for non-Plan expenditure stands at Rs. 84,475 crores, higher by Rs. 4,405 crores compared to the Revised Estimates for 1991-92. But then, as I mentioned earlier, the increase in interest expenditure alone is Rs. 4,750 crores. Honourable Members would appreciate that the large requirements for interest and subsidies make it difficult to reduce non-Plan expenditure further and this limits the extent to which the Budget can support Plan expenditure. Nevertheless, I have tried to provide adequately for all the critical areas of Plan expenditure.

Central assistance for the Plans of States and Union Territories is being stepped up from Rs. 14,710 crores in 1991-92 Budget Estimates to Rs. 16,111 crores in 1992-93. This increase of Rs. 1,401 crores, coupled with an increase of Rs. 2,237 crores in the share of taxes, even at the existing levels of taxation, should enable the States to substantially increase the allocation for the various Plan programmes.

Sectorwise Outlay

The total Central Sector Plan outlay for 1992-93 has been fixed at Rs. 48,407 crores. This is based on budgetary support for the Plan of Rs. 18,501 crores, and a contribution of Rs. 29,906 crores from internal and extra-budgetary resources of the various undertakings/enterprises. The internal and extra-budgetary resources show a sharp increase of 25 per cent over the current year's level and this is critical to achieve the substantial increase in the Plan outlays of the various infrastructure sectors. Thus the outlay for the Railways stands increased from Rs. 5,325 crores in the current year's

Budget Estimates to Rs. 5,700 crores in the next year's Plan, shipping from Rs. 617 crores to Rs. 1,222 crores; civil aviation from Rs. 433 crores to Rs. 1,036 crores; telecommunications from Rs. 3,203 crores to Rs. 4,500 crores and fertilizer industry from Rs. 411 crores to Rs. 1,234 crores. The outlay for power has been fixed at Rs. 6,411 crores, and for petroleum at Rs. 6,054 crores.

Employment Generation

The allocation for Rural Development Programmes in the Budget is Rs. 2,610 crores, which is somewhat lower than the Budget Estimates of 1991-92 though it is higher than the Revised Estimates. This, however, presents only part of the total effort we are making in support of the weaker sections in our rural areas. The Government is deeply conscious of its special responsibility to protect the poorer sections of our society, especially in rural areas from the burdens that would otherwise be forced upon them as the economy goes through the process of macro-economic stabilisation and economic restructuring. It is, therefore, proposed to earmark an additional allocation of Rs. 500 crores from the corpus of the National Renewal Fund for employment generation schemes to supplement the normal employment generation through the Jawahar Rozgar Yojana, particularly in those areas where the pressure for such employment is seen to be more than in earlier years. The additional allocation of foodgrains, through all the Public Distribution System in the 1,700 most backward blocks at a subsidised rate is another important step for protecting these vulnerable sections of society from the pressure on prices. Taking the proposed additional allocations on these accounts together with the Plan provision in the Budget, the total allocation to rural development would show a substantial increase over the current year.

The Plan outlay for the Family Welfare programme has been stepped up from Rs. 749 crores in the current year to Rs. 1,000 crores next year reflecting the Government's firm commitment to tackle the population problem. The outlay for the programmes of the Ministry of Welfare has also been increased from Rs. 479 crores to Rs. 530 crores reflecting fully the Government's commitment to protection of the weaker sections of society.

Despite severe resource constraints, most of the other sectors which are largely dependent on budgetary support for their Plan outlays have been provided at least the same order of Budget support as in the current year. I would have liked to provide more but we also have to live within the constraint of available resources. I would particularly like to point out that we must give up the practice of judging the quality of our Plan effort by the increase in the outlays provided for in the Budget. Our resources are scarce and there is a vast unexploited potential for improving the productivity of available resources. There has to be much tighter scrutiny of various claims on resources and much greater emphasis on how to get more out of available resources. We cannot simply spend our way into prosperity.

Gross tax receipts at the existing rates of taxation are estimated next year at Rs. 75,541 crores compared to Rs. 67,300 crores in the current year's Revised Estimates. The States' share of taxes is placed at Rs. 18,492 crores showing an increase of Rs. 1,293 crores over the current year's Revised Estimates. Non-tax revenues next year show an increase of Rs. 2,689 crores over the current year's Revised Estimates. This includes Rs. 416 crores of deferred dividends from the Railways. Next year's estimates assume an increase of Rs. 423 crores from dividends and profits of the public sector enterprises. Unlike in the past, it is proposed to ensure that these enterprises transfer as dividend or surplus profits, a reasonable part of their post-tax profits instead of determining the dividend payable merely on the basis of capital investment. The Reserve Bank of India will also be transferring a larger share of its profits.

Under capital Receipts, I have taken credit for market borrowing of Rs. 5,000 crores. This is significantly lower than the amount of Rs. 7,500 crores in the Budget Estimates for the current year and reflects our objective of reducing the fiscal deficit and consequently the recourse to borrowed funds. External assistance, including grants, but net of repayments, is estimated at Rs. 5,374 crores.

The disinvestment in public sector equity undertaken in the current year has been successfully completed. There is scope for continuing this process in 1992-93 with a view to raising non-inflationary resources for development. I am accordingly taking credit for a receipt of Rs. 2,500 crores from further disinvestment of equity holding in public sector enterprises. In addition to this amount, the Government will consider a further sale of equity of Rs. 1,000 crores to provide resources to the National Renewal Fund in 1992-93, which can be used for various schemes of assistance to workers in the unorganised sector, including women workers, who may be adversely affected by the process of economic restructuring. These resources will also be used to fund the special employment creating schemes in backward areas which I have mentioned earlier.

Thus, at the existing rates of taxation, total receipts are placed at Rs. 1,14,215 crores and total expenditure at Rs. 1,19,087 crores. This leaves a gap of Rs. 4,872 crores.

Income Tax Ceiling Raised

While presenting the Budget last year, I drew attention to the need for a comprehensive reform of both the direct and indirect tax systems and had explained that lack of time had made it difficult to do as much as I would have liked in this regard. Subsequently, the Government set up a Tax Reforms Committee under the Chairmanship of Dr. Raja J. Chelliah. The Committee has since submitted its interim report. The report distils the wisdom of some of our most distinguished experts on the complex subject of reform of both direct and indirect taxes and I have drawn heavily upon it in framing my Budget proposals. The summary of recommendations contained

in the Report is separately being placed in Parliament to enable fuller appreciation of the analysis of the Committee and the rationale for its recommendations.

There is a consensus among fiscal experts, based on experience gained all over the world, that a moderately progressive tax structure combined with strong enforcement is the best way of encouraging honesty and voluntary tax compliance. The Chelliah Committee has endorsed this view and has recommended that our direct tax system would be more effective if the income tax regime had lower rates of taxation, with a narrower spread between the entry rate and the maximum marginal rate, and a minimum of tax incentives. I agree with this assessment and I propose to restructure the personal income tax in the following manner. I propose to enhance the exemption limit for income tax levy from Rs. 22,000 at present to Rs. 28,000. This will provide substantial relief to the taxpayers in the lower income group and I am sure it will be welcomed by the Honourable Members, many of whom had urged such an adjustment even last year. I hope this will convince them that I am an attentive and sensitive listener to what goes on in this august House. I further propose that there will only be three tax rate slabs, with the entry rate of 20 per cent applicable up to Rs. 50,000, a middle slab of 30 per cent up to Rs. 1,00,000 and a maximum rate of 40 per cent above Rs. 1 lakh. A corresponding revision is also being made in the case of specified Hindu Undivided Families. Because of the severe resource constraints, I am compelled to retain the surcharge at 12 per cent for one more year, but this will be payable only by those whose income exceeds Rs. 1 lakh.

With the reduction in tax rates, a number of tax exemptions, which conferred large benefits on higher income tax payers are no longer justified. I, therefore, propose to abolish the deductions under Sections 80L, 80CCA and 80CCB of the Income-tax Act. The computation of income from house property is also being rationalised in respect of certain deductions presently being allowed. The provision under Section 88, which provides for tax rebate in respect of specified savings such as Life Insurance, Provident Funds, etc., will, however, continue, as these are normally availed of by fixed salary earners. In fact, I propose to widen its scope by including within its purview contributions to pension funds set up by the National Housing Bank and by mutual funds. I am also providing that those who wish to continue contributing to the savings schemes which until now qualified for deduction under Section 80CCA and 80CCB, can get tax rebate under Section 88 of the Income-tax Act.

It is said that the child is the father of man, but some of our taxpayers have converted children into tax shelters for their fathers. The tax law provides for clubbing of income from gifts given by parents but this does not apply to other incomes, including income from other gifted assets, and the practice of cross gifting is widely used to evade clubbing. The Chelliah Committee has recommended that in order to plug this loophole, which accounts for a substantial leakage of revenue, the income

of a minor child should be clubbed with that of the parent. There is merit in this suggestion and I propose to accept it. Recognising, however, the existence of a number of child prodigies, especially child artistes in our country, I propose to exclude their professional income, as also any wage income of minors, from the purview of such clubbing. The practice of clubbing the income of minor children with that of the parent for tax purposes is in vogue in a number of countries.

The revenue loss on account of the restructuring of income-tax rates as traditionally estimated will be Rs. 1,500 crores. However, this will be offset by the proposed abridgement in the concessions and tax exemptions and the change in the tax treatment of a minor's income. If, as I expect, lower tax rates will lead to better tax compliance, there will be a net revenue gain even though it is not possible to quantify it. If taxpayers cooperate with me and revenue earnings go up significantly, I propose to reward the taxpayers with a further cut in income tax rates. The ball is now in their court.

Presumptive Tax

In a country with a population of over 800 million hardly 7 million persons pay income and corporate tax. It is therefore necessary to attract new taxpayers into the tax net. With this end in view, I propose to introduce a presumptive tax system in respect of shopkeepers and other retail traders with an annual turnover below Rs. 5 lakhs in order to enable them to avoid the difficulty of maintaining detailed account books, filing a complicated tax return and going through the normal assessment procedure, a simplified scheme has been worked out under which the taxpayer will give only brief particulars of his turnover and pay just Rs. 1,400 as tax for that year. This should enable potential taxpayers in this category to overcome their psychological hesitation of getting into the tax system. The scheme is being introduced on a purely optional basis and is intended only for those who may have taxable income and wish to avail of this simplified procedure. With the increase in the exemption limit to Rs. 28,000, those with a turnover of less than Rs. 2.5 lakhs to Rs. 3 lakhs may well find that they do not have to pay this presumptive tax.

The present tax treatment of long-term capital gains has been criticised on the ground that the deduction allowed in computing taxable gain is not related to the period of time for which the asset has been held. It does not take into account the inflation that may have occurred over time. The Chelliah Committee has suggested a system of indexation to take care of the problem and I propose to accept its recommendation. Taxable capital gains will be computed by allowing the cost of the asset to be adjusted for general inflation before deducting from the sale proceeds. The adjustment factor for each year will be notified by the Central Government. The longterm capital gains thus computed will be taxed at 20 per cent in the case of individuals and HUFs, 40 per cent in the case of companies, firms, associations of persons and bodies of individuals, and 30 per cent in the case of others. The

new system will favour those whose capital gains accrue over a longer period, while those making capital gains over a shorter period will pay a higher tax. This is as it should be. The cut off date for valuation is also being shifted from April 1, 1974 to April 1, 1981. With these changes, I propose to withdraw the standard deduction in computing taxable capital gains and also the exemptions under Section 54E for capital gains invested in specified assets and Section 53 in respect of capital gains arising from sale of residential house.

While I am simplifying the income-tax structure, I should extend some concessions directly to certain categories of taxpayers who deserve sympathetic consideration from the Government.

Many individuals have to maintain handicapped dependants which often imposes a heavy burden upon them and this is a burden which we should lighten as much as we can. I, therefore, propose to increase the deduction available to such persons from Rs. 6,000 at present to Rs. 12,000 per year. Further, the scope of this tax concession is being made available to all taxpayers irrespective of their income.

Benefit for Working Women

Women who take up employment deserve special consideration and encouragement. I, therefore, propose to increase the standard deduction from Rs. 12,000 to Rs. 15,000 in the case of working women having a total income of up to Rs. 75,000. I hope this will convince Honourable Lady Members of this House about my commitment to the cause of social and economic uplift of Indian women. The only quid pro quo I expect from them is to defend the Budget regardless of their party affiliations.

Taking note of the financial difficulties often encountered by persons in old age and as a token of my regard for such senior citizens, I propose to give a tax rebate of 10 per cent on the net tax payable by persons who have completed 65 years of age and whose gross total income is below Rs. 50,000.

Having regard to the fluctuating nature of income earned by authors, playwrights, artists, musicians, actors and sportsmen and in recognition of their contribution to the enrichment of the cultural life of the nation, the tax rebate for them in respect of specified savings under Section 88 of the Income-tax Act will be increased from 20 per cent to 25 per cent.

The victims of the Bhopal gas disaster are to get compensation on the basis of the Supreme Court judgment. Having regard to the human dimensions of the tragedy, I propose to exempt, in all cases, the compensation received by such recipients from income tax liability.

Exemption for Medical Expenses

I have received several representations for widening the scope of exempting medical expenses for both salaried

and self-employed persons. I propose to substantially liberalise the provisions relating to hospitalisation and medical insurance. Tax benefits to salaried persons will no longer be limited to treatment in a few government recognised hospitals only. Similarly, for self-employed persons, the deduction available for medical insurance is being enhanced from Rs. 3,000 to Rs. 6,000.

Exemption from income-tax is now available to the employees of the public sector on payments made under the Voluntary Retirement Schemes. I propose to extend the benefit of the exemption, subject to certain guidelines, to the employees in the private sector as well.

No Double Taxation

There has been a long-standing criticism that by subjecting the income of both partnership firms as well as the partners to taxation, we are engaging in double taxation. The Chelliah Committee has also stressed that double taxation in this regard should be avoided. I agree that we should avoid double taxation and I propose, as a measure of relief, to treat the firm as a separate tax entity and do away with the taxation of the same income in the hands of partners. I propose to allow deduction towards interest and salary payments made to partners from the income of the firm and then tax the balance income in the hands of the firm at a flat rate of 40 per cent. The proportion of deduction allowed decreases with the income level of the firm and is so designed that the total tax incidence on small firms and professional firms will be reduced. The partners will not be taxed on their share in the income of the firm though they will be liable to pay tax on salary and interest income. This method will result in enormous simplification from the point of view of taxpayers as well as tax administration as the proposed scheme will do away with complexities, associated with the procedure relating to registration of firms, rectification of partners' assessments when firms assessments are revised, etc.

Last year, I introduced provisions relating to tax deduction at source in respect of interest on term deposits with banks and commission payments. There has, however, been considerable criticism from taxpayers about the implementation of these provisions. I have also received representations from a number of Members of Parliament seeking withdrawal of these provisions. The system of tax deduction at source is a useful tool and one of the well recognised methods of enforcing tax compliance in many countries. However, a harassed Finance Minister has to be sensitive to the opinions of Honourable Members of Parliament even when they differ from his own convictions. Therefore, I proposed to withdraw these two provisions.

The Wealth-tax Act, 1957 has far too many exemptions making its administration enormously complicated. The valuation of certain assets such as shares also presents problems, since very high market values reflecting speculative activity can lead to a heavy burden on shareholders who are long term investors. There is also no

distinction at present between productive and non-productive assets. The Chelliah Committee has suggested that, in order to encourage the taxpayers to invest in productive assets such as shares, securities, bonds, bank deposits, etc., and also to promote investments through mutual funds, these financial assets should be exempted from wealth tax. Wealth tax should be levied on individuals, Hindu Undivided Families and all companies only in respect of non-productive assets such as residential houses including farm houses and urban land, jewellery, bullion, motor cars, planes, boats and yachts which are not used for commercial purposes. The Committee has further suggested that such tax should be at the rate of one per cent, with a basic exemption of Rs. 15 lakhs. I propose to accept this recommendation and I hope this change will encourage investments in productive assets and discourage investment in ostentatious non-productive wealth.

Earlier in my speech I have referred to the importance which the Government attaches to the capital market and the special role of mutual funds including private sector mutual funds in order to treat all mutual funds alike in tax matters. I propose to exempt from income tax mutual funds in both public sector and private sector recognised by the Securities and Exchange Board of India. I had also referred to the scheme permitting Indian companies to issue convertible bonds and equity to investors abroad. I propose to tax the income and capital gains from these issues at a concessional rate of 10 per cent, as is applicable to offshore mutual funds. It is hoped that these measures will give a new thrust to the capital market in the country.

Levy on AC Restaurants Off

Last year, I had extended expenditure tax to cover airconditioned restaurants in order to mop up additional resources. I have received several representations that this provision falls heavily on innumerable restaurants and small establishments which are patronised mainly by the middle class. It has been suggested that airconditioning in restaurants, unlike in homes, is no longer a luxury item of the rich. The largest number of such complaints have come from Bombay. Having lived in Bombay for two and a half years, I have special regard for the citizens of this great city. This has been reinforced by their voting behaviour in the recent elections to the Municipal Corporation. I, therefore, feel a special obligation to respond. I propose to withdraw this levy as far as the restaurants are concerned. However, I have made certain changes in the scope of the Expenditure-tax Act relating to hotel receipts. I propose to enhance the qualifying limit for liability relating to room charges of the hotel from the present Rs. 400 per day to Rs. 1,200 per day in view of the exchange rate adjustments undertaken recently, there is no longer any need for exempting expenditure made in foreign exchange from the tax. I am, accordingly, withdrawing the exemption.

With a view to providing support to the cooperative sector, I propose to exempt all cooperative societies

including urban cooperative societies engaged in the business of banking from the purview of Interest-tax Act.

I recognise the need for a reform of the corporate tax system. This is also an area where rates of taxation need to be lowered and I would like to give advance notice of my intention to begin lowering them as soon as possible. However, as the detailed recommendations of the Chelliah Committee on corporate taxation are yet to be received, I propose to defer major restructuring in this area until after I have received its recommendations. Accordingly, for the present there will be no change in the rate structure as well as the surcharge in this Budget. I propose to make just two changes. Ordinarily, depreciation and investment allowance carried forward from earlier years is set off against the current income. In line with the rationalisation of depreciation allowance brought about last year, I propose that in respect of the assessment year 1992-93, the quantum of set off for carried forward depreciation and investment allowance in the case of companies, where such amount exceeds Rs. 1,00,000, shall be limited to two-thirds of such amount and the remaining one-third will be allowed to be adjusted in the assessment year 1993-94. Further, having regard to the widespread criticism that the Income-tax Act has artificial ceilings in regard to certain business expenses, I am liberalising some of the items on the basis of the recommendation of the Chelliah Committee.

Customs Tariff Lowered Further

Having regard to the complexities in tax laws, I have been receiving representations that the Government should give Advance Rulings whenever a taxpayer has doubts about the tax liability in respect of intended transactions. This practice obtains in a number of countries. There are certain practical difficulties in implementing such a suggestion. However, in the interest of avoiding needless litigation and promoting better taxpayer relations, a scheme for giving Advance Rulings in respect of transactions involving non-residents, is being worked out and will be put into operation soon. The scope of this can be extended subsequently on the basis of experience gained. The Government is also planning to set up the National Court of Direct Taxes in order to ensure that litigation in direct tax matters is settled expeditiously. Along with this, the Government would also like to bring forward, as soon as possible, a Bill on Direct Taxes Code, integrating therein all the three direct taxes so as to make the law easily understandable and tax administration simple.

I do not propose to take up the time of the House with other minor changes in the Direct Tax Laws.

My proposals on direct taxes are estimated to yield a net revenue gain of Rs. 795 crores. Of this amount, Rs. 435 crores will accrue to the States.

I now turn to the proposals relating to indirect taxes.

A long standing complaint of our industry, and of experts in trade policy is that our customs tariff rates are

too high and increasingly out of line with the trends in our competitor countries, all of whom have reduced tariffs to very moderate levels. My colleague, the Honourable Commerce Minister, has repeatedly told me that we cannot expect to compete with these countries in world markets if we persist with high tariff rates which have the effect of creating a high cost industrial structure. This is in line with the directions I had indicated in my Budget speech last year. The Chelliah Committee, which was asked to look into all aspects of customs duties, has recommended reduction in the general level of tariffs, a reduction in the dispersion of the tariff rates and a rationalisation of the system with abolition of numerous end-use exemptions and concessions. The Committee has also rightly suggested that the process of reform should be gradual, so as to moderate the impact of the adjustment, both in terms of possible revenue loss and the pace at which domestic industry is exposed to competition. I propose to act on these recommendations by making a substantial start in this Budget on reforming the customs tariff structure.

Last year I had begun the process of reducing import duties by lowering the ad valorem rates of basic plus auxiliary duties of customs to a maximum of 150 per cent. I now propose to lower the peak tariff level further by reducing the basic plus auxiliary rates of import duties (inclusive of specific duties) to a maximum of 110 per cent with the exception of passenger baggage and alcoholic beverages. The loss of revenue on account of this proposal as traditionally estimated is Rs. 1,700 crores, though I feel it could be much lower in practice.

My next proposal relates to the duty on capital goods. The general duty on capital goods, including project imports, is currently at 80 per cent which is below the peak rate of 110 per cent. However, there is a good case for giving priority to reducing the duty on capital goods because high duty on capital goods constitutes a permanent increase in the cost of production for the life of the unit. In order to encourage new investment in export oriented industries, we should move to a lower duty rate on capital goods at an accelerated rate. I, therefore, propose to reduce the duty rate on project imports and general machinery from 80 per cent to 60 per cent. In the case of capital goods, including project imports for electronics industry, I propose to reduce the import duty from 60 per cent to 50 per cent. In relation to capital goods for projects of coal mining and crude petroleum refining, I propose a deeper reduction in the import duty prescribing a uniform rate of 30 per cent. In the case of power projects, the present concessional duty rate of 30 per cent or 40 per cent is being rationalised to a uniform rate of 30 per cent. I also propose to reduce the import duty on other capital goods currently attracting duty above 80 per cent by 10 percentage points. The existing concession in the duty rates available to the components of specified machinery enabling those items to be imported at rates below the rate applicable to the machinery is proposed to be continued. These changes will not adversely affect the competitive position of the

Indian capital goods industry especially in view of the exchange rate adjustment effected last year. These proposals involve a loss of revenue of about Rs. 840 crores.

In view of the reduction of tariff peaks, I have also taken the opportunity to remove some of the end-use notifications for concessional duty imports. In this process of rationalisation, some duties may go up marginally. However, in view of the overall reduction of duty rates, industry should be able to absorb such marginal increases.

In my last Budget I had proposed certain rationalisation of the rates of auxiliary duty of customs. I propose to further rationalise the auxiliary duty structure by reducing the number of duty slabs to four. The loss of revenue on this account is estimated at Rs. 125 crores.

Pesticide Duty Cut

Agriculture is the bedrock on which our economic development depends and the vital inputs for this sector have always been accorded a preferential tax treatment in line with this principle. I propose to reduce the duty rate on 15 specified pesticides from 110 per cent at present to 75 per cent by adding them to the list of pesticides eligible for this concession. I also propose to reduce the import duty on two pesticide intermediates from the present level of 120 per cent to 65 per cent. So also I propose to exempt three specified pesticide intermediates completely from excise duty. These proposals involve a revenue loss of about Rs. 8 crores.

Successful agricultural development calls for injection of new seeds which can increase productivity and imported seeds and planting material can help in this process. I, therefore, propose to fully exempt from import duty, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, and seeds of fruit-plants and pulses, for the purpose of sowing and planting in order to ensure efficient transplanting of seedlings. I also propose to reduce the import duty on rice transplanters from 80 per cent to 40 per cent.

The petro-chemical industry suffers from high duty rates on certain basic feedstocks which are the building blocks of the industry. There is a case for duty reduction and rationalisation in this area. I, therefore, propose to reduce the import duty on propylene from 120 per cent to 80 per cent, on butadiene from 55 per cent to 40 per cent and on benzene from 40 per cent to 25 per cent. I also propose a uniform import duty of 40 per cent for ethyl benzene and styrene which are essential inputs for the manufacture of polystyrene. Similarly, I propose to reduce import duty on certain specified feedstocks which find use in the manufacture of polyethylenes from 120 per cent to 40 per cent. The loss of revenue on account of the proposals would be around Rs. 26 crores.

As a measure of relief to the asbestos cement industry which serves the housing, water supply and irrigation sectors, I propose to reduce the import duty on asbestos

fibre from 90 per cent to 70 per cent. The proposal involves a loss of revenue of Rs. 18 crores.

Films in our country have become an important vehicle of national integration. I have therefore to worry about the economic health of the important industry in order to give relief to the film industry, which is facing increasing competition from cable TV and video. I propose to reduce the import duty on unexposed colour negatives of cinematograph film by 20 percentage points from the existing level. The loss of revenue involved in the proposal is Rs. 8 crores.

I propose to reduce the import duty on specified items of machinery required for the manufacture of fly ash and phosphogypsum bricks and building components.

Last year as a relief to the newspaper industry I had exempted standard newsprint fully from customs duty. I feel my support base in the Press could do with some strengthening. I now propose to fully exempt glazed newsprint which is presently attracting import duty of Rs. 550 per metric tonne from payment of duty. The proposal involves a revenue loss of about Rs. 3 crores.

I have already mentioned that import of gold by Indians including persons of Indian origin as part of their baggage will now be allowed. Every such passenger will be allowed to bring up to five kg of gold and the import duty on such gold will be Rs. 450 per 10 gm which works out to about 15 per cent in ad valorem terms. This duty will be payable in convertible foreign exchange. I am confident that this step will be welcomed by all, except those engaged in the hitherto profitable business of smuggling this metal into the country.

Excise Licence Controls To Go

The restructuring of customs duty being attempted in this Budget is the beginning of process in which our customs duties are gradually reduced, over a three to four year period, to levels comparable with those in other developing countries. I would like to reassure Honourable Members that they need have no fear that the process of reducing duties will lead to the deindustrialisation of India. On the contrary, the reduction is necessary to give the Indian industry an environment in which it can increase its competitiveness through absorption of technology and greater integration with the world economy. This is essential if we are to achieve true self-reliance. We shall take effective promotional measures to build up the competitive strength of Indian industry. The proposed restructuring of customs duty, together with the other changes in customs duty results in a net loss of Rs. 2,023.35 [as printed] crores. The loss is estimated in the conventional way and it is possible that it may be overestimated if we allow for a substantial improvement in the balance of payments, permitting a larger volume of imports and, therefore, a high level of customs revenue.

In the field of excise duties, I have been guided by the objectives of rationalising the excise duty structure,

providing reliefs where necessary and, of course, raising additional resources to offset the revenue loss from restructuring of customs tariffs.

While presenting the Budget for 1991-92, I had referred to my intention to rationalise and simplify the procedures, rules and regulations pertaining to indirect taxes so that the delays in the system are eliminated and the interface between the tax collector and the tax payer is reduced to the minimum. I propose to make an advance in this direction by abolishing licensing controls on production and manufacture under the Central Excises and Salt Act, 1944. The assessee would simply be required to register themselves with the Central Excise authorities. At present assesseees are required to get their Central Excise licences renewed every five years. Registration will be valid as long as the assessee continues the manufacturing activity. I am proposing suitable amendments in the law to this end.

Honourable Members would be aware that a Settlement Commission was established in 1976 under the Income-tax Act, 1961. I propose to set up a Settlement Commission, on similar lines, for dealing with customs and Central Excise disputes between the Department and the assessee. I trust this will help in speedy settlement of tax disputes.

Honourable Members may also recall that a law was enacted in 1986 for the establishment of an appellate tribunal for the adjudication of disputes relating to the determination of the rates of duties of customs and Central Excise and to the valuation of pursuance of Article 323-B of the Constitution. Due to unavoidable reasons, the tribunal could not be established. I propose to introduce legislation to suitably amend the Customs and Central Excise Revenues Appellate Tribunal Act, 1986 and set up the tribunal.

The housing sector is important, both socially and for employment generation and as such deserves special treatment. I propose to fully exempt from excise duty bricks and tiles having minimum content of 25 per cent of red mud, which is a waste product of aluminium industry. I also propose to fully exempt light weight concrete building blocks from excise duty. Further I propose to reduce the excise duty on prefabricated buildings from 15 per cent to 5 per cent. I also propose to fully exempt doors and windows made of plastic, iron and steel which incidentally would conserve our dwindling forest cover. Further, I propose to exempt completely panel doors which are currently attracting 30 per cent excise duty. The proposals involve a revenue loss of about Rs. 4 crores.

The glass container industry has been going through a lean period. I propose to reduce excise duty on glass containers from 40 per cent to 30 per cent. The excise duty on glass containers manufactured by semi-automatic process and mouth-blown process will also be reduced from the existing levels of 30 per cent and 15 per

cent to 20 percent and 10 per cent respectively. The proposals involve a revenue loss of Rs. 30 crores.

At present there is a wide dispersion of duty rates among various sectors of the textile industry. My primary aim is to simplify and rationalise the tariff structure and to reduce the duty differential between the various textile fibres and yarns.

I propose to rationalise and restructure the excise duty on cotton yarn and cellulose spun yarn. On cotton yarn, I propose to reduce the multiplicity of rates by having only five duty slabs. Excise duty on cellulosic spun yarn is also being similarly rationalised by having three slabs.

Exemption to Jute Yarn

I also propose to raise the basic excise duty on viscose fibre from Rs. 10.50 to Rs. 12 per kg, on viscose filament yarn from Rs. 12 to Rs. 15 per kg, and on acrylic fibre from Rs. 9.24 to Rs. 12 per kg. The duty rates on polyester blended yarns are also being rationalised.

Rags and synthetic waste are both raw materials for the shoddy woollen industry. I propose to equate the import duty incidence on both at 110 per cent.

With a view to raising the revenue from additional excise duty the proceeds of which go to the States, I propose to increase the duty on processed cotton fabrics by restructuring the duty slabs.

Several units in the nylon and polyester filament yarn industry are passing through difficult times. As a measure of relief, I propose to reduce the excise duty on nylon filament yarn from Rs. 63 to Rs. 55 per kg and also to reduce the import duty on caprolactum from 80 per cent to 50 per cent. I also propose to reduce the excise duty on polyester filament yarn from Rs. 70 to Rs. 62 per kg.

To promote use of jute by the handloom sector, I propose to fully exempt jute yarn in hanks from excise duty. Similarly, jute products manufactured in rural areas by registered co-operative societies, women's co-operatives, etc., are also proposed to be fully exempted from excise duty.

As a measure of relief to the silk industry, I propose to reduce the import duty on raw silk from 55 per cent to 30 per cent.

The package of proposals relating to the textile industry involve a revenue reduction of about Rs. 25 crores.

I would now take up the proposals for rationalisation and additional revenue mobilisation.

At present excise duty is levied on ad valorem basis on some commodities and at specific rates on other. Over the years, for administrative reasons, ad valorem duties have been steadily replaced by specific rates or ad valorem -cum-specific rates. Ad valorem duties are preferable to specific duties as they ensure buoyancy in

revenue on account of increase in prices, and the Chelliah Committee has recommended switching over to ad valorem rates for a number of commodities. It has also recommended that where specific rates are retained, the same should be revised every year taking into account the price inflation. I propose to make a modest beginning by switching over to the ad valorem mode of levy where feasible.

In respect of major non-ferrous metals, namely, copper, lead and zinc and products thereof, I propose to fix a uniform ad valorem levy of 10 per cent in the place of existing specific rates of duty. As regards iron and steel, the excise duty on primary and semi-finished forms thereof is generally charged at specific rates of duty. For administrative reasons, I propose to retain the specific rates of excise duty on items like ingots and certain rolled products like bars, rods, etc., other than of stainless steel. In respect of these products, I propose to raise the existing rates, which are presently between Rs. 300 to Rs. 1800 per metric tonne to rates between Rs. 400 and Rs. 2000 per metric tonne. However, in respect of iron forgings and other steel products, I propose to prescribe a uniform excise duty of 10 per cent. The proposals involve a revenue gain of about Rs. 400 crores.

Duty on Cigarettes

In my budget speech last year, I mentioned that every Finance Minister has to do his bit to curb smoking which is injurious to health. This injury to health is continuing and I would be failing in my duty if I did not make one more attempt to use the fiscal instrument in this worthy cause. While I do not propose to increase the duty on non-filter cigarettes of less than 60mm in length, the duties on all other cigarettes are being raised by Rs. 30 to Rs. 100 per thousand depending on the length. The gain in revenue from the proposals is of the order of Rs. 325 crores.

I propose to increase the excise duty on certain plastic resins, namely, polystyrene, low density polyethylene, high density polyethylene and polypropylene from 30 per cent to 40 per cent. The revenue gain from the proposal is Rs. 165 crores.

Watches attract a very low rate of duty of 5 per cent which is out of line with the general duty structure. I propose to raise the rate to 10 per cent. The revenue gain from the proposal is estimated to be Rs. 12 crores.

I propose to increase the excise duty on cement from Rs. 215 to Rs. 290 per metric tonne. The excise duty on cement produced in mini cement plants will also go up from Rs. 90 to Rs. 165 per metric tonne, thus maintaining the existing duty differential of Rs. 125 per metric tonne in favour of mini cement plants. However, I propose to reduce the duty on white cement from 40 per cent to 35 per cent to bring the incidence closer to that on ordinary cement. The estimated revenue gain from these proposals is Rs. 376 crores.

Reform in Direct, Indirect Tax Systems

I propose to raise the excise duty on paints from the existing levels of 15 per cent and 30 per cent to 20 per cent and 35 per cent respectively. The revenue gain on account of the proposal is estimated to be Rs. 35 crores.

I propose to increase the excise duty on organic surface active agents from 25 per cent to 30 per cent. The proposal would yield an additional revenue of Rs. 50 crores.

At present two-wheelers such as motorcycles and scooters attract excise duty in slabs of 10 per cent, 15 per cent, 20 per cent and 30 per cent depending on the engine capacity. I propose to rationalise the duty structure by levying a uniform duty of 15 per cent on all two-wheelers of engine capacity up to 75 cc and 25 per cent on all others whose engine capacity exceeds 75 cc. I also propose to increase the excise duty on light commercial vehicles from 10 per cent to 15 per cent. The proposals involve a revenue gain of Rs. 80 crores.

I propose to increase the excise duty on cocoa and cocoa based preparations from 15 per cent to 25 per cent. The proposal involves a revenue gain of Rs. 24 crores.

I propose to increase the excise duty on wires and cables by five percentage points from the present levels. The additional revenue from the proposal is expected to be of the order of Rs. 60 crores.

I also propose to revise upwards the existing specific rates of excise duty on tyres, tubes and flaps. However, I propose to reduce the duty on moped tyres from Rs. 30 to Rs. 25 per tyre. The proposals involve a revenue gain of Rs. 40 crores.

Two-Wheelers' Duty Raised

Special excise duty is being levied at present at the rate of 10 per cent of the basic excise duty, certain essential items such as tea, coffee, sugar, matches, kerosene and vanaspati are fully exempted. In addition, high speed diesel oil and two-wheelers attract special excise duty at 5 per cent. I now propose to raise the special excise duty on products which are presently attracting a 10 per cent rate of duty to 15 per cent. However, this increase will not be applicable to petroleum products. I also propose to exempt from this increase certain consumer durables like motor cars and consumer electronics such as television sets, as these industries are passing through a difficult phase. This proposal involves a revenue gain of Rs. 1,025 crores.

The changes in trade policy introduced last year have eliminated the differential incentives for export at higher stages of manufacture. While a uniform pattern of incentive is generally to be preferred, there is a case for introducing some disincentives for exports of certain primary products where the same product can be easily exported in value added form. I propose to impose an export duty of 10 per cent on exports of certain types of finished leather and on unpolished granite in order to

encourage exporters to shift to leather products and polished granite. I am imposing an export duty of 5 per cent on iron ore. The proposals are expected to yield an additional revenue of Rs. 142 crores.

I have also proposed certain amendments in the Finance Bill seeking to effect changes in the excise and customs tariff. These amendments are generally enabling provisions and have no revenue significance. Besides, there are proposals for amendment of some of the existing notifications. In order to save the time of the House, I do not propose to recount them.

The proposals with regard to changes in excise duty outlined above are likely to yield additional revenue of Rs. 2,515.70 crores. The concessions and reliefs announced aggregate to Rs. 304.80 crores. Out of the net additional sharable revenue from excise duties of Rs. 2,210.90 crores, the Centre's share would be Rs. 1,146.53 crores and the States' share Rs. 1,064.37 crores.

The net impact of my proposals on customs and excise duties taken together amount to an additional mobilisation of only Rs. 187.55 crores on direct taxes. Since the loss in customs duties falls entirely on the Centre whereas the gain in excise revenue is shared with the States the impact on the Centre's revenue is a loss of Rs. 876.82 crores while the States will gain as much as Rs. 1,064.37 crores.

Copies of notifications giving effect to the changes in customs and excise duties effective from March 1, 1992, will be laid on the table of the House in due course.

Taking direct and indirect taxes together the changes I have proposed are expected to result in a net revenue loss of Rs. 517 crores to the Centre while the States will gain Rs. 1,500 crores. Consequently, the estimated year end budget deficit of the Centre for 1992-93 will be Rs. 5,389 crores and the fiscal deficit for the year will be Rs. 34,408 crores.

Our nation will remain eternally grateful to Jawaharlal Nehru for his vision and insistence that the social and economic transformation of India had to take place in the framework of an open society, committed to parliamentary democracy and the rule of law. India's development is tremendous significance for the future of the developing world. To realise our development potential, we have to unshackle the human spirit of creativity, idealism, adventure and enterprise that our people possess in abundant measure. We have to harness all our intent resources for a second industrial revolution and a second agricultural revolution. Our economy, polity and society have to be extraordinarily resilient and alert if we are to take full advantage of the opportunities and to minimise the risks associated with the increasing globalisation of economic processes. We have to accept the need for reform if we are to avoid an increasing marginalisation of India in the evolving world economy. The economic policy changes brought about by our Government in the last eight months are inspired by this vision. Our party is an inheritor of great traditions of national

service. True to this heritage, we commit ourselves to providing a firm and purposeful sense of direction to the reform process so that this ancient land of India regains the glory and rightful place in the comity of nations. This Budget represents a contribution to the successful implementation of this great national enterprise, of building an India free from the fear of war, want and exploitation, an India worthy of the dreams of the founding fathers of our Republic. We shall pay any price, bear any burden, make any sacrifice to realise those dreams. India is on the move again. We shall make the future happen.

Sir, I commend the Budget to this august House.

Campaign Against Multinational Companies Supported

92AS0815B New Delhi JANSATTA in Hindi 31 Mar 92
p 4

[Article by Rajniraman Jha: "A Swadesh Campaign Would Not Be One-Sided"]

[Text] The swadesh [use of national products] campaign has become widespread rhetoric and is surrounded by new doubts. The word swadesh not only means that we stop multinational companies from investing money in India or prevent Indians living abroad from investing their money in India. Also, it does not even mean that we buy and use a car made in India instead of buying a foreign-made car. The word "nation" does not have such a limited meaning.

What is the reason for the reoccurrence of the swadesh campaign? How was the Renaissance in Europe different from India's swadesh campaign? The truth is that at that time, all of Europe had risen. However, the awareness for a world society had not yet developed. Every country emerged at its own pace. Later, many competing countries developed enmity toward each other. Every country made progress but did not ignore the option of taking advantage of other countries. Therefore, we can call the Renaissance in Europe the equivalent of a consolidated swadesh campaign.

India's swadesh campaign cannot equal such a "corrupted Renaissance." Of course, there have been many swadesh campaigns in this country. All of these focused on "world brotherhood"; regardless, the campaigns were originated by Agastya, Chankaya, or Mahatma Gandhi. That is why Mahatma Gandhi told the mill workers of Manchester that he loved them and empathized with them. He said he did not like the fact that they had lost their jobs, and that he had no alternative. Some of the mill workers in Manchester joined him after listening to his sympathetic but firm statement. In the European swadesh campaign, such great personages were always absent.

Then, what gives India's swadesh campaign a new connotation? It is the feeling for one's ego and recognition of its association with the inner energy. In addition, there is

the ability of our great nation to comprehend the importance of thought, philosophy, and intellect. This knowledge of self has always acted as an alert guard. It tells us that we have not only been left behind in the world, but are also losing ground in the inner world. It tells us that we must be careful. The nation becomes alert and a new swadesh campaign is started. That is what happened again this time.

The protest against multinational companies is symbolic. The fact is that this effort hides our efforts to protect our identity. If we look closely and think about it, it will be clear to us. Here we must look into our history.

All the outside powers that attacked India were assimilated into our society. Islam kept its independent identity, but it did not succeed in destroying our philosophy. Instead, its own philosophy was influenced and began to reflect a love for humanity. When the English came, however, they totally destroyed our economic system. All efforts were focused on earning and consumption of goods. The flow of Indian philosophy began to dry up. We never became "slaves" of the Turks, but we did of the British. Gandhi understood that burning foreign-made goods would not be enough; it was important to establish the fast-diminishing spirituality in the country. What excuse did he have? He decided that the excuse would be boycotting foreign-made goods. This would shake up the people. The people felt that since they were boycotting foreign goods, foreign philosophy could also be detrimental to the country and should also be boycotted. They did boycott it. The experiments conducted in literature, music, and art during the independence struggle were greatly influenced by Indian philosophy. Everything seemed to be our own. The way our inner world had emerged beautifully at that time was unique.

The present swadesh campaign should be viewed within this framework. Whether the multinational companies are good or bad is debatable. Opposing them is a good sign of the rebirth of Indian thinking. There are two kinds of people who have not tried to solve the riddle of spiritualism. One are those who have unlimited wealth. They work nonstop to increase their wealth. It is not really their fault; earning money is part of their character. The other group is those who have nothing. They continue to work hard just to stay alive. This is what happens in multinational companies. One of the groups is very highly placed while the other is very lowly placed. They do not have a middle class. Therefore, wherever they are in large number, there is no discussion of religion. It does not matter if it is the United States of America, England, or any other country. Such a country doubtlessly falls first. Our fall is not that easy. We have been told that happiness and unhappiness are not our problems, and that we should not be influenced by these. Our prime goal is to achieve that "oneness with divinity." Perhaps that is the reason that in spite of the huge population living below the poverty line this country is still alive and stable.

Such a philosophy cannot be part of a company where the amount money is increased every second and all time is spent in finding possibilities of new markets in every country. This feeling of selfishness gave birth to the two world wars. Such companies create opportunities for the clash of their selfish interests. Then the rich countries fight, and the poor nations suffer. The emptiness of this "inner world" influenced the outside world. The present swadesh campaign is encouraging us to avoid such a danger.

Therefore, the people who are mocking the swadesh campaign now are actually helping the elements they want to avoid. Such people neither help their own country nor any other country in the world. These people are able to look at the outside decoration but are unable to comprehend the inner feeling.

Doubts Expressed Concerning Direction of Economic Reforms

92AS0641B Calcutta ANANDA BAZAR PATRIKA in Bengali 7 Feb 92 p 4

[Editorial: "The Prime Minister's Assurance"]

[Text] Running a country has many similarities to that of running an industry or a business. The responsibility of an industrialist does not end with the production of goods. The production needs publicity. Similar to that, the responsibility of the head of the country does not end with the formulation of an economic policy on the basis of a better ideal. It is necessary to publicize the new policy and the ideal. For that reason, a few months ago, the Central Finance Minister Manmohan Singh went to Singapore with his aides to explain India's new industrial policy to a gathering of foreign and nonresident Indian industrialists. And for that reason, Prime Minister Narasimha Rao recently said that a constructive and forceful publicity is needed on the national radio and television in favor of the new economic policy. And for this reason, he elaborately explained to a group of industrialists and businessmen in Switzerland the new policies and measures taken by his government to encourage and invite foreign investment in India. There was another important reason behind this. After coming to power, although the Narasimha Rao government undertook the task of a program for a speedy reform of the old economic structure, foreign investment did not come in great numbers in spite the relaxation of control on foreign investment. It means that governmental measures failed to encourage foreign investors. But if foreign investment is not increased quickly, the solution to the crisis of the foreign currency in the Indian economy will become harder as well as the use of modern high technology will become difficult. Narasimha Rao is, naturally, anxious. He personally made the effort to attract foreign investors to India. In this regard, India followed the example of the state of West Bengal. Jyoti Basu, the chief minister of West Bengal, has been traveling throughout Europe and America on a regular basis for last few years with the objective of bringing foreign

capital to West Bengal. This kind of summit tour is not at all uncommon. Nowadays, a person like the American president has to go to Japan to promote the sale of American cars.

Narasimha Rao informed the business world that his government would welcome any foreign investment. It is good to hear that. It is also true that the prime minister has reformed and relaxed the policy toward foreign investment. But is what he has done until now sufficient? Still there are many obstacles in the way of foreign investment, which is still prohibited in many sectors. There are many restrictions for transferring profits made from investments to a foreign country. There are also many obstructions in the field of importing technical know-how. And behind all these shortcomings, there is a fundamental misunderstanding. It's name is foreign phobia. The apathy and suspicion in the minds of Indian policymakers about foreign capital and technical know-how, which had been exhibited by their activities since independence, has not yet been changed in the real sense. The present attitude of Indian policymakers about foreign investment is something like—"it would have been better not to take it, but there is no other alternative in the present situation." And here lies the problem. We have to accept foreign capital not because we are left with no other alternative, but because it is necessary and leads to development. If we read the recent history of the economic development of South Korea and Taiwan in eastern Asia and of Malaysia and Thailand in the next phase, we see that those countries achieved much improvement only because the governments of those countries welcomed and fully cooperated with foreign investors. If we move halfheartedly or hesitatingly, the results will not be as expected or will be incomplete.

Narasimha Rao is also aware of this situation. He knows full well that he is surrounded by a group of apprehensive and skeptical people. Apart from outside critics like Chandra Shekhar, Rashtriya Swayam Sevak Sangha or the CPI(M) [Communist Party of India-Marxist], there are many people in his own party who do not have faith in the new economic policy and who still suffer from the uneasy suspicions and apathy about foreign investment. In fact, besides the prime minister himself, Finance Minister Manmohan Singh, and [Minister of State] for Commerce P. Chidambaram and a few other ministers, all the other ministers are not ready to open their minds about the new economic reforms. Some of them even made adverse comments about it. It is not only unfortunate, it is also unethical. The reforms of the prime minister conform to the election manifesto of the Congress party. It means that the Congress party fought the election with the promise of reform. After coming to power, it should be the first and foremost duty of the leader of the party and the other ministers to try to fulfill the promises. When the prime minister is endeavoring to fulfill the responsibility, all other ministers should offer him full cooperation; otherwise, it will be a betrayal to the people who elected them. It is even more important when the future of the country is depending upon the

success of these economic reforms. In his speech in Europe, Narasimha Rao said that the policy of his economic reforms have the support of all his countrymen. The country will be benefit if these words come true.

Scientists Develop 3-D Copper Oxide Superconductor

92AS0821A Madras THE HINDU in English 8 Mar 92
p 4

[Text] Calcutta, March 7—Scientists at the Indian Institute of Science, Bangalore, have just succeeded in designing a three dimensional copper oxide superconductor. If this is true, most models of high temperature super conductivity in these oxides need to be re-examined, since they all make use of two dimensionality as an essential feature according to Professor C.N.R. Rao, Director, Indian Institute of Science and president, Jawaharlal Nehru Centre for Advanced Scientific Research, Bangalore.

Prof Rao, who was delivering the convocation address at the Indian Statistical Institute (ISI) at Barrackpore, said that for some time he was interested in the fundamental process relating to chemical bonding in cuprate superconductor. "We knew that charge transfer from oxygen to copper in these materials was crucial, but had no way of studying this experimentally. Most physicists and theoreticians have considered the charge transfer energy to be very important but they either ignore it or take it as a constant. I felt that this was not correct."

"We have, in the last two years, been able to obtain a good experimental measure for the charge transfer energy by employing photo emission spectroscopy and have shown that charge transfer energy varies with composition in any given series of superconductors. Clearly, one has to explicitly take charge transfer energy into account in any model for superconductivity. We are still working on various aspects of superconductors in the last one year to explore whether we can design a three dimensional copper oxide conductors. I am happy that we have just now succeeded."

Carbon molecules: Professor Rao said he was doing research on the molecular clusters of carbon to understand the nature of carbon molecules in the universe. In this context, he said that the buckminster fullerene formula has identified prominent carbon cluster molecules found in graphite vapours containing 70 atoms of carbon. Whoever imagined that the element carbon can form molecules which can vaporise. The fullerenes clearly constitute a new form (or a new allotrope) of carbon different from graphite and diamond that we all know of.

He said "simple aromatic compounds such as benzene and naphthalene are colourless. It is really unbelievable that we now have super molecules of carbon which dissolve in solvents and give coloured solutions, we

could never have dreamt of such a possibility, being used to graphite and diamond as the only forms of carbon."

Emphasising the need for excellence, which according to him was becoming a rare commodity in the country, he advised the graduating students to take up a very productive and exciting future considering the momentous changes occurring in the geopolitical scenario of the world today. He felt that the ISI offered a better atmosphere for academic research.

Great excitement: Professor Rao said that in Bangalore the availability of a method to produce fullerenes in the laboratory had created great excitement in the scientific world comparable to that of high temperature superconductors in early 1987.

The fullerene molecules exhibited most amazing physical and chemical characteristics. The buckminster fullerene has so engrossed the world that one of the

important aspects of interest today was the incorporation of an external atom in the spheroidal cavity.

"In Bangalore, we have been able to put an iron atom in the cage. Excitement in fullerene research is further enhanced by the discovery of superconductivity in alkali doped fullerene compounds. High pressure studies have shown evidence for metallisation of this under pressure."

Professor Rao felt that it was extremely difficult to further pursue the science of fullerenes from India since the necessary characterisation facilities were lacking.

He did not know how "we will ever contribute in a big way to such a competitive area. I believe that even in India some excellence in experimental research can be achieved if one persevered. There is no greater joy than doing exciting experimental research. Unfortunately the experimental culture is slowly disappearing in the country. This causes me great anxiety and concern but one cannot afford to lose hope."

Pawar Discusses Missile Launching Plans*92AS0820A Madras INDIAN EXPRESS
in English 7 Mar 92 p 7*

[Quotation marks as published]

[Text] New Delhi—The next launch of the Agni missile is likely to be undertaken by June. Giving this information in a written reply in the Lok Sabha on Friday, Defence Minister Sharad Pawar said that subsequent to the first successful launch of 'Agni' in May, 1989, more launches had been planned. However, no specific programme was drawn up, he said.

Agni, being a 'technology demonstrator', there are no plans to induct it into the armed forces, Mr. Pawar said. The surface-to-air missile Akash was already under an advanced stage of development. He described it as "of the same class as the Patriot missile of the USA."

Akash—a mobile, medium range surface-to-air missile—will have the capability for multi-target engagement as well as anti-ballistic defence, the minister informed.

In reply to another question, Mr. Pawar said that at present the government had no plans to set up new ordnance factories. He said that some of the defence items were being manufactured in technical collaboration with some other countries.

He, however, did not divulge details about them saying that "it is not in the public interest to disclose the details in this regard."

The Minister informed the house that there were "no specific proposals of defence cooperation" between India and Israel.

President Commissions Fourth Naval Base*92AS0775C Bangalore DECCAN HERALD in English
10 Mar 92 p 6*

[Text] Madras, March 9—The country's fourth naval air station will be commissioned by President R. Venkataraman at Arakkonam, about 80 km from here, on Wednesday.

The station, christened Rajali, is situated in the sprawling 2200-acre complex and has an all-weather airfield, with facilities for day and night operation. The 4.5 km runway, built to facilitate the landing and take-off of the Russian-built giant surveillance plane, the TU-142 M, is the longest in south east Asia, according to Com. S. K. Das, Chief of Naval Staff, Eastern Naval Command, Visakhapatnam.

The Arakkonam station, the second in the east after Vizag air base, will ease congestion at the Dabolin station in Goa and will enable the IL-38 and TU-142 aircraft to avoid wasteful overland flying to reach the east coast. It will enhance the navy's surveillance capability over the Bay of Bengal.

The station will serve as the base for eight TU-142 planes and a helicopter squadron, consisting of five Sea Kings and two Chetaks. It has hangar facilities for the aircraft and the choppers, besides sophisticated navigation equipment.

The foundation-stone for the Rs. [rupees] 86.83-crore project was laid by late Prime Minister Rajiv Gandhi on Nov 12, 1988. The station, with the east coast just six minutes away in flying time, will give the navy the ability to operate its long range aircraft and thus guard the 6,600 km coastline and the exclusive economic zone in the Arabian Sea as well as the Bay of Bengal, according to top navy officials.

Plans are on to start a helicopter pilot training school at the station.

The TU-142 aircraft can remain airborne for 16 hours and be used to effectively patrol the seas for poachers during peace time and for enemy submarines during war. It can fly low over the sea and drop sonar buoys, which can pick up the sound of submarines and relay the signal to the computer on board the plane.

The computer will help the pilot zero in on the sub and take a decision "even in the eleventh second" on whether to destroy it or not, according to Com. Das.

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