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# ***JPRS Report***

## **Near East & South Asia**

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# Near East & South Asia

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## REGIONAL

### Prospects for Business Ventures With GCC States Discussed

44000176 Dubayy *GULF NEWS in English*  
20 Nov 88 p 15

[Article by Arun Solomon: "GCC Businessmen Upbeat Over Prospects in Iraq"]

[Text] Baghdad—Iraq holds a post-war bonanza for GCC businessmen willing to participate in the reconstruction and rebuilding of its economy. Arun Solomon looks at the prospects on hand, and the incentives that go with them.

Gulf Cooperation Council businessmen from some of capital surplus member states have returned from Baghdad satisfied that a number of opportunities exist in post-war Iraq.

They now have to make a choice of the manner in which they would like participate. The avenues are three—investment in medium-size industrial units, some of which exist and some which would have to be built from scratch; re-exports to Iraq and lastly imports from Iraq.

The government of Iraq has earmarked 70 industrial projects which it would like GCC businessmen to buy outright. The only hitch to such a venture is that, would the GCC businessmen be willing to commit capital to a project from which returns would look good on the books only in the long term?

Though the Iraqi Government has given preferential treatment to GCC businessmen, it envisages them more as "shareholders in Iraq's economy rather than as mere foreign investors." GCC businessmen used to quick returns on capital may find it hard to take on projects from which repatriation would be at the scale of 20 to 25 percent annually, only.

To most observers it appears that Iraq would like to build up a 'dinar' based financial structure and is seeking help from the GCC private sector.

The logic is simple: Project investment in Iraq would be in no way unprofitable providing the management and operation remains in the hands of professionals. The Iraqi population now about 16 million is growing at the rate of 3 percent annually thus a consumer base is assured.

Moreover, the emphasis is on small and medium projects which would not be very capital-intensive. Iraq also has a labour force of nearly 3 million, predominantly Egyptians and Sudanese.

On the other hand, some of the existing plants have been run for some years and depreciation of the machinery and plant housing would have to be considered in considering long-term investment.

In the foreseen dinar-based financial structure, if GCC businessmen are willing to maintain funds within Iraq itself then there seems to be no obstacle. But those businessmen who might want to repatriate both capital and profits quickly might find it difficult to do so.

The Iraqi Government will also allow GCC investors to bring in machinery and expertise.

Iraq owes huge amounts to at least Saudi Arabia and Kuwait at the government level. However, these are absolutely distinct from what is expected from the GCC private sector nor are the concessions granted to the latter linked financially to the debts.

Some of the GCC businessmen who toured the country have been impressed with the quality of Iraqi manufactured goods as well as some of the traditional Iraqi products. One UAE businessman has tied up a number of agencies for Iraqi products.

At least a dozen others from Kuwait and Saudi Arabia have signed similar agency agreements though none of them are willing at this juncture to disclose what these may be.

For those in the Gulf countries wanting to re-export goods to Iraq there is scope too. These dealings would have to be confined to the private sector.

The Iraqi Government has allowed some of its non-resident businessmen to send goods to Iraq on payment of relevant customs duties. Though these duties are steep a market survey reveals even then the Iraqi businessmen stand to reap a handsome profit. For re-exporters, say in Dubayy these transaction would have to be UAE-based. Of the nearly 3 dozen companies set up in Dubayy a number have already begun to send back goods to Iraq.

Price controls have been lifted on most items and it is observed that the shelves in the shops are now well stocked with both Iraqi-manufactured items and those from outside.

This, it was explained, is a very substantive change from a year ago. However, the catch is that most of these items in the free pricing system are high priced. For example an ordinary one dirham disposable butane lighter can cost anything from Iraqi fils 600 to Iraqi dinars 2.50—depending from where it is bought.

The Iraqi Dinar's rate of exchange is one dinar to 3.2 U.S. dollars.

Similarly in the souks vegetables and fruits are quite expensive. One banana can cost about 1 Iraqi dinar.

This appears to be one of the reasons why the Iraqi government is keen to build up its agro-based projects both in terms of increased local produce and processed foods.

For GCC businessmen the opportunities are ample, what they have to decide for themselves is whether they have the will to participate if investing and whether they have the patience to wait for the profits to begin rolling in.

### **Strengths and Weaknesses of Arab Banks in Europe Discussed**

44000158 Nicosia MEMO in English Nov 88 pp 6-10

[Article by Samir Subh: "How Will Arab Banks Face Europe in 1992?"]

[Text] In 1992 the borders between Western Europe countries will be abolished. Europeans decided to liberate the movement of capital and are studying a project to set up bases and criteria of competition between European banks. This raises the following question. What are the prospects for Arab banks operating in Europe in general and in France in particular? Can they face alone the European target date of 1992 for which all the necessary material requirements, information services and infrastructures are made available? Or is there an urgent need to merge these banks or establish Arab multidisciplinary banking groups capable of taking part in the European war of competition which will take place in the 1990's. This financial Europe will have a European central bank to organize banking activities, supervise investments, settle problems and draw strategic plans to face the competition of American and Japanese banks. This issue must be treated now in order to avoid useless debates and studies at a time when they will undoubtedly be too late. We should first of all determine the strong and weak points of Arab banks operating in Europe as compared to the position of European banks as far as the following is concerned: annual budgets, the nature of the banking activity, the opinions of bank managers and experts and the methods of projects financing. In fact, the study of the position of Arab banks in Europe during this decade has not been imposed on us by extraordinary events or as a result of the recent problems of the Saudi French Bank although the latter is part of the subject under study.

We have noted in the discussions we held with some Arab bank managers that although most of them recognize that 1992 imposes a new reality on the banking industry in Europe as a whole, they nevertheless do not believe that this will have far reaching effects on Arab banks. The latter will have to compete against European banks and therefore be obliged to merge. This group of people believes the customers of Arab banks are mainly Arabs for whom most of the banking activities are undertaken and their deposits are mainly Arab deposits. Thus, the competition involved will not be a competition with the real scientific meaning of this word. These bank managers cite the recent UBAF report which indicates

that the volume of Arab funds abroad is currently somewhere between \$460 and \$620 billion. The volume of public investments is between \$340 and \$400 billion and private investment are between \$120 and \$220 billion. According to these figures, there will be no need to look for new funds or deposits outside the Arab private and public framework.

The manager of an Arab bank in London believes that it is too early now to consider any merger especially that Arab banks operating in Europe have been carrying out joint operations in European countries since a very long time which are not linked to European banks. There will therefore be no need to compete against the latter now or in future. The nature of the banking activities that are undertaken by both groups is completely different and their customers are also different. Arab banks have not up till now designed any plan to break through the European market in an attempt to attract European deposits or savings. Therefore, this bank manager adds that he does not see any reason for European banks to try to limit the activities of Arab banks or weaken their position. It should be noted, however, that Arab banks' potential is not today as it was in the middle of the seventies and the beginning of the eighties. This is why this manager says that Arab banks are better off establishing banking groups than mergers at least for the time being.

At the same time, the owner of a Lebanese French bank discards the principle of bank mergers and sees no reason whatsoever to raise this question at this stage. He says that Arab banks in general and his in particular are not facing any particular problems or difficulties which would urge their customers to turn to European banks which anyway cannot understand the requirements of Arab customers. His customers are the same since more than 10 years and they are not likely to change banks. Thus, competition now or in future will not take place as his relations with his Arab customers are steady and stable as far as banking services and facilities are concerned not to mention the importance of personal relations which play a very important role.

### **Strong Points and Drawbacks**

Regardless of the different opinions concerning mergers between Arab banks to face the European target date of 1992, we should carry out a series of detailed comparisons between Arab banks and European banks. And in any case these comparisons can be taken as strong points or drawbacks for any of the two groups.

In this context, it should be noted that the very establishment of Arab banks in the different European capital cities and their existence over these long periods of time is in itself quite an achievement which should not be undermined. It is in fact one of the positive aspects of Arab financial planning. These banks have in fact proved their capacity just like Western banks to implement huge financial projects. Yet, despite the positive points, there

are other drawbacks which have surfaced over the day to day work in Arab banks which could make the outcome of competition, if it happens, in favour of European banks. These drawbacks are as follows:

- The huge administrative costs in Arab banks.
- The absence of Arab banks branches in the main streets of capital cities or in other large cities which would be capable of attracting new customers and deposits. This explains also why some Arab customers found it easier to deal with branches established in their residence or work areas rather than going to Arab banks.
- Another important point is the decrease of oil prices which led to a clear decline in the volume and number of trade transactions related to oil and oil by-products and accordingly to the decline of oil earnings and oil related deposits.
- The fact that Arab banks depended completely from the very beginning on Arab customers only led to the above mentioned decline. Attempts made as of 1983 to attract European customers and Arab residents abroad were not very successful. Arab banks were not successful either when they attracted European factories or industries facing liquidity problems as the latter did not deposit funds but borrowed money from Arab banks accepting their conditions even high interest rates. The result was that they were unable to repay their loans and Arab banks were faced with the problem of bad debts.
- Arab banks tend to aim at achieving as much profit as possible by taking high risks. In other words, they favour hazardous undertakings rather than reasonable profits. European banks do the contrary. Experts believe this shows that Arab bankers are more of traders who do not aim in the first place at gaining customers with all of their deposits, commercial, industrial and investment undertakings.
- Another important practice which led to adverse effects and to the Saudi-French Bank problem lately is that Arab banks undertook activities which they were not supposed to do anyway, namely, lending operations to Third World countries especially in Africa and Latin America. Most of these loans turned out to be bad debts. The Arab Banks Organization in its last meeting in Manama adopted a very strong position concerning the write offs of Third World debts on the basis of the fact that private commercial banks are not allowed to write off developing countries' debts. The organization's last report indicated that Arab banks loans to Latin American countries amounted to \$4.5 billion. At the same time the Arab Monetary Fund announced a new lending strategy whereby granting loans should be subject to the acceptance of certain conditions similar to the IMF conditions. The Arab Monetary Fund further warned Arab banks operating

abroad in its annual report published last month against the problems which can arise if they pursue their lending operations to Third World countries in the same way.

- Involvement in the European real estate market as happened a few months before the last stock markets crash is another weak point in Arab banks working abroad. The problem is that Arab bankers considered that the European real estate market was similar to the Arab one, that is, without any indirect speculations in stock markets. The trust however was different and the results were quite negative.
- A last point in this context is the fact that Arab customers and investors contrary to the prevailing ideas tend to go to European banks first for several reasons among which the serious handling of affairs, lower cost of services, uncomplicated lending facilities in addition to the available information about the investment markets. A good example to be mentioned here is the transaction carried out by the Saudi businessman, Mr Sulayman 'Alyan who wanted to participate in a Swiss American company in Europe, which includes the Credit Swiss and the First Boston Bank. Mr 'Alyan received a loan of \$600 million from international banks to take a stake of 30.5 percent in this company. Regardless of the fact that Mr Alyan's group is an intermediary group in this operation and that art of these shares will be sold to other investors, still, the fact that the entire operation was handled outside Arab banks operating abroad is another indicator of this decline.
- Speaking of Arab customers, we can also note the absence of North African Arabs whose number is huge and the lack of importance Arab banks attach to them despite the increasing number of businessmen and investors among them. The only Algerian remittances to France reach 5 billion French francs.

#### Strong Points in European Banks

In short, we could say that the strong points in European banks are the result of drawbacks in Arab banks operating in the European market. In fact, European banks have exploited these drawbacks since quite a long time and will of course continue to do so in future especially at the beginning of the 1990's when the competition among European banks will be quite fierce, with each bank trying to have the largest possible share of the market. It should be noted here that each European country aims at establishing as many multidisciplinary banks as possible in all EEC countries in order to facilitate trade exchanges and introducing direction or indirectly its industries in their markets. This raises the following question: what will be the role of Arab banks operating in Europe in the midst of this competition and in the light of these criteria.

Answering this question should be done in the framework of specific objectives and a clear predefined work

plan which unfortunately is not available up till now. To avoid embarking on assumptions we should note that the strong points in European banks are numerous and include for example:

- A consistent administration system and an efficient self control which allow banks to operate according to well defined methods, ensure good progress of work and reduce material problems as wages are in line with the professional division of work.
- Interest rates and banking charges are less than in Arab banks. This is mainly due to the low administrative costs and of course leads to higher profits and a larger volume of operations.
- Another point to be taken into consideration in the field of competition is the implicit decisions taken by the central banks in the EEC countries which are in fact called the Cooke committee's decisions which will be implemented as of 1992. Among them is the agreement on the fact that banks' private capital will be equal to 8 percent of their total loans. The innovation implied in this respect, which does not exist in Arab banks, is that this measure will establish a balance as far as risks are concerned.

#### Evaluation According to Annual Budgets

In 1987, most Arab banks operating in Europe had good and steady results in their annual budgets from a financial standpoint. The world economic situation at that time favoured this trend. Growth rates in industrial countries were similar to those of the previous year and inflation remained at reasonable levels. Yet, despite the increase of the prices of raw materials, the relative stability of oil prices and the slight increase of the volume of international trade. Third World countries did not benefit from this due to their attempts to reduce their incapacity of repaying their debts. This year also witnessed great difficulties concerning interest and exchange rates as competition between banks was strong. The stock markets crash had an adverse effect on the prevailing positive environment and the rate of growth declined.

The most important problem facing Arab banks operating abroad remained the new loans they had granted in 1987 to Third World countries although in lesser volume and amounts than before. Central banks in several European countries as a result of this situation asked foreign banks operating on their territories (including Arab banks) to establish reserves of 30 to 50 percent of their bad debts to developing countries. This had adverse effects on the results of the 1987 fiscal year in particular as these banks were forced to deduct these reserves from funds that were invested in other profitable sectors. A detailed study of the Arab banks' budget allows us to note the following:

- These banks favoured Arab countries and average size African countries according to their policies set at the time of their establishment.

—Arab banks adopted new policies in the field of interferences in medium term loans and they also increased their participation in short term loans which were of course positive moves.

—Portfolios remained oriented towards Arab countries.

—the notable increase of documentary credit operations was evidence of the growth of trade operations.

—The decline of exchange and treasury operations due to the fall of the U.S. dollar exchange rate.

—Deposits increased are reduced rates as compared to 1986.

—One third of the obligations were linked to loans and half of them were allocated to export loans and the other half to refinance letters of credits.

The most important characteristic of these budgets was however the presence of huge values which exceeded by far some banks' capital and which were included in the item "adjustment accounts, reserves and other." Anyway, these figures can only be profits made by these banks. In fact Arab banks made quite large profits but they were unfortunately used to cover bad debts. This explains of course the presence of these huge values in most Arab banks' budgets. The problem in some of these banks remains, nevertheless, the existence of still uncovered debts which drives these banks to increase their interest and service rates and reduces thereby their competitiveness.

—Another point of interest to be taken into account is the existence of quite low net profits in the budgets that are not in line at all with the banks' capital and the banking activities which were carried out during the financial year. A great difference in this respect can be noted between Arab banks and any small European bank. This makes foreign depositors avoid Arab banks.

—The importance of the blocked deposits should not be undermined which are accumulating in consequence of non repayments and are increasing due to the paid interest. These deposits are used by banks to inflate their profits. This made European central banks particularly in France take a measure according to which deposits cannot remain blocked for a period exceeding 2 years. Banks were also requested to establish a reserve to cover such deposits. These reserves reached sometimes 100 percent of the deposits.

The above review of Arab banks' budgets aims in fact at confirming that these banks can make huge profits and know how to operate in the banking market despite of the above mentioned drawbacks. The major problem was the increase of loans granted to Third World countries and companies facing liquidity problems which have become with time "blocked debts" that may not be repaid.

### The Saudi-French Bank Experience

The problem of this bank is a warning to Arab banks working in Europe so that they start reviewing their position in the light of the changes that can occur in the European banking sector. Although our aim here is not to amplify this event, it is nevertheless considered as a blow to the management of Arab banks even if it concerns a bank of French nationality. This bank's total budget reached 8.5 billion French francs while its assets (capital plus reserves) did not exceed 620 million French francs. Interbank loans reached FF 5.9 billion of 44 banks based in Paris, some were responsible of FF 2.7 billion.

The volume of the actual losses was FF 2.4 billion, an amount which cannot be covered by any Arab establishment whether public or private. The main causes of this bank's problem (which since 1986 made only profits) are as follows.

- 1) Granting huge loans to businessmen without sufficient collateral.
- 2) Losses incurred due to huge speculations on the European real estate market during the last years.
- 3) Loans granted to African countries in particular including Angola and Mozambique. These countries were not only unable to repay their debt but also to service it.
- 4) Some Arab customers recovered their deposits as of 1983 for unknown reasons up till now.

The problem could have been avoided if the bank's management had been aware of this critical situation since last year and if it had made serious efforts to regain its Arab customers and had allocated sufficient reserves to cover bad debts even if this had implied curtailing administrative costs.

We shall not mention here to details about the interference of the Banque de France on the one hand and the attempt was made by Arab and French financial and industrial groups to buy this bank on the other. The important thing is that this experience should not be repeated with other Arab banks in future. The latter should from now on stop granting similar loans, they should also refrain from excessive speculations in the European real estate market and review their lending policy to individuals regardless of any short term interest.

The resulting press campaign that covered this event which was obviously led by Arab banks competitors is in fact a warning to these banks which should start reviewing their weak points to avoid similar problems and also to start being taken into consideration when central banks embark on new strategies and policies. Now that we have shed some light on the European target date of 1992 and the resulting competition in the banking sector which can affect the position of Arab banks or Arab-European banks. We can conclude the following: the

merger between some Arab banks is in our opinion and that of some Arab and Western experts, necessary in the case of banks suffering from specific problems that are difficult to solve in the short term. Furthermore, the establishment of Arab banking groups in Europe is not only a necessity but an obligation concerning the Arab financial and economic integration efforts especially by 1992.

But how will these moves be achieved? Will the merger occur between two banks or more? And will the banks in any group have sufficient freedom and independence? The interest of the common banking activity away from selfish individual interests should be the support base of these moves. Accordingly, it would be possible to:

- Merge several banks and lead them to specialize in specific sectors.
- Establish a unified body or banking groups with sufficient individual independence in operations and management. Capital and reserves would be common with shares distributed according to the size of each bank.
- Design a banking policy that is adapted to the European and international situation and that allows Arab banks to face the 1992 competition.

In order to achieve all this, we should start first of all by looking for the Arab banking experts who emigrated to American banks and financial companies in the United States in particular such as Chase Manhattan, American Express and others. Our task is to make them return to benefit from their skills and experience even at huge costs as we need to establish banking groups that are capable of understanding the real dimensions of the competition which will take place.

### Arab Foreign Debt Problem Discussed

44000157 Nicosia MEMO in English Nov 88 pp 39-41

[Article by Dr Mahmoud Abdel-Fadil, Professor of Economic Sciences in Cairo University and the American Cairo University: "The Recycling of Arab Foreign Debts"—First paragraph written as introduction]

[Text] The debt service and burden is the main economic problem faced by many Arab countries. It can be said that this problem is far from being solved, but on the contrary since installments interests and if their settlement from exports of these countries are getting increasingly heavier, year after year. The following lines study the problem in the current stage and present suggestions, to face them on a global Arab level in the light of the general evolution of the Third World indebtedness.



No doubt the problem of foreign indebtedness represents one of the most important problems facing a significant number of Arab countries in the context of the general Third World indebtedness crisis. If the foreign indebtedness problem is heavily shading the future pattern of distribution and allocation of resources, and the nature of economic policies adopted, the main issue concerning the agenda of the nineties is how to get rid of the foreign indebtedness problem in the light of suggested alternatives on the international financial market. These exceeded the mere rescheduling of the foreign debt to present some solutions or outlets from part of the problem or its whole.

### Evolution of Arab Indebtedness

The 50's and the 60's in most Third World countries were characterized by growth periods through what is called soft loans process i.e. preferential loans, longer grace and repayments periods and lower interest rates. Arab countries were not an exception to this rule. Many tried to achieve high growth rates through foreign loans to overcome the problem of shortage of local savings. Then, the 70's (particularly the period from 1971-1986) represented a qualitative change in the process of international loans especially through the "Eurodollar" market.

The soft loans period was over. Interest rates on new loans rose, and grace and repayment periods were shorter. This same period faced a rapid expansion in foreign indebtedness for a large number of Arab countries. Furthermore public foreign indebtedness for a large number of Arab countries. Furthermore public foreign indebtedness got heavier, from \$307 million in 1970 to \$7.57 billion in 1986 in Sudan. In Egypt, from \$1.8 billion to 22.788 billion; in Tunisia from \$543 million to \$5 billion; in Syria from \$233 million to \$06 billion; in Jordan from 120 million to \$3.07 billion; in Algeria from \$941 million to \$14.77 billion<sup>1</sup>.

Whatever are the causes and motives of indebtedness (development, consumption or solving the deficit in the balance of payments), the consequences of growing indebtedness in the context of an unfavourable economic environment were shown through increasing the burden of the foreign debts and their settlement from the foreign currencies, in the following way.

We should however be cautious as to the ratio of fluctuations of the foreign debt services (annual payments of debt principal and interests) over the result of commodities and service exports. The increase and decrease of this ratio may reflect the fluctuations in "invisible" exports in some Arab countries such as Sudan, Yemen and Egypt. Invisible exports play a significant role in increasing the exports volume. The items of "invisible" exports have been drastically changing in the first half of the eighties. However in spite of this, there is a reality which is still standing: Annual payments for foreign debts take a substantial part of the foreign currencies allocated for development and consequently

are considered a heavy burden on the national economy. They take a significant part of foreign currencies in a situation characterized by stagnation and recession of exports and a slackening of invisible exports.

As an example on the importance of this issue, it is enough that we mention some figures on "the payments of interests" on outstanding foreign debts in some heavily indebted Arab countries. The annual payment of interest of public foreign debts in the mid-eighties totalled \$1.3 billion for Algeria, \$567 million for Egypt, \$490 million for Morocco, \$241 million for Tunisia and \$153 million for Jordan, (World Bank, International Development Report for 1987). No doubt, payments for debt service (and without touching the debt principal) is considered the real price paid by indebted Arab countries, which is settled from its resources from foreign currencies.

### Use of Foreign Loans

The payment of interests on foreign loans are not necessarily a wastage of resources if foreign loans are used in a rational way and oriented to sectors and activities creating in a direct or indirect way an added value and revenues (in foreign currencies) exceeding the value of interest. Foreign indebtedness is justified if the average return on investments and projects financed by external loans exceeds the interests paid for them. This leads us to discuss the way foreign loans are currently used in Arab countries, creating the current problem of foreign indebtedness.

Data and figures reveal that a significant part of foreign loans in Arab countries which were contracted in the seventies were used for consumption purposes (essentially cereals imports and foodstuffs). This was due to the deficiency of agricultural sector and the deterioration of the self sufficiency ratios as far as cereals and foodstuffs are concerned. Moreover part of these loans are used in compensating for the "chronic deficiency" in the balance of payments. In the field of investments as substantial share of foreign loans was allocated to infrastructure projects (communication and transportation networks as well as electricity and other sectors). These are by nature sectors which backup the production process. However they do not create an added value and direct revenue helping to raise the debt service capacity of countries, but achieve external economics which help in increasing the overall productivity of the national economy. No doubt, there are some exceptions. Since external loans are granted provided that they are used to finance projects in the field of investments and production, as it is the case in Algeria and for some projects financed by the World Bank. The military debts represent also a significant part of foreign Arab debts; since military debts grew in the 70's and the 80's in some countries (particularly in Egypt).

Arab countries did not understand the important lesson, from the works of the international economic expert Ragnar Frish, the conceptor of the modern econometry. In the mid sixties, he undertook a mission as technical consultant for the Second 5-Year Plan. He developed a

basic policy charge where he showed that it is impossible to achieve higher growth rates of national income (and consequently allocated for cumulated wealth and investments) and at the same time raise the volume of public and private consumption. Moreover he revealed that the price paid by developing countries wanting to increase investments and consumption at the same time, when oil revenues are not available will lead to the simultaneous reduction of investments and consumption<sup>2</sup>.

In short, in the first stages of development, there are no alternative to reducing private and public consumption, and work on improving productivity and mobilizing national savings. In other words, the expansion in consumption, its financing from foreign sources and mediocre production and productivity rates will adversely affect the welfare of future generations and can somehow be qualified as buying the present at the expense of the future.

#### Alternative Solutions for Arab Foreign Indebtedness

Whatever are the causes of increasing foreign debts and debt service, the issue which should be addressed today and tomorrow is: What are the alternatives to get out of the indebtedness and to alleviate the huge burden of the external indebtedness service. What are the best alternatives for the global Arab economy since it is the principal unit in our analysis?

Perhaps the traditional alternative here is the rescheduling of "Arab Debts" through "Paris Club" or other institutional mechanisms acknowledged by international banks. It is considered the best alternative available and has a long history of negotiations since some rules and practical a basis have been set. It is not however the road to salvation but a thorny way to postpone the problem and aggravate it with time. It is a risky process subject to many political constraints. The rescheduling entail additional financial and political burden. Financially, interest rates are increased and cumulated on the London banking markets (LIBOR). It has been proved that there is a proportional relation between the increment added to the interests in the LIBOR and the outstanding foreign debts ration over the GNP of the country. When this ratio increased the risks involved in the repayment of the debts are bigger. In 1974-1975, this increment varied between 1 1/4-2 percent. In 1983-1985 it reached 1 3/4 percent for the syndicated loans of developing countries<sup>3</sup>.

#### Pressures Exerted by Creditors

On the political level, the group of creditors (represented by the Paris Club or the Consortium of International Banks), tries to get the largest political concessions and institutional changes at each round of negotiations for debts rescheduling. Changes have to go along the lines of orientation of capital countries advanced in the field of trade, money and technology. In some circumstances, conditions imposed are non financial and are extended to include precise conceptions of creditors on the "institutional framework" adequate with the management of

the economic process. They are related to the role of the private sector, the currency and interest rates policies, and other economic political instruments (financial and monetary). Many Arab countries which rescheduled their debts namely Egypt, Sudan and Morocco were submitted to these pressures. If we look at other alternatives to get rid of the debts problem, the more common ones are the debt equality swaps. Foreign debt equities are converted to equity stakes in the debtor country. The debts volume is thus alleviated but the burden of debt service over the balance of payments is not suppressed. Instead of paying the annual debt service the country has to service the new foreign investments in the form of profit remittances, the liquidation and the restitution of the new property in some cases. Moreover swap operations, do not entail the entry of new currencies to the indebted country to finance new investments, but include a new equity rights which grant to the creditor additional privileges and the right to interfere in the country's administration and control<sup>4</sup>.

Moreover and in the same vein, there is now a market for trading Third World debts which is a secondary market where debts are exchanged at discount, exactly as it happens on the bills discount market. This market was created and stimulated in May 1987 when the largest American banks "Citycorp" exposed \$3 billion of Third World debt as these were at 50 percent of their nominal value, and keep their bonds at their total nominal value. There is however a risk; either they are redeemed or they are traded on the new market.

Thus an important secondary market on the global level was constituted to sell Third World debts. It is a market where many intermediaries and agents are active and where a series of debt equity swaps was achieved. Sometimes this operation leads to debt equity conversion as it was the case for Chili and Mexico. Although this secondary market is still at its early stage, it remains a "seller market" rather than a buyer's. It has a large potential for growth and development in the future. Its growth depends on the ease large banks can sell the debts and against any discount rate as to their nominal value. This type of market will be experimental in its first years. This is why Arab debtor countries should follow closely these secondary markets to study the available possibilities, in the light of the experience of many Latin American countries, where syndicated loans represent larger part of its foreign debts.

Among the mechanisms suggested in this field, we can mention the conversion of old debts into new bonds issued against a discount by debtor countries, where the creditor rights are converted to new bonds called exit bonds. Mexico has experienced this process. A \$20 billion debt was offered and converted to exit bond on February 1988 through Morgan Guaranty Trust. This is an indirect way of debt rescheduling. The nature of the debt is charged as well as the interest rates. Furthermore the repayment period is longer (the validity period of a new bonds).

### The Recycling of Foreign Debts

The value of Arab countries debts (official and officially guaranteed) reached in 1986, \$80 billion approximately. This represents 42 percent of global Arab GNP, according to the unified Arab report issued by the Arab League, the Arab university, the Arab Fund for socio-economic development and the Arab Monetary Fund in 1988. As we already started, the indebtedness and debt burden vary from a country to another. However regional indebtedness requires an Arab framework to find a solution, in the light of alternatives on the World market. In our opinion, since there are Arab countries which achieve a "surplus" invested on the World money market and Arab countries with a financial deficit, which are indebted on the same market, it is possible to recycle the Arab foreign debts. Since a number of alternatives and mechanisms such as debt equity swaps, debt-exit bonds conversations are available, debtors enjoy a leeway which is larger than before. Debtor Arab countries have to take advantage of this new opportunity.

In this field we suggest that countries with a surplus, but the Arab foreign debts on international financial markets. Consequently debts will be converted to inter-Arab debts. It can be done through some available mechanisms: converting the Arab foreign debts into inter-Arab debts, by converting official, trade and bank debts into official Arab debts through a fund called "Arab Debt Fund." The operation will occur progressively and will be concluded in the mid-nineties. Arab foreign debts could also be converted to exit bonds with preferential conditions for Arabs. This process will be based on the move of individuals and institutions from the Arab private sector to buy some Arab foreign debts, in the way described above, and with regional and Arab guarantees.

The financial and economic logic behind this suggestion doesn't need more explanation because it is not based on moral or utopic considerations. It is a reasoning which helps increasing the profits of the two Arab groups: the debtors and the buyers of Arab debts. In the light of the troubles and fluctuations on international financial markets, the Arab investments abroad are subject to new risks, particularly the drop of the dollar on the long term, the losses on the equity market and forward exchange market. Moreover it can be observed that the annual income of investment instruments available on international money markets is decreasing. Thus the average annual financial assets income in Gulf countries investing abroad in 1974-1981 was:<sup>5</sup>

Type of Assets	Percentage of Annual Income
U.S. money markets	9.47
Euro-dollar deposits in London	10.27
The American Treasury	8.44

At the same time, inflation rates in the United States totaled 9.3 percent/year. The nominal revenue of Arab

financial assets invested abroad didn't exceed 10.5 percent. It is lower than the income and interests which can be enjoyed by the new holder of Arab debt, whether in the form of equity, bonds or debt in its traditional conception. Consequently countries with a surplus will not be loosing, but on the contrary, will be achieving an increase as compared to the nominal return on investments in World financial markets. The sacrifice would lie in the transfer from short term assets which can be easily liquidated to long term loans which cannot be easily disposed of, on the short term.

In case the choice goes to the formula of changing the foreign debts into ownership rights in taking equity stakes in the Arab debtor countries, an agreement should be reached as to the nature of sectors and activates where the Arab brothers (individuals or institutions) can take equity stakes, in the light of the economic and strategic considerations of the concerned country. There would be necessarily "open sectors" and "closed" ones depending on the negotiations between the two parties.

In conclusion, the solution of the indebtedness crisis in the 90's needs a serious strategic thought. It needs imagination to conceive solutions different from the traditional one, addressing the symptoms of the crisis and enforcing a radical treatment of the future pains and burdens.

### Footnotes

1. Source: World Development Report issued by the World Bank, 1987. Statistical appendix table 19.
2. Source: Ragnar Frisch. "Planning for the U.A.R." Economics of Planning, Vol 5, N 1-2
3. R. O'Brien, Banking Perspectives on the Debt Crisis, Oxford Review of Economic Policy, Vol 2, N 1 (1987)
4. Intervention of Professor R. Dornbush (Professor at M.I.T. USA), on foreign indebtedness of developing countries on 9 May 1987, in a seminar in Salzbourg.
5. Source: Abdel Wahal Akmar: Financial asset of oil producing countries in the Arab Peninsula. Kazema Publishing and Translation Company.

### IRAQ

**Aid in Recovery of Sunken Ships, Clearing Waterways Under Consideration**  
*44040174 Paris AL-MUSTAQBAL in Arabic*  
*17 Dec 88 p 31*

[Text] The Suez Canal Authority is presently studying a request from the Iraqi Government to have the authority contribute its expertise to the clearing of the Gulf waters and the recovery, repair, and maintenance of the ships that were sunk in Iraqi ports during the course of the war.

Official Egyptian sources said that a committee was formed, headed by Engineer 'Izzat 'Adil, president of the authority, to study the requests from the Federation of Iraqi Ships with regard to strengthening bilateral cooperation and to study the possibility of building ships for Iraq in the authority's shipyards.

He indicated that an Iraqi delegation will be going to Cairo to discuss with Suez Canal Authority officials the final arrangements for signing a cooperation agreement in this regard.

Egypt had previously announced the authority's readiness to participate, with what international capabilities and expertise it has, in the recovery and repair of sunken ships and in the repair of the ports which were destroyed during the Iran-Iraq war.

### **Official Discusses Privatization of Industrial Sector**

44040175 London AL-HAWADITH in Arabic  
16 Dec 88 p 43

[Text] AL-HAWADITH asked Hatim 'Abd al-Rashid al-Amin, the secretary general of the Arab Organization for Industry and the former Iraqi minister of industry, about the background of the measures that Iraq has taken with regard to the sale of public plants to the private sector. When asked whether the sales conflict with the guidelines of Iraqi socialism, he said that the new measures, in effect, only involve the Iraqi industries which are limited in scope to food, construction, and textiles, and that they have nothing to do with a renunciation of Iraq's socialist orientation. He said that the major and strategic industries remain under the state's direction and that the possibility of expansion within those industries has become greater now that the state has relinquished control over its light industry subsidiaries, the administration of which, it has recently been decided, will be shared by the private sector.

'Abd-al-Rashid added that the figures for the total value of all of the companies which were sold will not exceed 75 million dinars, while the figures for the value of petrochemical industries have reached 325 million dinars, not to mention the figures for the heavy industries such as steel and iron, the petroleum and engineering industries, and other strategically-oriented industries, the most prominent of which are the military industries.

## **OMAN**

### **Oman To Keep Import Taxes**

44000228 Muscat TIMES OF OMAN in Arabic  
15 Dec 88 p 21

[Text] Gulf Arab finance ministers have agreed to Oman continuing to protect key industries by taxing competing imports, despite a pact guaranteeing free trade between their states.

Muhammad Nasir 'Alawi, Oman's representative on a Gulf Cooperation Council Financial Committee, was quoted as saying the sultanate could extend its tariffs on cement, plastics and asbestos, but taxes on five other commodities would be dropped.

Finance ministers of the AGCC met in Bahrain to prepare for an AGCC summit.

'Alawi, quoted by the Oman News Agency, did not specify which tariffs would be dropped, but said some goods involved "were not produced by Oman and others were produced by industries which had been able to win markets outside of Oman."

Oman imposed a 20 percent duty on cement imports several years ago to protect local industry.

In 1983, the AGCC states agreed to abolish tariffs on each other's products, but exempted on certain goods from Oman for five years.

## **SAUDI ARABIA**

### **Ministry Report Provides Factory Statistics**

44000196 Jeddah ARAB NEWS in English Z29 Nov 88 p 3

[Article by Muhammad Ibrahim]

[Text] Jeddah, Nov 28—Riyadh, which had only 181 factories in 1975, today has more than 686 factories worth more than SR12.2 billion and employing about 42,000 workers. According to a statistical industrial bulletin for the year 1987, issued by the Ministry of Industry and Electricity, "this makes the region the largest industrialized area in the Kingdom."

The bulletin traced the development of industry in the region and said that productive factories, which totalled 181 in 1975, increased to 481 in 1980 and numbered 686 by the end of 1987.

According to the bulletin, Riyadh has 222 factories involved in metallic industries representing 32 percent of the total number of factories. Building materials with 184 factories were in second place with a percentage of 27 while foodstuffs factories reached 80 constituting 12 percent. Chemical factories were fourth with 75 factories representing 11 percent while the paper and printing industry, with 49 factories, took sixth place, representing seven percent.

The region has 31 factories engaged in wood products and 15 factories for ready-made garments.

Riyadh comprises two industrial cities: One inside the capital city west of the railway station. It covers 451,000 square meters and houses 65 factories. It cost SR35 million. The second, on Kharj road at Kilo 17, covers 18.8 million square meters of which 12 million square

meters were actually developed. This city, which cost SR592 million, contains 287 operative and factories under construction. It also has three million square meters for the accommodation of workers.

The bulletin said the construction of industrial cities in the Kingdom began in 1970. Since then eight of them were established away from residential areas in Riyadh, Jeddah, Mecca, Dammam, Ahsa', Madinah and Qasim. Each city was supplied with necessary facilities including fire-extinguishing stations, health units, mosques, parks, banks and workshops.

A special administration was set up in each city to supervise and follow-up city projects.

According to the bulletin, the land plots in industrial cities were given to factory-owners at a symbolic rent of eight halalas per square meter per year.

The bulletin said until the end of the previous year, Qasim had 91 factories in which SR1.7 billion were invested and in which more than 4,400 workers were employed. The number of factories in Mecca reached 555 with more than SR11.4 billion invested. They had a manpower of about 39,543.

Madinah had about 87 factories in which more than SR20.8 billion were invested. They employed 7,405 workers.

According to the bulletin, the number of factories in the Eastern Province reached 474 by the end of last year. More than SR45 billion were invested in these factories which employed 40,851 people.

Until 1980 Jizan had only 18 productive factories. They increased to 23 from 1981-1985 in which about SR2,456 billion were invested. They employed a total of 1,524 workers. The region has 12 plants for building materials representing 52 percent of the total number of operative factories.

The number of factories in Najran went up from three in 1980 to 13 by the end of 1987 with 366 workers and finance of SR69 million.

'Asir, which did not have more than six factories in 1975, now has 57 operative factories in which SR492 million were invested. They also provided job opportunities for more than 2,220 workers.

Baha has 15 factories with SR90 million investments and a manpower of 379 people, Ha'il 25 factories in which SR140 million were invested and 704 people working for them, Tabuk 23 factories with finances reaching SR152 million and 494 workers and al-Jawf with six factories in which SR53 million were invested and 157 workers employed.

According to the bulletin, the total number of operative factories in the Kingdom by the end of last year stood at 2,061 in which more than SR95 billion were invested. They employed more than 140,000 people.

**Report Shows Improvement in Agricultural Sector**  
*44000201 Jeddah ARAB NEWS in English*  
27 Nov 88 p 11

[Text] Jeddah—A statistical summary recently released by Saudi Arabian Monetary Agency (SAMA) noted that the Kingdom's non-oil exports maintained their strong upward trend and rose in 1987 by 25 percent to reach SR9.4 billion. Of this amount, the agricultural products, according to the figures of the Ministry of Agriculture and Water constituted 30 percent which is in fact a remarkable contribution taking into account that until recently, Saudi Arabia and an importer of many agricultural products.

The summary said, "among the productive sectors, both the agricultural and industrial sectors registered improved performances during 1987. In agriculture, wheat production was estimated to have reached 2.5 million tons."

The summary added that barley production was being encouraged to reduce its imports. It amounted to 250,000 tons and was officially targeted to rise to 750,000 tons in the near future. Production of other grains, vegetables, fruits and dates was also encouraging, it went on to say.

In a recent interview, Minister of Agriculture and Water Dr 'Abd-al-Rahman al-Shaykh recalled that the contribution of the agricultural sector to the gross national product (GNP) increased from three percent in 1985 to 13 percent in 1986. He also said the value of the Kingdom's foodstuff imports dropped by SR2 billion compared to the value in 1985.

The minister who was talking on the occasion of the World Food Day (Oct 16) said the Kingdom had made big strides in the domain of agriculture as the country started exporting wheat, dates, dairy products, eggs, poultry, vegetables and fish to several Asian and European countries including CHINA and the Soviet Union.

Al-Sheikh highlighted the great attention given to the agricultural field by the Custodian of the Two Holy Mosques King Fahd and Crown Prince 'Abdallah and said they have been providing all out and consistent support to develop this vital sector.

"Realizing the problem of food problems in the world, the Kingdom has been exploiting its potentials for achieving agricultural development," he said adding that Saudi Arabia has been contributing to solve the problem of food shortage in a number of poor countries by extending aid through the regional and international funds and organizations.

According to him, the Kingdom extends 16,000 tons of dates annually to the World Food program.

Speaking about training provided for the Saudi manpower in the field of agriculture, al-Shaykh said the Kingdom has three faculties of agriculture and veterinary, two agricultural institutes, seven specialized centers and a number of research institutes.

Along with agricultural products, dairy output has also achieved a remarkable increase. According to a recent study conducted by British consultants, the Kingdom's dairy market has reached SR1.1 billion in retail terms this year. The study went on to say that the local production of close to 250,000 tons of milk was catering to half of the total retail market value.

The study made by the International Marketing and Economic Services (IMES) put the sales of laban (drinking yoghurt) at SR245 million, powdered milk SR176 million, processed cheese SR165 million and recombined milk SR110 million.

It cited a number of reasons behind the increase of dairy product in the Kingdom, a country with many disadvantages including hot temperatures and lack of grasslands. Among these reasons are an increased involvement by local producers who are now supplying 23 percent of product volume compared to 15 percent in 1985.

The development of agriculture has actually been a comprehensive one that also included poultry and fodder production. The Kingdom who until recently used to import eggs and broiler chickens has now not only attained self-sufficiency in these items but is actually exporting them. It is also exporting vegetables to Europe, a fact which proves that given determination and goodwill, nothing will be impossible.

**Article Describes SABIC Industrial Facilities**  
*44000197 Jeddah ARAB NEWS in English*  
28 Nov 88 pp 7, 10

[Article by Muhammad Ibrahim]

[Excerpt] Jeddah—The Saudi Basic Industries Corporation (SABIC), has until September this year achieved revenues of close to SR7 billion realizing a net profit of SR2.5 billion against SR530 million last year, a budgetary report said.

Established in 1976 to create a new industrial base for the Kingdom benefiting from the abundant resources of natural gas and crude oil, SABIC has achieved new heights by reaching more than 2,000 customers in more than 65 countries around the world. The company which manufactures chemicals, petrochemicals, fertilizers and metals through its 15 plants, has been able to meet the local demand and to cater to the needs of the Arab countries.

Through its various products, SABIC has effectively contributed to the programs of architectural and agricultural development in the Arab world. This can be verified by the fact that SABIC's petrochemical products have supplied the needs of the industries in the Arab states while its fertilizers were being used in agriculture to attain food security and its iron and steel products used in construction to achieve architectural progress.

In addition to this, the corporation has sought to realize industrial integration among the Arab states. It has, therefore, contributed to the establishment of many industries in the Arab region. These are:

- The aluminum smelting factory in Bahrain (ALBA) with an annual capacity of 170,000 tons.
- Gulf Aluminum Rolling Mill Co. (GARMCO) with an annual capacity of 40,000 tons.
- Gulf Petrochemical Industries Co. (GPIC) which produces 330,000 tons of methanol and 330,000 tons of ammonia.
- The Saudi-Bahraini Aluminum Marketing Co. to market the products of ALBA both regionally and internationally.

Through its marketing companies, SABIC also sells the products of the methanol products of the GPIC.

SABIC has set up the following plants in various parts of the Kingdom including al-Jubayl, Yanbu', Riyadh and Jeddah:

- Saudi Methanol Co. (AR-RAZI) which has an annual capacity of 640,000 tons that will be increased to 1.2 million tons.
- National Methanol Co. (IBN SINA) which has a capacity of 770,000 tons.
- Saudi Petrochemical Co. (SADAF) with an annual capacity of 760,000 tons of ethylene, 560,000 tons of ethylene dichloride, 300,000 tons of crude industrial ethanol, 360,000 tons of styrene and 450,000 tons of caustic soda.
- Al-Jubayl Petrochemical Co. (KEMYA) with an annual capacity of 332,000 tons of low-density and high-density polyethylene.
- Saudi Yanbu' Petrochemical Co. (YANPET) which produces 560,000 tons of ethylene every year, 250,000 tons of ethylene glycol and 430,000 tons of high density polyethylene.
- Arabian Petrochemical Co. (PETROKEMYA) with an annual capacity of 650,000 tons of ethylene, 100,000 tons of polystyrene and 50,000 tons of butene-1.

- Eastern Petrochemical Co. (SHARQ) with an annual capacity of 140,000 tons of polyethylene and 330,000 tons of ethylene glycol.
- National Industries Gasa (GAS) which produces 146,000 tons of nitrogen and 438,000 tons of oxygen every year.
- National Plastic Co. (IBN HAYYAN) which produces 330,000 tons of simple fennel chloride and 200,000 tons of multiple fennel chloride.
- Saudi-European Petrochemical Co. (IBN ZAHRA) with an annual capacity of 500,000 tons of methyl tertiary butyl ether (MTBE).
- Saudi Arabian Fertilizer Co. (SAFCO) which has an annual capacity of 330,000 tons of urea, 100,000 tons of sulfuric acid and 20,000 tons of melamine.
- Al-Jubayl Fertilizer Co. (SAMAD) which produces 600,000 tons of urea every year.
- National Chemical Fertilizer Co. (IBN AL-BAYTAR) with an annual capacity of 500,000 tons of ammonia, 500,000 tons urea and 500,000 tons of phosphate fertilizers.
- Saudi Iron and Steel Co. (HADEED) which produces 1.2 million tons of steel rods and bars that will be increased to two million tons [passage omitted].

#### **British Offset Deal To Create Investment**

44000200 Jeddah ARAB NEWS in English  
25 Nov 88 p 2

[Article by Doug Graham]

[Text] Madinah, Nov 24 (SPA)—British Defense Minister George Younger left here late last night for home after a visit to the Kingdom.

Last night, the Custodian of the Two Holy Mosques King Fahd received Younger and his accompanying delegation.

During the royal audience, Younger delivered a message to King Fahd from British Prime Minister Margaret Thatcher.

British firms will invest approximately 1 billion pounds sterling (SR6.89 billion) in Saudi Arabia during the next 10 years, under a Saudi-British offset program.

Diplomatic sources confirmed reports today that Saudi Arabia has agreed to a Saudi-British offset investment program that will lead to 2 billion pound sterling of new investments in the Kingdom. Half will be made by the British, and half by Saudis.

The signature of the agreement was announced after Younger visited King Fahd in Madinah.

The Saudi-British Al-Yamamah offset investment program seeks to help the Kingdom's economy through joint venture investments in high technology fields. In effect, the British are being called upon to reinvest some of the billions of pounds they are gaining on arms deals with the Kingdom.

The program is linked to the 5 billion pound sterling (\$7.5 billion) Al-Yamamah I arms deal. Under this deal, the Saudis bought 72 Anglo-German-Italian Tornado fighter bombers, plus British Hawk training jets, and Swiss Pilatus PC-9 propeller trainers.

The offset deal not only applies to Al-Yamamah I, but Al-Yamamah II as well. Al-Yamamah II is an arms deal for additional Hawks and Tornados. Younger made no comment on the weapons involved, or on specific delivery dates. Sources say the deal is valued at 10 billion pounds sterling.

It appears that the Saudi and British negotiators have agreed that British companies should offset 25 percent of the technical portion of the British share of the Al-Yamamah deal. The Tornados are made by a consortium including Germany and Italy, while the Pilatus is made by the Swiss.

The agreement only outlines the procedures of the program. It does not commit the British government to making investments itself.

"The British government, of course, is not in a position to dictate to British firms as to what they will do," Younger said at a Riyadh press conference. "But I can guarantee that the British government will do everything in its power to encourage them to take advantage in what will be a notable opportunity," he said.

The British offset program is patterned after the earlier Saudi-American Peace Shield offset investment program under which the Americans invested 35 percent of the technical portion of their contract. The total American contract was only about \$1.2 billion, an amount far less than the Al-Yammah contracts.

The American offset partners are in a consortium called Boeing Industrial Technology Group (BITG). BITG was established by the Boeing-led consortium that won the bid to build the Kingdom's "Peace Shield" Command, Control and Communication (C3) system. This new generation system links the Kingdom's air defense weapons, into a single defensive network.

Both offset programs will be overseen by the Offset Investment Committee, headed by Prince Fahd ibn Abdullah.

The Peace Shield program offset ventures include an aircraft engine maintenance facility, an airframe maintenance facility, avionics repair, electronics manufacturing, and medical products. The British do not have to concentrate on such high technology ventures, but will be expected to invest in capital-intensive industries.

The problem confronting the British offset program is that no British companies are under legal obligation to invest in Saudi Arabia. To entice them to invest, Younger said a special offset investment seminar will be held in London on Jan 31.

## UNITED ARAB EMIRATES

### Water Supply Network Extends to New Villages 44000195 Abu Dhabi EMIRATES NEWS in English 5 Dec 88 p 3

[Text] Ras al-Khaimah (EN): The Ministry of Water and Electricity announced that water supply had been made available to 326 villages in various emirates this year.

In a report on the 17th anniversary of the UAE National Day the Ministry said that water production had increased this year from 26 million gallons to 34 million gallons from water fields, wells and desalination plants.

Storage capacity had also increased to 8 million gallons and the number of reservoirs to 144.

The Ministry states that approximately 40 kms of new pipelines were laid this year.

The Ministry also announced that it had begun implementing plans for realizing sufficiency in water production. A new water field had been discovered in al-Bandi area near Wadi Ham. Plans for laying a pipe line to al-Dhayd was under consideration.

Final approval was granted for the al-Fujayrah desalination plant with daily capacity of a million gallons.

The Ministry confirmed that the policy of supplying water to all remote and rural villages would be continued.

### Commentary on Visit of Soviet Delegation 46000049 Kabul THE KABUL TIMES in English 16 Nov 88 pp 1, 2

[Text] Speaking about the working visit of Oleg Baklanov, secretary of the CPSU CC to Afghanistan, BIA political commentator writes:

The recent visit of the top level Soviet delegation to Afghanistan aimed at expansion of further economic social and military cooperation favouring peace and stability in the Republic of Afghanistan as well as in the region, is of exceptional importance to the people of Afghanistan suffering from war and bloodshed. The

people of Afghanistan honestly and categorically support the peace programme and the Geneva agreements and appreciate the efforts made by the UN Secretary General and his special envoy, Diego Cordovez and other peace-loving forces who back the implementation of the Geneva Accords, cessation of interference and intervention from abroad and stoppage of war inside the country.

The visit of the top level Soviet delegation took place at a time when, notwithstanding the all-round efforts of the Republic of Afghanistan and the Soviet Union for materializing the Geneva accords, Pakistan, and United States are still flagrantly violating the Geneva agreements. Contrary to the spirit of the accords, extremists are trained, financed and equipped in the soil of Pakistan and are dispatched to Afghanistan for sabotage fratricide.

The war mongering extremists attack the innocent people of Afghanistan with the most sophisticated U.S.-made armament and kill thousand of civilians.

The talks of the Soviet delegation held with President Najibullah, Prime Minister Dr Mohammad Hassan Sharq and other state authorities showed will that the armed activities of the extremists supported by Pakistan and the USA are intensifying day by day dragging more people to blood.

Assessing the situation of Afghanistan the repeated violations of the Geneva accords by Pakistan, President Najibullah highlighted during his meeting with the Soviet delegation the policy of national reconciliation which fully conforms to the national interests, aims at creation of a broad-based coalition government, and stopping of war and bloodshed in the country. President Najibullah added that this noble and humanitarian objective should be defended.

The head of the Soviet delegation assured, on behalf of M.S. Gorbachev, general secretary of the CPSU CC, the government and the people of the Soviet Union that they will fully support the peace programme, implementation of the accords and other peaceful initiatives proposed by the Republic of Afghanistan and would never refrain from rendering any socio-economic and military assistance to the people of Afghanistan. The assistance of the Soviet Union will be augmented in all spheres, particularly in the field of military. To prevent war and terrorism, the government of the Republic of Afghanistan has the right to adopt necessary defensive measures. Let those who harm the policy of national reconciliation should know that the armed forces of Afghanistan will receive reliable assistance from the Soviet Union for defending the peace-loving people of Afghanistan and rebuffing of foreign interventions. [sentence as received]

The intransigent extremists should understand that the issues around Afghanistan can only be solved through peaceful means and there is not any other alternative but national accord. Those who do not use sanity and do not



positively respond to the peace voice of the people of Afghanistan, should know that they cannot resist against our armed forces who have been equipped with modern and sophisticated armaments.

Now a resolute decision has been made that the armed forces in order to reliably defend independence, national

sovereignty and territorial integrity, should use the most sophisticated ammunition which have not been used yet against the rancorous extremists."

Those who want to fan up the war, should know that they would receive nothing but death and destruction.

## AFGHANISTAN

**Hikmatyar on Najib Government, Elections**  
46000047 Tehran KAYHAN INTERNATIONAL in  
English 26 Nov 88 p 11

[Text] Russians will not be able to solve the Afghan problem by introducing such sophisticated weapons as Scud missiles and MIG-27, since these will not affect the Mujahideen and their strategy.

If at all, these may help the Russians to pressurize Pakistan; but Pakistan will not give up its principled stand on Afghanistan, Gulbuddin Hikmatyar told a press conference held in London 2 weeks ago.

The Hizbe Islami Chairman and leader of 7-party Afghan Mujahideen Alliance said the Najib Government will fall soon after the Soviet withdrawal is completed, adding the regime may go even earlier.

Hikmatyar told a large number of British and Western journalists that he believed the new Soviet Ambassador Voranstov's job will be to get Najib regime replaced with one acceptable to most Afghans.

He said the Mujahideen are hopeful of a quick victory, stressing that 90 percent of Afghan territory, excepting a few cities, is already under Mujahideen control.

They have set up their own councils and administrative units in liberated areas. "We are preparing to hold elections for a Shura (Parliament) as soon as possible for an elected government.

"We will succeed in the political arena as we have done in the military sphere. We prefer a peaceful transfer of power through elections. And our government will have cordial relations with all," the Mujahideen leader said.

Hikmatyar reiterated, "There is no room for King Zahir Shah, since the Afghan nation will not accept him." He chided those who try to sell Zahir Shah to the Afghan people.

Asked whether he would give voting rights to Afghan women, Hikmatyar replied that, whatever decision about gender, age and other qualifications, the Commission of Election set up by Alliance makes, would be honored.

Asked that since in his opinion the Najib regime would not last the Soviet withdrawal, why does he not negotiate a truce and save his people from more bloodshed he replied, "If the Soviet Union is prepared to talk to Mujahideen and to withdraw unconditionally, stop hatching plots against us and halt arms supplies to the regime in Kabul, we are prepared to talk."

"It has been our consistent demand that the only way to solve the Afghan problem is for the Russians to negotiate with the Mujahideen directly," he added.

If Benazir Bhutto's PPP formed the next government in Pakistan after election, would the Mujahideen be getting the same political support as before? Hikmatyar said they would.

"Support for the Afghans is the demand of the people of Pakistan and this would not change with the change of government there. However, any change of policy would take 3 to 4 months to materialize.

"And by that time, the situation in Afghanistan would have changed in favor of Mujahideen that they would not stand in need of much political support from any quarter."

Hikmatyar, who visited France before coming to London, also met with members of British Parliament.

He said "Purpose of his visit to Britain was not, as suggested by a journalist, to ask Britain for arms, but to see the Afghans here, to meet with the press and to explain the latest Afghan situation.

"It is also to thank friends and to ask for their support for the elected government of Afghanistan that the Mujahideen have set their minds on establishing in their country," Hikmatyar concluded.

Earlier, Mr Salem Azzam, Secretary General of the London-based Islamic Council, which organized the press conference, introduced the Afghan Mujahideen leader to the journalists.

### **Commentary Claims Afghan Children Forcibly Taken to U.S.**

46000048 Kabul THE KABUL TIMES in English  
8 Nov 88 pp 1, 4

[Article: "U.S. Let Down Refugee Children"]

[Text] Quoting reliable sources in the camps of Afghan refugees in Pakistan, our correspondent writes that on the order of U.S. authorities, the government of Pakistan and Pak CID and support of the ringleaders of the extremist groups attached to imperialist countries, a number of children of Afghan refugees living in Pakistan have been taken to the United States for special political purposes.

The ringleaders of extremist groups and the CID of Pakistan select Afghan children and send them by force to the United States of America without taking into account the opposition the majority of the parents of these children. The said children undergo training in special training centres set up for this purpose. This measure has been undertaken for three purposes: Firstly, the authorities of the United States want to train these

innocent children as slayers, war-mongers and cruel killers. And to have them learn the techniques of using arms, firing rifles, and use deadly arms including the chemical arms. These techniques constitute the contents of their text books and training programme. These Afghans are trained as skilled and trained fighters to continue war against the people of Afghanistan and to kill their countrymen in the future. The second aim is the training of these children in an American way of life, that is to say, they are trained in such a manner so that they would be fully attached to the USA and act in the future as the political activists in the interests of the United States in the way "peace corps" functioned for long years in different countries, including Afghanistan before the April Revolution. And the third aim is to realize the notorious policy of brain drain. That is to say, the most talented individuals who can acquire knowledge and technology would be at the service of capitalists.

The people of Afghanistan who have never wanted and will never do so want to be employed by colonialists, have expressed their wrath at this cowardly and colonial act, and demanded an immediate end to such activities and misuse of Afghan refugees. For the Afghans regard the pure Afghan character as the greatest gift of Allah Almighty to the people of this land. But the colonialists and their subordinants, apart from waging war and shedding the blood of honourable offspring of Afghans, intend to weaken the Afghan spirit with such unmanly activities and programmes. Our people have never accepted and will not agree to inject any thing else except the love for the beloved Afghanistan in the minds of their children and youths.

Also the parents of these children express concern over the fact that their children are threatened with the addiction of narcotics, for they have learnt it in practice. A number of Afghan youth are addicted to hashish, opium, cocaine, morphine and heroine. This is one of the sufferings which the infernal CIA exercises on the citizens of the underdeveloped and colonized countries.

We would like to say to the certain colonial authorities of the West, particularly the United States of America that despite futile efforts and utilization of the latest gains of science and technology, Afghans have never been the slaves of colonialism and will not be in the future too. But these activities of American and Pakistani authorities and the sold-out Afghan elements fully run counter to the universal declaration of human rights and even the declaration of US independence.

The U.S. administration that regards itself as the defending champion of human rights, extends full support to misanthropic regimes of South Africa, Chile, El Salvador and so on and resort to other inhumane activities too, the vivid example of which is the training of the children of valorous Afghan people for materializing the US ominous and belligerent objects. The colonialists of the United States must not allow themselves to sacrifice the

wealth of a nation, children and youth for the realization of its colonial will and objectives, and should be careful that lion is born from lion and will tear one day the bellies of foxes.

#### **Solar Energy Unit Becomes Operational**

46000043b Kabul *THE KABUL TIMES* in English  
16 Nov 88 p 4

[Text] Kabul, Nov 15, (BIA)—The solar energy of the residential kindergarten of Khushal Mina was inaugurated and put into operation.

The said unit heats 4700 liters of water at 60-70 centigrade degree per day through use of solar energy.

The cost of the montage of the unit which took place by engineers of solar energy department is estimated Afs 1,600,000.

The unit was inaugurated by Raz Mohammad Pakteen Minister of Power and Water Resources, in presence of Prof Ghulam Rassoul Rassouly Minister of Education and a number of employees of the Ministries of Power and Water and Education.

#### **Power Distribution Station Inaugurated**

46000043a Kabul *THE KABUL TIMES* in English  
14 Nov 88 p 4

[Text] Kabul, Nov 9 (BIA)—A power distribution sub-station was inaugurated at function held yesterday, in Jabar Khan village, Bagrami district, Kabul province. It has a capacity of 160 KV and was constructed at a cost of Afs five million, from the state development budget and the credit of the GDR. This station supplies power for 200 houses.

Present at the inaugural ceremony were deputy minister of water and power and a number of the residents of the village.

### **INDIA**

#### **Pant on Relations With U.S., Pakistan, PRC**

46001177 Madras *THE HINDU* in English  
18 Nov 88 p 10

[Text] The Union Defence Minister, Mr K. C. Pant, has said there has been "a tacit Sino-Pak-U.S. world view in which India has been singled out for unfriendly attention."

Inaugurating the national security lecture organised by the United Service Institution of India on Wednesday here, Mr Pant cautioned that the current security situation in the sub-continent could not be understood or improved without facing this problem.

Pointing out that it would be too difficult to predict the shape of things to come, Mr Pant said in the United States a new administration would assume office early next year. Pakistan is in the process of electing a democratic government, while China has assumed a new position in the Western strategic outlook, he said.

**Bilateral ties:** Mr Pant said as far as bilateral relations were concerned, India had taken a host of steps to improve the relations with Pakistan and China. He said while eight rounds of talks at the official level were concluded with the Chinese, the prime minister, Mr Rajiv Gandhi, would be visiting China next month, he said.

Mr Pant said the relationship between India and the United States also showed some "upswing" in recent years. The visit of the U.S. Defence Secretary to India in the recent past gave an opportunity for high-level exchange of respective concerns on regional security and global issues.

**Positive response:** Mr Pant said the United States has responded positively to some of New Delhi's proposals for transfer of technology from that country in defence-related areas.

With Pakistan, dialogues at the level of defence secretaries and foreign secretaries have been continuing and political contacts were maintained at the appropriate levels, he said.

However, Mr Pant expressed apprehension over the military acquisition by Pakistan and its nuclear weapon programme.

**Leverage:** Noting that the United States had considerable leverage with Pakistan, Mr Pant said if the United States were to use that leverage, the intensity of arms race in the sub-continent could be drastically reduced.

He said India was looking forward to a "significant improvement" in its relations with Pakistan and China.

Though the United States is not a regional presence in the sub-continent, Mr Pant said its "policies and postures" would have immense influence on the course of events in this region.

Mr Pant hoped that as the general indications remain "favourable," the close of the century would witness "a far more relaxed relationship" emerging between India, Pakistan and the United States.

Delivering this year's national security lecture, journalist Mr S. Nihal Singh said there was no longer a bipolar world as the trend towards a multipolar world was shaped by new centres of power emerging.

He said India gave promise of asserting its regional preeminence and an expansion and modernisation of its armed forces proceeded apace, partly warranted by the flow of U.S. weapons into Pakistan.

### **Report on Rajiv Speech at Indira Gandhi Observance**

46001159 Madras THE HINDU in English  
1 Nov 88 p 1

[Text] The prime minister, Mr Rajiv Gandhi, today lashed out at the Opposition parties for not offering any constructive programme and likened their unity to a board with 100 planks without any nails.

In a 45-minute speech on the occasion of the National Integration Day to mark the martyrdom of Indira Gandhi, the prime minister also gave several assurances to farmers, women and youth. He also cautioned the people to be careful about those trying to weaken the country. It is only when the nation is strong and united that people throughout the world would respect it. Though no direct mention was made about polls, the address appeared to be a pre-election speech.

Mr Gandhi said that the Opposition parties had failed to emerge as a cohesive unit to fulfill the aspirations of the nation. Their unity is the coming together of parties having diametrically opposite views and different ideologies. They have no programme of their own. He said that while the Congress(I) was more than 100 years old, the Opposition parties found it difficult to be together even for 100 days. If one goes by newspaper reports, these parties changed stances in less than 100 hours.

Highlighting the contributions made by the Congress, he said that in its 100 years it has provided the country with stability and protected it from the forces trying to weaken it. Even during the last 4 years the party had launched various programmes for the uplift of all the sections of the society, particularly, the poor, the women and Harijans and the backward classes.

### **Language Issue**

He noted that, on the other hand, the Opposition parties have done nothing, except fighting among themselves. They did not even think alike on any matter, not to mention the differences among them on the language issue.

"Some spoke in favour of Tamil and other supported Hindi," Mr Gandhi said, to prove his point that they did not take any principled stand on any important issue.

The prime minister recalled the situation in the country after the assassination of Indira Gandhi when the entire nation was in the grip of strife with the enemies from within and outside watching happily and trying to exploit it at its moments of weakness. But the Congress(I), with the people's cooperation, steered the nation out of the worst crisis by adhering to the policies

and programmes laid down by Mahatma Gandhi, Jawaharlal Nehru and Indira Gandhi. Even the detractors of the party, who predicted disintegration of the country, were disproved by the Congress(I) in the last 4 years.

Mr Gandhi, who looked relaxed and spoke confidently, assured that his government would carry forward the 'garibi hatao' programmes of Indira Gandhi, with special emphasis on eradicating poverty in the villages, the drought-prone areas, the deserts and the hill regions. In this regard, he admitted that not all the benefits meant for the poor reached them and said that the government was determined to identify those responsible for the situation and eliminate them.

### Panchayat Raj

"Out of Rs 6 worth of benefits, only a rupee reached the person for whom it was meant and the remaining amount was taken away by middlemen," he said. This was probably because the Zilla Parishads and Blocks had not been given the requisite powers. He said that there was a debate going on within the Congress(I) at all levels for strengthening these democratic institutions. He was of the view that the benefits would reach the people only if the Zilla Parishads and Blocks were given the required powers. The aim was to make Nehru's dream of Panchayat Raj reality. A significant decision was likely to be taken first at the Congress(I) Working Committee and then at the AICC, he said.

Stressing that the green revolution had improved the lot of the farmers in several states, he noted that there were still problems which merited the attention of the government. In regard to rural unemployment, he said a crash programme had been prepared with the prime objective of generating employment for youth. A special Ministry of Food Processing had been created and the government wanted to make the dream of a second green revolution come true. The Eighth Plan would attempt to ensure faster development of the rural areas and it would also try to meet the objectives effectively.

The green revolution, Mr Gandhi said, had helped in developing the economy of Punjab, western Uttar Pradesh and Haryana and added that his government had initiated action towards dryland development and enhancing production and productivity in eastern Uttar Pradesh, Bihar, West Bengal and Orissa. As part of its strategy to eradicate unemployment, the government has opened a new industrial front to develop food processing industries.

### Improving Women's Lot

Praising the Indian women for competing favourably with men despite odds, the prime minister said that his government was committed to improve their lot. The government has studied their problems at great length and prepared a plan for them. It would be put forward before the Cabinet and then Parliament for final approval. It was his effort to provide the maximum

opportunities to women and give them not only economic independence, but also education and jobs.

Mr Gandhi said that when he took over as prime minister, Punjab, Assam, Mizoram, Darjeeling and some other parts of the country were burning and an attempt was being made to weaken the country. Owing to the persistent efforts of the government, peace has been restored in these states.

### Changing World Scene

Referring to international affairs, the prime minister noted that the world was changing at a great pace. The world which Nehru or Indira Gandhi saw was different, but their policies had withstood the test of time. There were only two blocs of superpowers, but Nehru and Indira Gandhi and he himself had all tried to prove through the nonaligned movement that there were other countries also and there was another dimension to international affairs. Now when we see what is happening, the two blocs are not what they were earlier. European nations were emerging and China too may occupy an important position. In this context, he said, "We have to ensure that India too has a coveted place. If we cannot have such a place, we will go back to the period when the country was enslaved. He said all Indians should feel proud of their country."

Amidst applause, Mr Gandhi asked the people to take a pledge on the fourth death anniversary of Indira Gandhi that they would take the country to the same position which it occupied before it was enslaved, that is the time, when visitors and scholars came to India to discover new things.

Earlier, Mr Ghulam Nabi Azad, the Congress(I) general secretary, the Union Home Minister, Mr Buta Singh, several members of the Working Committee, the DPCC(I) president, Mrs Tajdar Babar, and the union minister for information, broadcasting and parliamentary affairs, Mr H.K.L. Bhagat, were among those who spoke.

The security arrangements were very tight and all those sitting in the enclosures facing the prime minister had to pass through door-frame metal detectors and were frisked thoroughly.

**Gandhi Holds 2 Nov Press Conference in Calcutta**  
46001160 Calcutta THE TELEGRAPH in English  
3 Nov 88 p 1

[Article by Debashis Aikat: "Lok Sabha Polls on Schedule, Says Rajiv"]

[Text] Calcutta, Nov. 2—The Prime Minister, Mr Rajiv Gandhi, said here today the "Lok Sabha elections will be held on schedule and there was no reason to bring forward the general election by calling a snap poll" before the term ends late next year.

Speaking to newsmen at a 20-minute press conference at Calcutta airport before his departure for New Delhi, Mr Gandhi parried questions on whether his visit to China and the visit of the Soviet President, Mr Mikhail Gorbachev, to India later this month would affect the elections. He said "the election is so far away."

The Prime Minister laid special stress on his visit to China. Asked if he hoped for a solution to the border dispute with that country, Mr Gandhi said, "During the China trip we will not exactly be looking for a solution of the border dispute. The dispute is very complicated. There is a long history to it and the problem is emotional as far as the two countries are concerned." He said there were certain technical problems which he hoped would be solved in the near future.

#### Foreign Hand in J&K

Mr Gandhi said there were "definite indications of a foreign hand fomenting the recent problems of terrorism in Jammu and Kashmir." Comparing the Punjab situation with Jammu and Kashmir, Mr Gandhi said the people creating trouble in both the states were trained in Pakistan. Expressing grave concern over the deteriorating situation in Kashmir, he said certain steps had been initiated to root out the foreign interference.

#### Pak Visit in December

The Prime Minister confirmed that he would be visiting Pakistan in December to attend a SAARC summit but refused to comment on whether his trip would improve ties with that country. "With the death of Gen. Zia one phase of Pakistan's history is over and now it depends on who the leader will be," he said.

#### S. S. Ray To Remain Punjab Governor

Asked about newspaper reports and widespread speculation about the Punjab Governor, Mr S. S. Ray, being appointed Union home minister, Mr Gandhi said, "He is very clearly the Governor and will remain so."

Referring to the raging controversy and criticism from the Opposition over his describing "opponents of the Congress(I) as the enemies of the nation as a whole," Mr Gandhi said he had been misunderstood and misquoted. He said he had pointed out in his address at the AICC(I) rally at Red Fort on Monday that certain Opposition parties were following the unprincipled path of not being concerned with vital issues and ridiculing the government for its problems without concerted efforts to solve them.

#### No IPKF Pullout

The Prime Minister repeatedly denied that he had any plans to withdraw the Indian peacekeeping force from Sri Lanka. He said he was satisfied with the performance of the force.

Asked about his opinion, as a former pilot, on the recent air crashes in Guwahati and Ahmedabad, Mr Gandhi said, "We have instituted an inquiry and I am waiting for its report. I would not like to make a premature comment."

#### Haldia Project

The Prime Minister said the problems persisted with the joint sector Haldia Petrochemicals Project. Mr. Gandhi said, "First there was some problem with the technology involved in the Haldia project. But after this was sorted out, we are now faced with impediments in funding. I hope the West Bengal finance minister will meet the Union finance minister after Diwali to sort everything out."

Asked if he could give a deadline for the long-pending clearance of the Haldia project, Mr Gandhi said "We cannot have a definite deadline until the problems are solved."

#### PM Thanks Calcuttans

Concluding his press conference in the airport's VIP lounge, the Prime Minister told newsmen he was moved by the warm welcome extended to him by the people of Calcutta. "My special thanks to Calcuttans for this welcome," he said. He was overwhelmed by the fact that his short three-hour trip to the city had drawn such large crowds. The Prime Minister left for New Delhi by the special Indian Air Force plane Rajdoot at 9:35 pm.

Earlier, the Prime Minister landed at the Calcutta airport at 5:35 pm and was received by the West Bengal Governor, Prof. Nural Hasan, and the state finance minister, Dr Asim Dasgupta, who represented the state government in absence of the chief minister, Mr Jyoti Basu. Mr Basu is away in Berhampore to address a CPI(M) rally.

#### Gandhi Speaks at Air Force Base Founding Ceremony

46001171 Madras THE HINDU in English  
13 Nov 88 p 1

[Excerpt] Arakkonam, 12 November—The prime minister, Mr Rajiv Gandhi, today urged the Opposition parties to keep the armed forces out of politics.

There can be criticism of a political decision over a defence strategy, but not denigration of the armed forces of the military operation itself," Mr Gandhi declared, laying the foundation stone for a Rs 100-crore naval air station here tonight.

If the armed forces should provide security to the nation, a certain stability was essential at home. "We must have a consensus that we do not denigrate the forces," he added.

The prime minister said it was most "disturbing" that a member of the National Front in the Rajya Sabha should have recently decried the armed forces openly in the House and that none of his Opposition colleagues came to the support of the defence services.

### Superpower Relationship

Mr Gandhi said the changing international scenario called for a more alert defence service and mere alertness was not enough. "We have to build a stronger defence in the coming years."

He said the relationship between the two superpowers was changing so rapidly and it was not clear if this would be for the benefit of the developing countries or just "their political convenience."

He said it was very simple to criticise increased defence expenditure. But it had to be viewed in the perspective of the changing scenario, India's location and the role it had to play in the developing international relationship.

Justifying the Indian action in the Maldives, the prime minister asked: "Are we to sit back and watch a democratically elected government of a friendly, neighbouring country being pulled down by alien forces?"

The Male operation had shown the well coordinated action of the Indian armed forces, their rapid deployment capability some 700 km away from the coast and also demonstrated how India came to the help of its friends, he said.

Making out a case for increased attention and funds for the Navy, Mr Gandhi said history had shown that though the country had been conquered a number of times across the land passes, the ultimate winner on land was India. "The real danger of our security lies across the seas and that is why the Navy needs much more attention."

The prime minister called upon the defence services to provide security to the nation within the financial constraints that the country was forced to clamp on them.

Mr Gandhi said the naval air station at Arakkonam was envisaged even 13 years ago but the work was just being speeded up. "Even this had to wait for government's rule," he added.

### Allegation That Gandhi Holds Swiss Bank Account Denied

#### Bank Account Numbers Divulged

46001166 Bombay THE TIMES OF INDIA in English  
7 Nov 88 p 1

[Text] Lucknow, 6 November—The Janata Dal president, Mr V. P. Singh, today accused the prime minister, Mr

Rajiv Gandhi, of having deposited Rs 8.06 crores taken as commission in the Bofors gun deal in his Swiss account.

Talking to newsmen here today, Mr Singh said he would renounce his political career forever if the prime minister was able to prove his information was wrong.

He said that he had other secret information about Mr Gandhi's personal accounts with a Swiss bank and added that he would divulge the details at the appropriate moment. He charged that the Swiss account of the prime minister had proved that he had deceived the country and cheated its people.

Divulging Mr Gandhi's Swiss bank account number, Mr Singh said that he had kept many more details intact in his personal—"electronic memory recorder," which he took out from his pocket.

He gave the following details about the account:

Account number 99921-TU, Swiss Bank Corporation  
2RU D LA confederation Geneva, Switzerland.

Invoice No.	Date	Kroner
1014836	8.12.86	4729190
1010488	20.3.87	352380
1010496	23.3.87	

(Total: Rs 8.06 crores)

Mr Singh said he had been forced to repeat his allegation against the prime minister because the press had failed to take note of his statements in parliament and at a public meeting in Patna.

Asked whether he had prior information about Mr Gandhi's Swiss account or he had gathered it recently, Mr Singh refused to comment.

Mr Singh further alleged that the commission was taken through a fake company, "Swenska."

Mr Singh said his party would organise a youth rally in mid-December followed by a meeting of farmer leaders. An all-India women's convention would also be organised in Delhi in the second week of January.

### Gandhi, Others Refute Allegation

46001166 Madras THE HINDU in English  
11 Nov 88 p 9

[Text] New Delhi, 10 November—The slanging match on the Bofors gun deal continued to claim a lot of media attention today with four Union Ministers issuing a fresh rejoinder to the allegations made against the prime

minister, Mr Rajiv Gandhi, by the Janata Dal president, Mr V.P. Singh, and calling upon Mr Singh to prove that the Swiss bank account he had referred to was that of Mr Gandhi.

At the same time Mr K. N. Singh, Congress(I) general secretary, raked up certain allegations about Mr V. P. Singh circumventing the land ceiling law in Uttar Pradesh to save his farm. The prime minister, Mr Rajiv Gandhi, himself took the opportunity of a talk with correspondents in Bangalore to unequivocally contradict allegations that commissions in the Bofors deal had been credited to his account with a Swiss bank.

Reports from Bangalore, where he stopped en route to Krishnagiri, the prime minister also said he had never claimed that commissions had not been paid in the howitzer deal.

Pointing out what they called a contradiction between Mr Singh's earlier stand that he had personal information regarding the matter which he would make public, the four Union Ministers—Mr K.C. Pant (Defence), Mr S.B. Chavan (Finance), Mr Buta Singh (Home) and Mr P. Shivshankar (Human Resource Development)—said: "All that he has done is merely to reproduce three documents which have already been published in THE HINDU a few months back.

"Even assuming that the material published in THE HINDU is given credence," they said in a joint statement, "these documents only purport to show that certain sums of money are payable by Bofors to a firm called 'Svenska' and to an account called 'Lotus.' There is not the remotest suggestion in these documents that they relate to the prime minister."

"He has thus attempted to confuse the public and divert attention from the fact that he has no evidence to substantiate the wild and reckless allegations he has been making about the prime minister," they added.

Mr Pant, Mr Chavan, Mr Buta Singh and Mr Shivshankar once again called upon Mr V. P. Singh to prove that the Swiss bank account he had referred to was that of Mr Rajiv Gandhi or publicly apologise and take 'sanyas.' "Any prevarication will conclusively establish that he had no evidence and no credible information to substantiate his wild, false and baseless allegation, and that his only object is to harm the body politic through reckless and immoral allegations," they said.

Mr Rajiv Gandhi said in Bangalore that he had never had a bank account abroad—in Switzerland or anywhere else—except during his student days (in the 1960s). But more significant than Mr Gandhi's denial of receiving any commission himself was his observation that he had never denied that commissions had been paid by Bofors

for the Howitzer deal. The Central Bureau of Investigation was already probing the allegation of commissions allegedly paid by Bofors to clinch the deal, he was reported have said.

Mr K. N. Singh, general secretary of the Congress(I), in a statement said: "The basic inconsistency of Mr V.P. Singh's character may prove very costly for our political system. He has been making certain claims and promises but his mercurial temperament has been forcing him to swallow his words."

In Mr K. N. Singh's opinion the time was now ripe for Mr V. P. Singh to place all the facts before the nation or quit political life. Describing the Janata Dal leader's accusations as "cheap gimmicks and a futile attempt to maintain his image by flogging a dead horse," the Congress(I) general secretary asked: "How long can Mr Singh keep issues alive through artificial respiration?"

But more than asking Mr V. P. Singh to retrace his steps, Mr K. N. Singh raked up serious allegations against the former defence and finance minister who at one time was also Chief Minister of U.P. Claiming that a report submitted by Mr Mangal Deo Visharad to the SVD Government of Uttar Pradesh had clearly said Mr V. P. Singh had circumvented the land ceiling law by floating the Dahiya Trust and the Ram Janaki Trust to save 1,000 acres of farm land, Mr K.N. Singh said the floating of these trusts was not only ante-dated but "revealed much about Mr V. P. Singh's honesty and high morals."

He also claimed that a Congress Minister of U.P. (Mr Swami Prasad Singh) had in 1976 said Mr V. P. Singh had floated these trusts to evade the land ceiling law. The Visharad report, he said, had described Mr V. P. Singh "as the biggest land thief and land grabber of Uttar Pradesh."

(It may be recalled that the Dahiya Trust controversy had surfaced when Mr V.P. Singh was a minister in the Rajiv Gandhi Government. Mr Singh had at that time offered to have the allegation investigated by a committee of Opposition leaders but the Opposition declined the offer.)

Mr K. N. Singh described the disclosure of assets made by Mr V. P. Singh as a "pristine manifestation of his expertise with the camouflaged lie. At no time has the former Chief Minister of U.P. and one time Union Finance and Defence Minister admitted to have any faith in land reforms. He is also the self-confessed owner of several thousand square feet of some of the most expensive real estate in India in the heart of the Connaught Place commercial sector. At some later stage Mr Singh might disclose his benami properties, lands and estates transferred on paper to others."

According to Mr K. N. Singh, it was the things that Mr V. P. Singh had left unsaid—the riches, the wealth and the dates on which he acquired each asset—that were of



basic importance. "His own friends and colleagues have raised doubts that some of the biggest assets were built up when he was in office, particularly when he was a Union Minister."

### Upper House Told of Fall in Foreign Exchange Reserve

46001163 Calcutta *THE TELEGRAPH* in English  
4 Nov 88 p 6

[Text] New Delhi, 3 November (PTI)—The foreign exchange reserves, excluding gold and special drawing rights, decreased from Rs 7,287.14 crores as on 31 March to Rs 5,461 crores on 30 September and stood at Rs 6,352.32 crores on 31 October last, the minister of state for finance, Mr Eduardo Faleiro, informed the Rajya Sabha today.

He told Mr Ram Jethmalani and Mr Jagjit Singh Aurora in a written reply that the decline in reserves as per available indications, was due to the bunching of some import payments, unusually high international prices for metals, edible oils, petrochemicals and other imports.

In reply to a question by Dr Bapu Kaldate, Mr Faleiro said that the debt outstanding in respect of IMF borrowings, including IMF Trust Fund as on 31 December 1986 amounted to Rs 5,827.78 crores.

K. K. Sharma adds: The sharp fall in foreign exchange reserves by more than Rs 2,500 crores in the first half of the current financial year has pressed officials responsible for managing the economy into action to reverse this dangerous trend.

Foreign exchange reserves are now worth less than 3 months' imports and this is considered well below the danger mark. Hence the need for conserving the reserves by limiting the outgo of foreign exchange.

At present, last year's trend of a smaller trade gap has been reversed and imports are rising at a pace that cannot be matched by exports. If the trend continues, the gap could be a record one and might further deplete the reserves.

The reasons for the critical situation are a sudden rise in defence imports, the bunching of repayment obligations (especially to the International Monetary Fund), the rise in the quantity of crude oil and petroleum imports as well as the need to increase such "essential" imports as edible oil and foodgrain because of last year's drought.

Ways are now being devised to increase the country's foreign exchange earnings. The latest of these was the announcement last week by the State Bank of India of a highly attractive, tax-free bond issue, with a 11.5 percent interest rate and permission to gift the bonds to relatives. It is likely to net around \$200 million within a month.

The bond is expected to be purchased by non-resident Indians who wish to send money that is earning for itself to their relatives. This is expected to be followed by another bond issue which, unlike the current one, will be repatriable in foreign exchange. This will then be subscribed to by Indians abroad who wish to retain their right to withdraw their investments in foreign exchange.

The bond issues for non-resident Indians come after a number of other schemes to attract bank deposits by them, mainly by offering interest rates that are higher than those that can be obtained from similar investments in other countries.

However, the danger is that much of this is repatriable in foreign exchange. Thus, in the event of interest rates rising in other countries, the deposits by non-resident Indians could be suddenly withdrawn and thus further strain the reserves.

Economists point out that the value of deposits by non-resident Indians are now worth more than India's entire foreign exchange reserves and this makes the country very vulnerable to sudden changes in the world money markets.

The situation is exacerbated by the fact that India's debt-service ratio is rising fast because of such borrowings from abroad, together with commercial loans from the world money markets as well as borrowings from other countries.

This had led to a debt-service ratio of nearly 30 percent of total inflow of foreign exchange which is far more than the under 20 percent level just a couple of years ago.

### India's Economic Prospects Reported to be Favorable

46001170 Bombay *THE TIMES OF INDIA* in English  
8 Nov 88 pp 1, 10

[Article by D. G. Gupte: "Economic Outlook Optimistic"]

[Text] Bombay, 7 November—On the eve of the new Samvat Year 2045, the prospects of the Indian economy can be considered good. The favourable monsoon in most parts of the country and the pick-up in the industrial output are expected to provide a boost to the economy.

The tempo in the capital market in recent months is expected to be maintained, with both industrial and agricultural sectors doing well. The flexibility in the credit policy announced recently by the Reserve Bank of India will benefit well-managed companies.

While exports have shown a satisfactory trend, the balance of payments position continues to cause concern. The emergence of structural imbalances in the budgets of both the central and state governments will

need attention. The price situation also will have to be watched carefully. While the rate of inflation can be considered to be modest, the rise in retail prices, which has been hurting the middle-income and low-income groups, will have to be kept under scrutiny.

Although India continues to be a politically stable nation, the growing unrest in certain parts of the country and the political uncertainties in the neighbouring countries are bound to have an impact on the country's economy. Efforts are, therefore, needed to keep a close watch on the economic situation, and provide a definite direction and thrust to the economy on the eve of launching the Eighth 5-Year Plan.

Foodgrains production in 1988-89 is expected to touch a record level of 170 million tonnes against the actual production of 137 million tonnes in 1987-88 and 144.1 million tonnes in 1986-87. Some optimists place the foodgrains production in the current year at 175 million tonnes.

The production of oilseeds is placed at 14-14.5 million tonnes against 12.5 million tonnes in 1987-88. Similarly, cotton production is placed higher at 11-11.5 million bales against 9 billion bales in 1987-88. Sugar production is expected to touch a record of 10.1 million tonnes against 9.1 million tonnes in the previous season.

The all-round increase in the production of agricultural goods is bound to have a favourable impact on the economy. Despite floods in some areas, production will cross previous records. What is more, production in the ensuing rabi season will also be larger in view of the good September rains. It is expected that foodgrains stocks in the national pool, which had dropped in the past few years, will again be augmented to desirable levels.

The supply-demand imbalances in respect of some important commodities of mass consumption such as edible oils, sugar and pulses, continued to persist during the last year. The government was obliged to import edible oils for distribution to the public and also for the vanaspati industry. Imports of edible oils during the financial year 1987-88 totalled 1.96 million tonnes valued at Rs 919 crores against 1.31 million tonnes valued at Rs 532 crores in 1986-87. However, edible oil imports in the current year are expected to come down because of the likely bumper oilseeds crop. Imports of edible oils can be brought down to less than 1 million tonnes in the current year. Moreover, the country will have enough cotton production to export a few lakh bales. The long-term export policy of cotton, suspended in 1987-88 because of shortage, may be resumed again.

As far as sugar is concerned, India has already emerged as the largest producer of white sugar. With the anticipated production of over 10.1 million tonnes in the 1988-89 season, it should be possible to export some

quantity. This is considered essential, since it will be in the interest of the country to enter the international markets, where the demand continues to grow.

The rate of growth of industrial production slowed down during 1987-88, when compared to the previous year, with the index of industrial production showing an increase of 7.7 percent against the increase of 9.5 percent during 1986-87, and the projected rate of 8 percent in the seventh plan. The effect of drought during the 1987-88 kharif season caused the slowing-down of the growth of industrial production towards the end of 1987-88. Official circles consider the 7.7 percent rate of growth of industrial production in 1987-88 as satisfactory in the context of the severe drought conditions.

Industrial production is expected to show a much higher rate in 1988-89. With a better performance by the infrastructure industries like petroleum crude, petroleum refinery products, electricity, steel and cement, coupled with favourable monsoon during the kharif season, the industrial sector is poised to achieve a higher growth rate in the ensuing year as well.

Recent changes in the industrial policy have sought to promote greater competition by relaxing licensing constraints on entry, growth by capacity re-endorsement, flexibility to respond to changing demand conditions by broad-banding and cost efficiency by prescribing minimum scales of production in several industries. Liberalisation in trade policy has made the imports of capital goods, components and raw materials easier. This has injected an element of competition besides facilitating the upgradation of technology.

The transition from a protected environment to a more competitive situation is not always easy. Some industries will have to readjust their production pattern. Liberalisation can also lead to difficulties for some.

However, for providing a thrust to the economy, bureaucratic procedures will have to be streamlined. It has been found that despite liberalisation, projects take time in implementation mainly because of age-old bureaucratic procedures. This, in turn, leads to a rise in the cost of projects. Industrialists and businessmen feel that there should be close cooperation between the government and the industry, and mistrust noticed in certain quarters should go. It is felt that when efforts are being made by even socialist countries like the USSR and China to liberalise their economies and streamline the bureaucratic procedures, India should not lag behind.

The younger generation among the industrialists feel that there is too much of politics in our country while sound economic thinking and implementation of economic policies are the need of the hour.

The Reserve Bank of India has pointed out that an area of concern from the stand point of overall growth is the deceleration in the rates of domestic savings and investment. The RBI has suggested rationalisation of the structure of effective interest rates on various savings instruments. It feels that it will be preferable to offer a clearly set-out structure of nominal interest rates, reflecting maturity and liquidity without excessive fiscal concessions rather than low nominal rates with fiscal concessions, which in effect render prohibitive the cost of mobilising resources.

### Capital Market

The capital market, which remained sluggish during the major part of 1987-88, has shown signs of revival in recent months. Capital issues in the primary market are expected to be larger this year than in the previous year.

In recent months, stock markets have shown buoyant conditions. This is attributed to several factors. The pent-up demand of investors over the past 2 years as a sequel to the sustained bear pace in the share market has begun to manifest itself. Continuous buying by institutional investors notably the UTI and the LIC has resulted in reduction in floating stocks in the market. Out of the total market capitalisation of listed companies of Rs 30,000 crores, around Rs 10,000 crores is accounted by promoters of companies, Rs 10,000 crores held by financial institutions and the balance Rs 10,000 crores by a large body of investors. Since a majority of investors have a tendency to hold investments for longer periods, the floating stocks in the market are placed at only Rs 5,000 crores in terms of market capitalisation. Thus, it is found that once the market gets into the bull phase, the spurt in share prices does not remain restricted to only select companies but also gets broadened.

In the primary market, during the 5-years period 1981-82 to 1985-86, over 3,000 companies raised Rs 2,480 crores by issuing ordinary and preference shares as well debentures (both convertible and non-convertible). During 1986-87, over 500 companies raised Rs 4,400 crores, while in 1987-88 nearly 300 companies raised Rs 3,800 crores. The investor population is placed at nearly 15 million.

For helping the small investors in the primary market, it is necessary to evolve a proper appraisal machinery for industrial projects. Issue houses on the pattern of some Western countries can be set up. These can place the capital issues of a small or medium projects on the market at a specified price after the company enters the dividend list.

The securities and exchange board of India (SEBI), which came into existence in April 1988, is a major step towards correcting the structural weakness in the functioning of the stock exchanges, which have been partly responsible for the large swings in share prices. The board has been set up to build up investors' confidence which is necessary to enable to corporate sector to

mobilise larger resources directly from the capital market. Considering the challenges facing the securities markets, there is no doubt that SEBI has been constituted at the right time.

Another significant development towards the strengthening of the capital market has been the setting up of several mutual funds as subsidiaries of commercial banks. With more players in the market, investors' interest will be safeguarded.

With the rising investor population, there is need to improve the market structure as well as the systems, procedures and technology to render prompt and efficient services to the investors. For this, mechanisation and computerisation of stock exchanges will have to be accelerated.

The regulatory mechanism of the stock exchange governing boards needs to be tightened further. As the number of investors grows and more companies get their securities listed on the stock exchanges, the volume of business is bound to grow. To handle such large volume, streamlining the procedures and systems will be needed.

The stock exchanges in various parts of the country will commence trading for the new Samvat year this week. On the eve of the new year, marketmen and investors are pinning high hopes on their investments. On the whole, the Samvat year 2044 has proved rewarding to investors in general. The all-India Economic Times index for ordinary share prices has shown a spectacular rise of 40 percent over the year against a marginal rise of 6.5 percent over the previous year and of 14 percent in Samvat year 2042.

Share markets have been in good form in the past few months. It is generally expected that the market will maintain its present tempo and investors can be expected to reap benefits in the ensuing year as well. No doubt, occasional technical corrections can be expected in the market. But the overall trend is expected to be bullish. The corporate sector is expected to perform well in the current as well as the ensuing year. The pick-up in the economy as a result of record agricultural production and higher industrial growth is expected to benefit investors. Ultimately, the strength of the capital market rests on the performance of the corporate sector.

### Balance of Payments

The balance of payments position continues to cause concern. While the growth in exports has been heartening, imports continue to grow to take care of the demand for capital goods and industrial raw materials for maintaining the tempo in the industrial sector. The current account deficit in 1987-88 would be larger than in 1986-87 in absolute terms as also in relation to the gross domestic product. What is worrying the authorities is the rise in external liabilities as well as debt service obligations. Despite larger assistance from international

financing agencies like the World Bank, ADB and the IMF, the balance of payments position will have to be watched in view of the bunching of debt servicing relating to IMF drawings, the repayments of which will peak in 1988-89.

Thus, a sustained and strong rate of growth in exports will be crucial to help reduce the current account deficit, the financing needs and the debt service ratio. A careful watch on the growth in imports will also be necessary. Special incentives for industrial units to increase their exports can be provided. No doubt, efforts are being made to create capacities for aiding exports. However, industrial units engaged in export activity should be encouraged to market their products locally. Instead of increasing exports through a large number of companies, it might be worthwhile to concentrate exports in only a few select companies. Such companies can be helped in many ways to handle international competition effectively.

#### **India Seeks Ocean as Zone of Peace**

46001164 Calcutta *THE TELEGRAPH* in English  
13 Nov 88 p 4

[Text] New Delhi, 12 November (PTI, UNI)—The President, Mr R. Venkataraman, today expressed concern at the intensification of great power rivalry in the Indian Ocean and said the recent developments in the Maldives underscored the threats to security that persisted in this sensitive area.

Speaking at a banquet in honour of the visiting Mauritius governor-general, Sir Veerasamy Ringadoo, the President said India wanted the Indian Ocean to emerge as a zone of peace. He said India fully supported Mauritius's legitimate demand for the restoration of the Chagos Archipelago.

He said it was regrettable that the new regime in Fiji seemed determined to impose a blatantly racist constitution on its people. "Fiji must return to the path of democracy based on racial harmony and equal respect for the rights of all its people if political stability and economic progress are to become possible," he said.

Expressing "deep distress" at the determined efforts of the racist minority regime in South Africa to perpetuate the abhorrent practice of apartheid, Mr Venkataraman reiterated the call for universal mandatory and comprehensive sanctions against South Africa.

Recalling the "special relationship" between India and Mauritius, Mr Venkataraman said the two countries were engaged in working out programmes of meaningful cooperation in important branches of science and technology.

He said, "We have already initiated cooperation in the field of oceanographic studies. The telemetry tracking command station in Mauritius for our Indian Ocean satellite is providing valuable service."

Mr Venkataraman added the two countries would soon set up a radio telescope in Mauritius for galactic observation. Several new areas of collaborative endeavour were also being explored.

He said India and Mauritius had an impressive record of cooperation in the economic, technical and cultural fields. He cited as examples the Mahatma Gandhi Institute established in Mauritius in the seventies, the completion of the prestigious Jawaharlal Nehru Hospital before the end of the eighties and the commissioning of the full range of activities of the Indira Gandhi Centre for Indian Culture in the early nineties.

#### **'India's Action Lesson to the World'**

Sir Ringadoo said today that India's timely help to safeguard democracy in the Maldives was a lesson to the rest of the world.

He told newsmen after his ceremonial welcome at Rashtrapati Bhawan the coming from a small country, he was particularly glad that India had extended military assistance to the Maldives in order to safeguard democracy.

#### **CPI-ML To Extend Support to Janata Dal**

46001173 Madras *THE HINDU* in English  
15 Nov 88 p 10

[Text] Jaipur, 14 November—THE CPI(ML) has extended its support to the unity move among the Opposition parties. The general secretary of the party, Mr Kanu Sanyal, told newsmen here on Monday that his party looked forward to a broad-based Opposition from which could replace the present government at the Centre.

Mr Sanyal said his party was willing to cooperate with the bourgeois parties on the basis of issues while continuing its attempt to bring about unity among the left revolutionaries on the basis of ideology and policy.

He welcomed the formation of the Janata Dal and said the CPI(ML) was keenly observing the progress of the unity efforts attempted by Mr V.P. Singh. There was no hitch in extending support to a new formation on the basis of a minimum programme, he said.

Exploitation should end: The CPI(ML) has demanded that the Centre bring the country's workforce in the unorganised sector under the purview of the labour laws to put an end to the exploitation of the working class.

The second Rajasthan convention of the party, held at an undisclosed place in the state on 11, 12, 13 November and also asked the state government to write off loans given to the landless and marginal farmers.

Speaking to newsmen here on Monday, the newly-elected secretary of the Rajasthan CPI(ML), Mr Mahendra Chowdhury, said 60 percent of the state's total workforce, engaged in the unorganised sector, was being subjected to the exploitation of the landlords, contractors and moneylenders.

### **Report on Draft Political Resolution of CPI-M Congress**

46001153 Calcutta *THE TELEGRAPH* in English  
25 Oct 88 p 1

[Text] New Delhi, 25 October—Hope tempered with caution marks the massive draft political resolution for consideration at the CPI(M)'s 13th party congress to be held in Trivandrum at the end of this year. While repeatedly emphasising that the policies pursued by the Rajiv government are "leading to an outburst of spontaneous mass discontent," it warns that unless a broad Left and democratic front actively works among the masses, it will be difficult to dislodge the ruling party and combat the growing influence of divisive and communal forces.

The draft political resolution reiterates the basic position taken by the party leadership over the past 3 years, namely, the necessity of fighting the Congress(I) on the one hand and combating communal forces on the other. Totally rejecting the idea of "all in Opposition unity," the resolution at more than one place states, "It is only by intervening in the present situation, by defeating the Congress(I) in the next elections and frustrating all attempts of the communalists and pro-imperialist forces that the revolutionary forces can march ahead and strengthen the struggle for Left and democratic unity."

The resolution spells out in detail the growing authoritarian trends, the crisis in the economy, the increasing pauperisation of the peasantry, the elitist education policy and other anti-people policies of the Rajiv Gandhi government and feels that the level of discontent has increased since the party's last congress in Calcutta in 1985.

At the same time, however, it candidly admits that "The discontent does not show as yet signs of rallying around all India Opposition secular parties." While pointing out that the CPI(M) and other Left forces have taken the initiative to channelise the discontent, it admits that "Considering the all India ramifications of the growing discontent, the CPI(M) and the Left have been able to organise only a small part of the ever increasing mass protest."

It adds, however, "But if the several secular Opposition parties join together, create the sense of stable alternative Centre and provide an assurance to sections who were hitherto voting blocks of the Congress(I) there is every chance of the Congress(I) being defeated in the next elections. This is a new feature which was not there at the last party Congress."

The resolution also points out that any struggle point should take into account the "new development" in the neighbouring countries where imperialists have succeeded in establishing firmer influence and, above all, creating a situation of hostile feelings towards India and her people. "It is suicidal if this particular change is forgotten when we carry on our struggle. Because those who are getting increased influence in these countries are quite capable of using the growing hostility to prejudice, sabotage or defeat our struggle."

The crux of the resolution, in immediate political terms, however, is that only a combination of Left and secular forces can defeat the ruling party and contain the communal threat. After describing the Congress(I)'s misdeeds at length, the resolution notes: "At the same time, it should be realised that in spite of its many misdeeds and its recent reverses in elections, the Congress party continues to have a big mass base even in states where non-Congress(I) ministries are functioning. Its all India mass influence and strength should not be underestimated and the degree of its isolation should not be exaggerated. It is, besides, capable of winning over sections who are now alienated from it."

But then comes the note of hope, as it adds, "At the same time it will be difficult for the Congress(I) to defeat a combination of Left and secular forces provided they make a bid for the masses in all seriousness."

While the CPI(M) welcomes the exclusion of the BJP from the National Front and feels that it is partly a result of its anti-BJP campaign, the resolution is cautious about future developments in this direction. It notes that the "leadership of many of these (bourgeois secular) parties favour an understanding with the BJP in order to secure electoral gains. At the same time there are elements and forces which want to take a stand with the Left Forces and would, therefore, like to eschew all understanding with reactionary parties."

It further states that this has led to the emergence of two lines, "the line of the Left and the line of the bourgeois parties," on how to achieve Opposition unity. Admitting that the situation continues to be fluid, it adds, "these two outlooks often clash with each other but the final outcome will be determined by the pressure of the mass movement and mass consciousness."

Severe attack against communalism: The resolution has devoted a separate section on the "menace of communal forces" in which it attacks both the policies of the ruling party and the emergence of reactionary Hindu and

Muslim force. Referring to the Maliana massacre among other riots, it notes that "these communal riots of the present period are unlike the riots of the earlier period arising out of some temporary emotional feelings, they are now a conscious device of internal reactionary and foreign destabilisers to undermine Indian unity."

Significantly, it notes the advance of these agencies in West Bengal, particularly the Muslim League which has hitherto been absent from the state. "These agencies... are intent on organising disturbances in West Bengal where the CPI(M) and Left forces have been successful in maintaining communal amity and preventing the spread of communal poison."

**Janata Ratifies Merger With Janata Dal**  
*46001178 New Delhi PATRIOT in English*  
19 Nov 88 p 1

[Text] Janata Party on Friday completed the formality of joining the unified centrist party, Janata Dal.

The National Council of the Janata ratified the decision taken at the foundation conference of the Janata Dal in Bangalore on 11 October. Later, the plenary session endorsed the formation of the Janata Dal by adopting its resolution.

Simultaneously, four Karnataka Janata Party legislators issued a statement in the capital vowing to keep the Janata Party's identity intact with its name, symbol and flag. The legislators including Mr M.S. Narayan Rao, Mr N.S. Khed, Mr Vishwanath Patil and Mr B. Guruprasad said they opposed the merger of the Janata Party.

Before the holding of the national council and the plenary session, the senior Janata leaders met in the early hours of today to persuade Karnataka Irrigation Minister H. D. Deve Gowda to join the Janata Dal. However, Mr Gowda remained rigid on removal of the State President M. P. Prakash from his post as a condition for attending the plenary session. The four legislators who issued anti-merger statement are followers of Mr Gowda. As a result, the party differences between Mr Ramakrishna Hegde and Mr Ajit Singh, and between Mr Hegde and Mr Gowda found ugly reflection at the meeting that culminated in scuffles and group fights in which many delegates were injured.

The resolution that endorsed the decision taken at the foundation conference of the Janata Dal was proposed by former Janata President Chandra Shekhar and seconded by Karnataka Chief Minister S. R. Bommai.

The resolution authorised Janata President Ajit Singh to take necessary steps to complete all formalities of merging the party into the Janata Dal.

The resolution said, "the national council plenary session endorses that the name of the new party be Janata Dal, the election symbol be 'Haldhar within wheel' and the flag be green with the party symbol superimposed in white.

The resolution endorsed the appointment of Mr V.P. Singh as the president of the Janata Dal and the adoption of the Janata Party constitution to be the basis of the unified party's constitution.

The plenary session was marked by the current and cross-currents of tension between the two party stalwarts, Mr Chandra Shekhar and Mr Hedge. The supporters of the two appeared to be in a mood of confrontation.

Mr Chandra Shekhar emphasised the necessity of the formation of the Janata Dal while highlighting the role played by the Janata Party in the past 11 years of its existence. He decried the critics of the Janata Party Government at the Centre who, he said, overlooked its historic role in reviving democracy which had been throttled by the imposition of the emergency.

**Reportage on All-India Congress Committee Session**

**Gandhi Speaks at Opening**

*46001165 Bombay THE TIMES OF INDIA in English*  
5 Nov 88 pp 1, 9

[Text] THE TIMES OF INDIA News Service, New Delhi, 4 November—Vested interests would not be allowed to control the commanding heights of economy, the prime minister, Mr Rajiv Gandhi, said here today.

At the AICC session, which opened at the Talkatora indoor stadium here today, he said the thrust of the economy and planning would be to remove poverty, uplift the lot of women and provide jobs to the youth. This would make the nation strong and self-reliant and enable it to follow an independent foreign policy.

Mr Gandhi applauded as he came on to this dais wearing a white Gandhi cap. There were intermittent slogans of "Rajiv Gandhi zindabad" during his 75-minute extempore speech. The four others on the dais who wore Gandhi caps were Mr Umashankar Dikshit, Mr Sitaram Kesri, AICC treasurer, Mr N.D. Tiwari, chief minister of Uttar Pradesh, and Mr Jagannath Pahadia, AICC general secretary.

Most of the day was devoted to a discussion on the political resolution which was moved by Mrs Mohsina Kidwai and seconded by Mr K. Karunakaran. Mr Buta Singh, Mr N.D. Tiwari and Mr Amarsinh Chaudhary were among those who spoke on the resolution. Immediately after it was adopted, the house took up the resolution on electoral reforms.

Most of those who were recently readmitted to the party were present at the deliberations. They included Mr Pranab Mukherjee, Mr. S.C. Shukla, Mr Chandrajit Yadav and Mr A. R. Antulay, who came about 20 minutes after Mr Gandhi had begun his speech. Mr Vasantao Patil was provided a chair near the dais which had portraits of Jawaharlal Nehru, Mahatma Gandhi, Mrs Indira Gandhi and Mr Rajiv Gandhi as a backdrop.

The AICC general secretaries, Mr Ghulam Nabi Azad, Mr K.N. Singh and Mr V.N. Gadgil were seated on the dais and Mr J.K. Jain, AICC joint secretary, was seen actively assisting Mr Rajiv Gandhi during the proceedings.

Mr Gandhi's speech was notable for the absence of any attack on the opposition. The task was performed by Mr Buta Singh, Mr Tiwari and others who unhesitatingly assailed the opportunistic alliances being formed by various political parties with the avowed aim of dislodging the Congress from power.

Mr Mohammed Shafi Quereshi, former Union minister, heaped ridicule on the opposition by saying that while people would have to know the history of the Congress Party which was over 100 years old, they would have to know the algebra of opposition parties.

The prime minister dwelt at length on stressing the need for effecting a systematic change in the existing political and economic set-up to ensure decentralisation of planning and devolution of more powers at the grassroot level. What was needed was confidence at the highest level to entrust more powers to the district and block level institutions, he said.

Stating that out of every Rs 100 allocated for development schemes, Rs 85 was spent on salaries and buildings and only Rs 15 on the schemes. He expressed his disapproval of Delhi and the state capitals formulating schemes as if they were issuing edicts because they might not be desired by the people for whom they were meant.

Indeed, some schemes could be alien to the target group, and, amidst laughter, he added that he was not including whatever "hera-pheri" (swindling) had gone into even in the RS 15 actually spent on schemes.

"We cannot pretend that planning is effective if its roots are not in villages and the homes of the poorest of the country," he said while calling for taking the planning process down to the district, bloc, and village levels.

The schemes must come from the lowest level if they were to be effective, he said. The attitude of Delhi or state capitals telling the village folk for whom the plans were made that "whether you like it or not it is good for you" had to change.

In a sarcastic vein, he said while the implementation was done to satisfy statistic and all felt happy, the poor

person for whom the plans were made wondered where all the figures had gone "which we keep talking about" Cross-checking, he said, could be done only by those at the lowest levels who knew precisely where the wastages, leakages and surpluses were. Any hesitancy to hand over power to the lower levels must be shed, he said.

Although decentralisation and devolution of powers had been attempted in some states, nowhere had full and real authority been given as he contemplated. Somewhere a committee was formed with a minister in charge and this took away all decision making powers, he said. "This is not the kind of decentralisation I am thinking about," he added.

Mr Gandhi also expressed the view that one should not be shy of applying correctives where necessary. People had a habit of saying that Pandit Nehru or Mrs Indira Gandhi started a particular scheme which might have gone awry. "They might have started it, but it got hijacked by someone down the line," he said.

He urged partymen to apply their mind to the thoughts of Nehru, Gandhiji and Indira Gandhi and their applicability in the present context. "There is a world of difference between India's capabilities then and now," Mr Gandhi stressed.

About "Democratic socialism" as the pattern of Indian planning, he said some countries which had chosen socialism had abandoned democracy. India's efforts always had been to synthesise the best from all over.

He also wanted a restoration of the connection between constructive work and political work. The two had been separated. Changing a bulk or getting potholes filled were hardly the kind of topics that should be brought to the prime minister for remedy, he added.

Strongly supporting the case for the betterment of women, Mr Gandhi said it would be a disservice to the nation not to utilise the capabilities of half of India's "human power." He said he was deliberately not using the work "manpower." The perspective plan for women being drawn up for women would recommend the various ways in which their services could be used for building a new India.

He said the balance of the population had changed in favour of the youth, and 70 percent of the young population needed to be given an adequate say in the present political system. All sections of the party, including the NSUI, the IYC, and CLP leaders and PCC presidents favoured a lowering of the voting age from 21 to 18 and this had been approved by the CWC. "It has been proved that youths are fairly responsible," he said.

### Report on Political Resolution

46001165 Calcutta *THE TELEGRAPH* in English  
5 Nov 88 p 4

[Text] New Delhi, 4 November—The Congress(I) today called upon all secular-minded parties in the country "to join us in combating" the forces of communalism and secessionism "in the larger interests of the nation."

The draft AICC political resolution adopted at the 2-day session which began here this morning reiterated the party's commitment to the principle of secularism as the bedrock of our national unity. It asked congressmen to fight the forces of communalism and secessionism "tooth and nail."

The resolution moved by Mrs Mohsina Kidwai, Union Minister for housing and urban development, and seconded by the former Kerala chief minister, Mr K. Karunakaran, declared that there could be no equivocation or compromise on this issue. Though the resolution did not name them, the call was apparently aimed at the leftist parties.

The party was sharply critical of the functioning of the non-Congress(I) political parties, some of them in power in a few states, for "spending their time and energy...in spreading canards against the Congress."

The resolution said: "It is pathetic that they think that only by denigrating the Congress and weakening the nation they can forge unity. In this effort, they do not seem to mind neglecting their duty of responsible administrative management and squandering national resources. They are embarking upon gimmick, which is all that they can do, given their casteist, opportunist and reactionary character."

The three-page resolution endorsed the recommendation of the Congress Working Committee on making the voting age 18 years. The party always had been an inspiration to the youth in the country and has immense faith in the role of the young in building the nation.

The AICC resolution also urged the government to make our political and economic democracy more meaningful by bestowing greater powers on the district, mandal and village level people's organisations.

The party had in the recent past made a minute reappraisal about reaching the fruits of development processes to the beneficiaries at the grassroots level. The prime minister's discussions with the functionaries at the district level, both in the administration and in the party, had demonstrated conclusively that more effective devolution of financial and administrative powers was needed to be made to elected bodies at local levels to remove the bottlenecks in development.

The resolution said, "this meeting of the AICC reaffirms the view that the formation and functioning of elected bodies at local levels enjoined in the Constitution of India need to be strengthened, and delays and irregularities that have occurred in this regard over the years be eliminated by appropriate legal or constitutional measures."

### 'Response of Masses Heartwarming'

The sense of political rejuvenation being felt by congressmen, too, was reflected in the political resolution. It said: "Since the last meeting of the AICC, held in April in Madras, the Congress(I) had continued to march ahead, drawing tremendous and ever-increasing responses from the masses all over India, including those states where it has been out of power for a long time. Its capacity to comprehend problems and to put its shoulder to the wheel in right earnest in solving them has earned unstinted accolades which augur well for the party's reemergence in those areas in a big and effective way. The response to Prime Minister Rajiv Gandhi's programmes and leadership has been particularly heart-warming."

About Tripura, the resolution said amity and peace had been established there and elements that had been misguided had been helped to realise that their interest lay in promoting the larger national interest. The AICC congratulated Mr Gandhi on his statesmanship and farsightedness in finding solutions to issues that had been defying solution for long.

In this context, the resolution also cited the return of peace and normalcy in the Darjeeling area, where the Gorkhaland issue was causing concern for a considerable time.

### 'PM's Visit a Boost for Punjab'

The AICC "fervently hopes that tranquility will be similarly established in Punjab. The prime minister's recent visit has inspired confidence among the people and created an atmosphere of harmony. The announcement made by the prime minister to hold panchayat elections in Punjab has been hailed by all sections of the people."

### Report on Economic Resolution

46001165 Bombay *THE TIMES OF INDIA* in English  
6 Nov 88 pp 1, 9

[Text] New Delhi, 5 November (PTI)—The All-India Congress Committee today asked the government to control wasteful expenditure and outlined a time-bound plan to remove poverty and hold the price line.

In a draft economic resolution, the ruling party underlined the need to expedite land reforms with updated records and urged the government to re-evaluate various rural development schemes.



Coupled with the "garibi hatao" programme the AICC also called for initiating "bekari mitao" to banish unemployment.

The AICC today came out with an eight-point "crash" programme for removal of poverty and at the same time, urged the government to formulate a scheme to provide debt relief to farmers.

The draft economic resolution, commended for endorsement of the AICC, also unfolded a five-point plan to expedite the land reforms in order provide cultivators legal rights to the land they were holding and updating of records of rights in a systematic manner.

In an extraordinary gesture to farmers, the AICC asked the government to formulate a scheme by which they were able to get debt relief and reschedule outstanding debts and become entitled to get fresh loan.

In its time-bound programme to lift people above the poverty line, the AICC sought employment for one member of each rural family, nutrition to children below 6, assistance in housing, supply of essential items at reasonable prices and provision of two saris to every woman.

It said each adult members of a poor family be given a multipurpose identity card to let them enjoy these facilities.

Calling for determined efforts to hold the price-line the AICC in a six-point plan, suggested building of food-grains buffer, selective import of critical consumer goods and strengthening of public distribution system.

To conserve scarce resources, the resolution stressed it was imperative to avoid expenditure in government and non-governmental activities.

The AICC pointed out that "wasteful consumerism" was demoralising and demanded concrete measures against such expenditure at marriages and conference, five-star culture and other elitist practice.

On land reforms, the AICC said immediate survey should be undertaken by states to identify areas of land given to the landless under various schemes and ensure that those who have not been given actual possession get it in a fixed time-frame.

In this direction it called for legislative action to dispose of cases in law courts, and impressed upon the state governments to meet the objective of the Urban Land Ceiling Act.

The AICC renewed its commitment for a major thrust in the agricultural sector and the concept of the public sector as the chief instrument for the establishment of a socialist society.

The AICC strongly pleaded for the reservation of at least 30 percent of seats for women in all elected bodies and urged all political parties to nominate women in adequate number in elections to Parliament and state assemblies.

In a resolution adopted unanimously after 4 hours of debate, the AICC also recommended setting up of a commissioner for women's rights who would monitor and follow-up enforcement of legislation concerning social crimes against woman.

It said machinery for effective enforcement of laws to deal with the problem of sati, dowry, rape and prostitution should be further strengthened.

Replying to the debate, the minister of state for women and child development, Mrs Margret Alva, said despite constitutional safeguards, women continued to suffer socially, economically and in other spheres.

Earlier, several members, mostly women, while participating in the debate demanded that stern action be taken to check crime against women.

The resolution also suggested that a national communication policy on women was urgently needed to ensure positive projection of women in media.

It suggested that a special component of women's programmes be introduced in all rural development plans with emphasis on poor households headed by widows and deserted women.

It said that efforts should be made to provide jobs to women and to modernise traditional employment sectors for women.

It stressed the need for a package at the grassroots level to reach essential services to poor women and demanded more opportunities for women in health education, child care and extension services.

The prime minister, Mr Rajiv Gandhi, called upon his party members to emphathise and sympathise with the poor and the downtrodden and fully dedicate themselves to their uplift.

In this concluding address to the 2-day AICC session, Mr Gandhi, as party president, also asked them to fan out to every nook and corner of the country with the message of the party and explain to the people what it had done and proposed to do for them.

He said through the five resolutions discussed and adopted by the session, the party has presented well directed and more imaginative policies and programmes for the betterment of the country at large, and specially of the Harijans, Adivasis, other weaker sections, women and youth.

Mr Gandhi deprecated the attitude of the opposition in not sharing the sentiments of the government on the recent successful mission of the Indian armed forces in Maldives.

While the opposition had every right to question the government's decision of sending the troops, it had no business to criticise the role of the armed forces which had done a "splendid job in a short time," he added.

Mr Gandhi said the new electoral reforms, including the lowering of the voting age from 21 to 18 years, would be brought before the government and Parliament "very soon" to be enacted into a law.

The energy minister, Mr Vasant Sathe, today lashed out at the planning process which, according to him, had created islands of prosperity and failed to provide employment to the millions of youth scrambling for jobs.

"It is a shame that the planning process had resulted in creating Rs 40,000 crores of unaccounted money every year while lakhs of people were living in abject poverty in slums of big cities," he said.

Mr Sathe who was moving the economic resolution, said it was high time the government took drastic steps for dispersal of industries to rural areas to provide employment to the rural poor and check the influx of people from villages to big cities.

Describing the economic resolution as a beginning of a revolution for nation building, Mr Sathe said those who would fail to deliver the goods should make way for others.

Mr Sathe also had a dig at the bureaucracy which, he said, might come in the way of the implementation of the programme by giving various alibis like shortage of funds.

He said the prime minister should not go by their excuses as the bureaucracy had no stakes in the system as they were always ready to serve any masters.

Mr Sathe also pleaded with Mr Gandhi not to make any person "number two" in the Union cabinet.

Mr Sathe recalled Mr V. P. Singh being treated as number two in the Union cabinet and his "betrayal."

"Whoever occupies the number two chair just gets mentally deranged," Mr Sathe remarked.

### Report on Foreign Affairs Resolution

46001165 Madras THE HINDU in English  
6 Nov 88 p 4

[Text] New Delhi, 5 November—The international resolution that was adopted unanimously after a debate that was overwhelmingly consensual in this morning's session of the AICC(I), was heavily laden with tributes to the prime minister, Mr Rajiv Gandhi's various efforts in the different spheres of international relations.

A separate resolution was adopted on the Maldives action congratulating "the prime minister on his splendid far-sighted action in rushing assistance to foil the plot hatched to destabilise the democratically elected government of the Maldives... his courageous and timely decision has protected a government, an elected president and friend of this country and defeated the nefarious design of terrorist forces in the region. These are achievements of which the nation is legitimately proud."

The resolution which was a survey of India's foreign policy endorsed the government's and in particular the prime minister's policy approaches to the various international questions. Thus, Mr Gandhi was personally congratulated in the resolution for being within both the Non-Aligned Movement and the Commonwealth "at the forefront in calling for comprehensive mandatory sanctions against South Africa."

Likewise appreciation was expressed for the fact that "his initiative in establishing the Africa Fund has been welcomed by all freedom-loving people." Not surprisingly, the resolution reiterated the party's congratulations for the signing of the Indo-Sri Lankan Agreement.

Disarmament: But what got pride of place in the resolution was the prime minister's action plan on disarmament which the party said it commended and wanted the government to "pursue vigorously in all fora, national and international, governmental and nongovernmental.

Interesting enough, even senior Congress(I) members and Union Ministers were not immune to the tendency to emphasise Mr Gandhi's initiatives in international affairs as being of global political consequence.

Introducing the resolution, the Union Minister for External Affairs, Mr P.V. Narasimha Rao said that the prime minister had been successful in persuading the two global powers to bring about a total ban on the manufacture and deployment of intermediate range weapons. The prime minister's action plan had started 'sinking' into the minds of various world leaders, Mr Rao said.

The same observation was made by the Defence Minister, Mr K.C. Pant. Mr Pant, in an implicit reference to the six nation initiative, of which India is a member, said that Mr Gandhi had a hand in preparing the INF treaty because of which "certain attitudes that had become frozen over the years had become unfrozen."

The defence minister said that under the leadership of Mr Rajiv Gandhi, India was "carefully preparing itself" to face the situation in South Asia which was becoming vulnerable as the events in Maldives had shown. India's timely action had restored the political processes in Sri Lanka although "certain forces" in the world had not taken kindly to Sri Lanka's invitation to India to help maintain its unity and integrity. It was these forces which were spreading misgivings about India's action in sending the IPKF to Sri Lanka.

That the Indian action in Maldives has been quickly added to the ruling party's list of 'achievements' was clear from the observation of former party general secretary, Mrs Najma Heptullah, who moved the resolution on Maldives. She said that it was significant that Maldives, which was a predominantly Muslim country had turned to India for help to safeguard its democracy rather than Pakistan.

PM's China visit: On China, the external affairs minister struck a cautious note, saying that "only a limited success" should be expected from the prime minister's visit to China. Although the boundary issue would come up in the discussions, India should not expect a resolution of the problem. Mr Gandhi's visit could generate a "fund of goodwill" and could lead to a "new era of exchange of ideas," he said. The cautious note struck by Mr Narasimha Rao in his opening speech was reflected in the text of the resolution itself which made clear the parameters of the China visit.

The AICC(I) expressed hope that the visit would set in motion a dynamic process of revitalisation of relations even if the settlement of the complex boundary question took time, indicating that the party had imbued the fact of the visit itself with significance in order to peg expectations of the outcome of the visit at a realistic level.

#### More on Resolutions

46001165 *Calcutta THE STATESMAN in English*  
7 Nov 88 p 9

[Article by D.P. Kumar: "AICC(I) Crumbs for Voters"]

[Text] New Delhi, 6 November—It was a complete package to allure voters to the Congress(I) in the next General Elections. Only one does not know when it is going to take place, whether it will be a midterm affair, or will be held in due time. It does not appear that the polls can be held before time. Whatever it may be, Mr Rajiv Gandhi used the 2-day All India Congress(I) Committee session to throw big crumbs at the voters and to boost the morale of his party workers who had been feeling rather low with the political atmosphere getting unfavourable and a near-alternative, if not an "alternative," appearing on the horizon in the shape of the National Front and the Janata Dal.

The session adopted six resolutions. At least three of them—on electoral reforms, economic and women—were direct and positive baits for the electorate. The international resolution focussed on Mr Gandhi's forthcoming visit to China, a country to which an Indian prime minister will be going to after 34 years. This in a way is bound to fetch political dividends that the Congress(I) can use to gain the electorate's favour.

The highlight of the "electoral reforms" resolution was not any meaningful step to curb malpractices or reduce the role of money in elections, but lowering the voting age from 21 to 18. That will add roughly one-tenth more voters to India's total electorate. This will be the main plank of the party manifesto.

The economic resolution assures a job to at least one adult member in each rural family below the poverty line. This, too, will be put down in the party manifesto and the Opposition, however much they unite, cannot match this promise—for the Congress(I) is in power.

The promise is likely to sweep the unemployed rural youth off their feet, and their number is nearly four times that of the urban youth, particularly when the 18-21 age group is added to the electorate. The Congress(I) is looking upon this as a solid vote bank, where it expects to beat the Opposition combination hollow.

The other attractions in the economic resolution are midday meal for children below 6 years of age, a pair of saris to each adult woman below the poverty line, free education for girls and rescheduling the loans given to farmers—these being only a few of the Congress(I)'s gifts to the people. Interestingly, there was a time not long ago when the Congress(I) leaders used to criticize whether it was the Chief Minister of Andhra Pradesh or the Chief Minister of Haryana for distributing the same favours to the poor in their States, and called these measures populist.

They were blamed for wasting public money for unproductive purposes. The Congress(I) has now resorted to the same tactics to attract the poorer sections to it.

In addition, the Congress(I) resolution has promised further such concessions to the poorer sections: assistance for building houses, a time-barred action programme to provide drinking water, primary health centres, roads, electricity and primary schools in villages and supply of essential commodities.

The latter are in any case the duty of any government worth the name, but much has been made in the resolution about it.

The resolution on women is yet another attempt to create a vote bank. Its recommendation to the government, that 30 percent of the seats in all elected bodies, up

to the State Assemblies be reserved for women at least until 2000 A.D., might lead to a new system of political reservation when the aim is to bring about equality without reservation.

The importance given to the economic package was evident. The draft made by the Working Committee was changed to bring in new items in discussions going on in an ante room of the Talkatora Gardens indoor stadium, presided over by the prime minister, and a copy of the final resolution was made available to the press long after the debate on it had begun.

To go by the atmosphere at the session, the delegates and invited Congress(I) leaders were enthused beyond measure at the turn of events. The 2-day session seemed to lift the cloud of doubts, suspicion and dismay that had gathered over the party since the Fairfax and Bofors controversies broke out and particularly after the Allahabad Lok Sabha by-election results. This effect was also sought by the leadership. The feeling of helplessness was gone.

The Opposition might unite and try to put up an "alternative" but the party would meet the debacle. The Opposition was nothing but a conglomeration of "feudal, casteist, communal and selfish" elements, said Mr Gandhi, as also all the other 108 delegates who spoke from the rostrum. Some senior leaders, even while apologizing to women members explained how Mr Ramakrishna Hegde was tapping the telephones of his "girl friends." Others like Mr Buta Singh, the home minister, charged that Mr V. P. Singh's son wanted to get shares in a well-known company, and when he failed, Mr Singh got a firm of foreign detectives to investigate the affairs of that company. He also said that Mr N.T. Rama Rao had been indicted by the High Court for corruption, Mr Devi Lal was corrupt and Mr Hegde had acquired properties worth "crores of rupees" for himself. It opened the flood gates for other delegates to pick up on and tear to pieces all Opposition leaders. It looked like the Congress(I) had already triumphed.

Not only did all the 108 delegates who spoke heap praise on the party leadership but also almost defied it. There was almost a religious fervour in the slogans that were raised in favour of the leadership. The delegates, particularly those of the NSUI, the Youth Congress(I) and Mahila Congress, rose from their seats and chanted unendingly to the glory of Mr Rajiv Gandhi.

#### **'Foreign Groups Trying To Scuttle National Testing Range'**

46001169 Madras *THE HINDU* in English  
7 Nov 88 p 7

[Text] Bangalore, 6 November—The Scientific Adviser to the Defence Minister, Dr V.S. Arunachalam, said here today that some interested foreign groups were trying to scuttle the national testing range at Balipal in Balasore district in Orissa.

Talking to press persons, Dr Arunachalam said some peace or environmental groups in countries like the West Germany and Australia were urging the Prime Minister, Mr. Rajiv Gandhi, to shelve the project in the interest of the people of the area to be converted into a test range.

Dr Arunachalam wondered how the people from countries having large nuclear arsenal could object to India's efforts in developing a testing range. He added that he had stopped replying to foreign protesters.

Dr Arunachalam maintained that the land selected for the range belonged to the Orissa Government and the people who would be displaced were encroachers, whose number would not run to lakhs as was being made out.

He termed as amusing a report in a section of the press that a missile testing range would be developed in Bijapur district of Karnataka. He did not understand how that rumour had spread and asked in what way Bijapur district was suitable for it. There was no acquisition of land in that district by the Defence Research and Development Organisation, he said.

LCA project: About the Light Combat Aircraft project, he said the "project definition" was complete. The full-scale technical consultative committee on the project met here on Saturday. Initially the aircraft would be fitted with an U.S. made engine and an indigenous engine fitted later. The project was moving on schedule and the production would start in 1994. He noted that the development of such an aircraft would take 10 to 11 years.

#### **Japan's Refusal To Transfer Technology Reported, Denied**

##### **Technology for Satellite**

46001154 Bombay *THE TIMES OF INDIA* in English  
27 Oct 88 p 1

[Article by S. Satyanarayanan: "Japan Refuses India Hi-Tech"]

[Text] Bangalore, October 26—The Japanese have turned down an Indian request for transfer of the crucial cryogenic engine technology needed for the proposed geo-stationary satellite launch vehicle (GSLV) being developed for the 90s by India.

Senior official sources here said the refusal had come owing to "pressure" from the U.S. and European governments to prevent the sale of the technology to third world countries on the plea that it would lead to the proliferation of ballistic missile capability.

Cryogenic engines, which use a combination of liquid hydrogen and liquid oxygen as fuel, offer considerably greater thrust capability than conventional solid and liquid propellant motors and are a closely guarded technology confined to a few advanced nations.

Japan uses indigenously developed cryogenic engines in the second stage of its H-1 launch vehicles and has plans to use similar ones in all stages of its new H-2 launch vehicles, currently under development. The sources said Japan by itself had no objection to the transfer and would have probably done so, but for the western pressure.

The refusal of cryogenic technology has now forced engineers working on the GSLV project to consider giving up the use of the technology on the new launcher and instead make do with a suitable combination of solid and liquid modules derived from the lower capacity polar satellite launch vehicle also under development.

While efforts to indigenously develop a 12-tonne class liquid hydrogen liquid oxygen engine have already been initiated by the liquid propulsion unit of the Indian Space Research Organisation, it is recognised that this cannot be done within the time-frame set—before 1995. The failure, of Indian attempts to procure the technology from abroad may leave it with no other option but abandon its use on the first of the GSLV launchers.

Currently, the GSLV definition steering group has whittled down the choice of possible configurations for the vehicle to two from more than 500 considered. The various configurations were studied for their performance, growth potential, contingency possibilities, technology risks and overall development, infrastructure and investment aspects.

The first configuration under consideration consists of a zeroeth stage with two 150-ton solid propellant strap-on boosters. Another 150-ton solid propellant motor servicing as the core first stage and upper stages is derived from the PSLV liquid upper stages. The lift-off mass of the vehicle with this configuration would be about 650 tonnes and would be capable of placing a 2000-kg class space craft in the geo-stationary orbit.

In the second configuration, the upper liquid stages of the first configuration are replaced by a four-metre diameter 25 to 30-ton class cryogenic stage powered by two 12-ton class liquid hydrogen-liquid oxygen engines. This three-stage vehicle enables the enhancement of launch capability up to 5,000 kg. The lift-off mass for this configuration is estimated to be 580 tons. This vehicle would also be capable of placing up to 5,000 kg in sun-synchronous polar orbit or 15,000 kg in 200 km low earth circular orbit.

The GSLV launchers when developed are expected to make India completely self-reliant in the launch of INSAT-2 series of multi-purpose satellite in the early 90s as well as the twin launch of INSAT-2 and INSAT-3 satellites in the later part of the decade.

### Delhi Denial

46001154 Bombay *THE TIMES OF INDIA* in English  
28 Oct 88 p 1

[Article: "No Plea Made to Japan for Hi-Tech"]

[Text] New Delhi, October 27—India did not make any formal request to Japan for the transfer of cryogenic engine technology for its proposed geo-stationary satellite launch vehicle (GSLV) according to authoritative sources here.

The first GSLV has been configured without the use of a cryogenic engine, as the indigenous efforts for the development of this sophisticated and expensive technology will not bear fruit by then.

The question of making a formal request to Japan for the transfer of this technology does not arise unless there is an assurance that such a request would be considered favourably.

Japan being a member of the multi-national cartel for curbing the transfer of technologies which might be used for missile development is unlikely to give any assurance to India on the transfer of cryogenic engine technology.

The cryogenic propellant system using liquid hydrogen and liquid oxygen has marked a major advanced over the solid boosters and conventional liquid engines. Japan has developed a high-performance LE-5 engine for the second stage of the H-I launch vehicle.

Japan is developing a new large-scale liquid hydrogen and liquid oxygen engine called LE-7 for the first stage of the next generation H-II launch vehicle which will use for the second stage an improved version of restartable LE-5. The LE-7 is expected to have a 100-tonne thrust.

India has initiated a modest programme with an initial allocation of about Rs 15 crores for the cryogenic technology development. Work is in progress on the development of a one-tonne engine. A major developmental task to be tackled later will be for making turbo-pumps with ultra high-speed revolutions.

India has successfully tested a conventional liquid engine, Vikas, for use in the polar satellite launch vehicle which will precede the GSLV. The technology for this high-thrust liquid propellant engine was acquired from France under an international collaborative programme. This was during the years when there was no regime to curb the transfer of such technologies. In fact, the agreement with France could have been more ambitious in the field of liquid engine technology had India so desired then.

Though the basic technology of the engine was acquired from abroad precision fabrication was a challenging task. A variety of special alloy materials are used and the

fabrication tolerances are very stringent and meet international aerospace standards. Some of the fabrication techniques were used for the first time in the country.

### Changing Dimensions of Indo-Soviet Economic Ties

46001176 Madras *THE HINDU* in English  
17 Nov 88 p 17

[Article by R. Krishnan, Special Correspondent in New Delhi]

[Text] A high-level Soviet trade and industry delegation was in New Delhi in the last week of September discussing intensification of the bilateral economic relations. Essentially, the discussions centered on trade and production cooperation, particularly setting up joint ventures in India. This aspect was highlighted by Mr. I.P. Kanaev, leader of the Soviet delegation, when he told a press conference on the eve of his departure for the Moscow that there were a number of technologies and resources in India which could be utilised. He stressed the need for the media in India to focus on the genuineness and sincerity of the Soviet leadership in going ahead with perestroika.

### Indian Perspective

India views foreign investment as a vehicle for transfer of technology and not as a means of satisfying domestic demand though exceptions are being made quite liberally in recent years. So foreign investment should invariably be accompanied by technology transfer. The only exception to this rule are investors from oil exporting developing countries and non-resident Indians. There are numerous laws governing the safety of investment, remittances, royalty, lump sum fee, dividends and taxation. What the Soviets have done is to consolidate all these somewhat in order to reduce room for the bureaucracy to manipulate. To this extent the Soviet Union could become a major attraction for foreign investors.

Economic cooperation has largely been responsible for strengthening the cordial political ties between India and the Soviet Union. After independence, when there was an urgent need to build an industrial base in India in the core sector, the Soviet Union came forward to help. The Government's policy then enjoined that these industries be in the public sector. Further to tide over the foreign exchange difficulty, the rupee payment scheme was evolved. All commercial and non-commercial transactions were calculated on the basis of non-convertible Indian rupees. Trade to this day is transacted on that basis and exports from India generate rupee resources to finance imports from the Soviet Union. The same is also used for repaying the credits taken from the Soviet Union. These surplus funds are blocked and there are built in trade balancing-cum-trade-promotional measures that suit India. The impetus it gave to the bilateral trade can be gauged from the fact that it rose from Rs. 1.3 crores in 1953 to nearly Rs. 4,400 crores in 1987. It is likely to reach Rs. 5,000 crores in 1988.

### Changing Content

As far as trade is concerned the Soviets have been insisting on unit balancing. Thus in 1988 exports from India and imports from the USSR are likely to be Rs. 2,500 crores each. The trade turnover is expected to grow to Rs. 10,000 crores by 1990. The quantum jump in recent years is characterised by structural changes in the composition of the trade. In India's export basket, the share of agricultural products such as tea, coffee, black pepper, etc., has decreased although in absolute terms they continued to increase. The share of engineering goods has also gone up to Rs. 345 crores in 1987. Shipments of chemicals and allied products as also leather and leather goods showed a marked increase.

In the case of imports, there has been a significant change in the early years. India's imports from the USSR consisted mainly of capital goods (82 per cent). Of late the share of intermediate goods and raw materials like steel, coal, fertilizers, oil and asbestos has gone up significantly (80 per cent). The share of heavy machinery, plant and equipment, etc. has declined. In fact Soviet exports to India consist mainly of crude oil and oil products (50 per cent of the total). A notable feature of the Indo-Soviet Trade Protocol for 1988 is the inclusion of services.

### Critical Issues for India

It has now been decided to set up an India Mission under the Indian Commerce Ministry and an Association in the Soviet Union exclusively to deal with bilateral economic and trade matters. In view of the recent changes envisaged in the Soviet Union and India's own compulsion to earn additional foreign exchange, certain issues need to be examined. According to Mr. Abid Hussain, these are (i) whether India's exports to the USSR are additional to its exports elsewhere; (ii) whether this additional market has provided long-term stimulus to India's exports at satisfactory prices or not; (iii) whether the exports to the USSR have resulted in diversifying India's exports in accordance with the trade agreements and (iv) whether India has received high priority goods at competitive prices in return for its current exports or commitment to future exports.

There are two views on most of the issues. It has sometimes been suggested that India's exports to the USSR have resulted in trade diversion and not trade creation and that the "import purchasing power" of India's exports to the Soviet Union may be lower than the power of exports elsewhere. The other view is that India's exports have led to trade creation and contributed to diversification. Whatever may be the truth, bilateral trade on rupee-rouble-basis and the emphasis on the balancing of overall trade have worked well so far. However, with both countries now looking to the West for better technologies and hard currencies, there could be a natural dilution of the rupee-rouble trade. This can be prevented only if there is a conscious decision to the contrary.

No economy can remain insulated from the pressures of external factors. For instance, the Soviet economic system had all along kept the market forces out and affairs were strictly managed by official fiats. Not any more. They are also now realising the need for the market to play its role and generate competition, improve technology, and also increase the production of quality goods. In the ultimate analysis, India also views its development process from the same angle.

### Expanding Scope in Private Sector

Secondly, 80 per cent of Indian exports to the USSR is accounted for by the private sector but its share of imports from the USSR is less than a third of the total. Since the early 80s, private sector companies have been more actively involved. Doubling of the trade turnover by 1990 would require a more active participation by the private sector. The fear is that the bilateral trade may not henceforth be as easy as it was all along. The Soviet economy is going through a radical transformation of its production forces, particularly promotion of mechanical engineering to include machine tools, construction, instrument making and electrical engineering and electronics. Apparently the Soviets will be interested in exporting higher value machinery and equipment to India. But then in India the private sector is now participating in mega projects with investments between Rs. 700 crores and Rs. 1500 crores like petroleum refinery, etc. This is besides a host of engineering industries being set up.

Thus the question is how much more of these items made by the Soviets the Indian private sector will be inclined to purchase. Mostly, the Indian companies prefer buying components capital goods, etc., from their foreign collaborator or mainly European and Japanese sources. As it is, the composition of exports from the USSR to India indicates a steep fall in the share of capital goods and related equipment. Thus, how far the Indian private sector would go to import these from the USSR is an issue the policy makers of the two countries will have to contend with in the very near future.

### Impractical Suggestion

It would be useful to consider the views aired by leading trade, industry and engineering bodies of India at the recently concluded Indo-Soviet Steering Committee meeting held in New Delhi. These include the following: (i) absence of accurate data continues to be a major constraint in predicting the Soviet needs. The same holds good for what is available for import from the Soviet Union. Thus there is an urgent need to strengthen economic intelligence to get a proper picture of the Soviet economy; (ii) it is impractical to insist on balancing trade unit-wise. Eighty per cent of Indian exports is accounted for by the private sector, and there is no way they can be forced to accept what the Soviets produce; (iii) it is also essential that the Soviet side recognises that exchange fluctuations are an integral part of business

transactions. A weak rupee in relation to an artificially inflated rouble enables the Soviets to buy cheap. A mechanism should be evolved by which the right rupee-rouble parity can be worked out on the basis of the actual exchange rate fluctuations. This would be possible only if the rouble is also quoted in the world money markets; (iv) to increase the present volume of trade, it is essential to look at how an arrangement can be devised for adding value in both the countries. It is here that the Joint Ventures can play a role. There could be JVs for making goods required in the Soviet Union or India depending upon the comparative trade advantages. One area which needs to be explored is the possibility of setting up defence production units in India with Soviet assistance and selling the products in third countries. This could earn foreign exchange for both the countries.

The Soviets propose to open branches of their Foreign Trade Bank in India. This is expected to give a boost to the bilateral trade and economic relations, particularly the JVs. The remark of a Soviet representative that the banks would follow established international banking practices is certainly indicative of the changes to come. Since all the foreign banks operating in India do deal in foreign currencies, it could only mean that the relations may soon witness a "currency change."

### Russia Has Second Thoughts on Tehri

46001174 Bombay THE TIMES OF INDIA in English  
16 Nov 88 p 17

[Text] New Delhi, 15 November—The Soviet Union is keen to scale down its aid if not pull out altogether, from the controversial Tehri Dam project.

It feels the 160.5 m rock-filled dam that is expected to generate 2,400 MW of power is not only economically unfeasible but technologically unsound.

The high level of seismicity in the area, nine points on the Richter scale, is not conducive for such a high dam, Soviet experts have said.

The project is likely to be reviewed at a high-level Indo-Soviet meeting to be held shortly. In 1986, when Mr Mikhail Gorbachov visited India an agreement was signed for an assistance of Rs 2,000 crores for the project.

The Russians feel they were misled by Indian experts in the ministries of energy, power and irrigation as well as the Uttar Pradesh government which was executing the project till recently. Now the work has been entrusted to the Tehri Hydro Development Corporation set up for the purpose.

Doubts about the technical feasibility of the project were first expressed in October 1987 when Mr Aleksandra Fink, chief of Soviet engineer for the project, in a lengthy report to Moscow pointed out that "the existing design had failed to adequately consider the high seismicity of the Tehri area."

Soviet seismologists recommended a foundation breadth of 1.5 km to root the dam firmly to the geologically vulnerable terrain. Special crumble-proof, securely fixable stones of a definite composition were suggested. Even though the changes recommended in the basic design of the dam are being incorporated, Soviet experts consider it inadvisable to go ahead with the project. They are now saying that for such a large project the design, right from the foundation stage, should have been to be different.

The Russian feel they have been hustled into the agreement and the financial commitment should have been made only after a thorough review of the project.

The secretary for energy and power, Mr. S. Rajgopal, however, was "surprised" that the Russians were having second thoughts on the project.

He said the Indo-Soviet working group on energy had just returned from the Soviet Union where there was no mention of any such move. Assistance, however, was not forthcoming for some other projects.

Another important factor that has influenced the decision of the Soviet experts is the rethinking in the Soviet Union on the construction of large hydel projects. The accent is now on small dams and hydel projects.

#### Petition Filed

Soon after Soviet assistance was assured for the project, the World-wide Fund for Nature-India and the Indian National Trust for Art and Cultural Heritage (INTACH) supported the writ petition filed by the Tehri Bandh Virodhi Sangarsh Samiti challenging the construction of the dam on geological, seismological, economic and environmental grounds. The petition is still before the court.

A study done by Dr Vijay Paranjpye, an economist for INTACH, a few months ago showed that a cost/benefit analysis did not favour the project.

The modifications suggested by the Russians had pushed up the cost of the project to Rs 2,930 crores. The study revealed that the cost of power had risen to 73 paise a unit as against 35 paise per unit earlier.

For every rupee invested in the project the return to society will be worth 56 paise, the report said.

#### Soviet Proposal To Upgrade MiG-21 Under Study

46001162 Madras *THE HINDU* in English  
4 Nov 88 p 10

[Text] New Delhi 3 November—The Indian Air Force is reported to be closely examining a Soviet proposal for the modification of the MiG-21 so as to enable India to achieve a low-cost high capability solution to its air defence needs in the 1990s. The proposal sometimes floated as the MiG-35 is for the upgradation of the

MiG-21 (Bis) in service with the IAF and whose production facilities exist in India. The essence of the proposal is to provide it with a higher performance engine, possibly the R-33D turbofan which powers the MiG-29 and a look-down shoot down fire control radar, avionics and the latest generation short-range missiles that would transform the aircraft into one capable of handling even the high-quality threat posed by Pakistani F-16s. Currently, according to the authoritative Military Balance 1987-88, India has six squadrons of 120 MiG-21s FL/PFMA/-MF/Bis for air defence roles and another five with 60 MiG-21Ms for ground attack roles.

One of the wonders of the aviation world has been the casual manner in which the IAF has decided to phase out its MiG-21s considering that the aircraft is good enough to be on the Pakistani acquisition list in the late 1980s in its Chinese reincarnation, the F-7M Airguard. Several aviation specialists in the past have been on record proposing that just minor modifications such as the addition of a better fire-control radar and newer generation missiles would give the MiG-21 (Bis) sufficient capability nearing that of Mirage 2000 more than sufficient to take on the F-7M which has been upgraded through the addition of western avionics but whose engine is still rated as being inferior to the R-25 turbojet of the Bis. However the authorities have chosen to disregard the advice.

A luxury: Now, the resource crunch has persuaded the Defence Ministry to give more than a passing thought to this critical aspect of upgrading. Considering that affluent countries like Switzerland, Federal Republic of Germany and Sweden routinely plan such upgrades to keep a mix of first-line and second-line combat aircraft, it seems strange that a country like India has the luxury of going in for new types before the end of airframe/engine life of the current fleet. In this manner, the Indian-designed HF-24 and the Soviet made Su-7s, and some MiG-21 variations were abandoned before their airframe life ended. Pakistan for its part has an aircraft rebuild plant at Kamra where it completely strips its aircraft which have finished their airframe/engine life and rebuilds them after refurbishing the components.

Options: Two options are there before India for upgrading the MiG-21—the Soviet and the indigenous—both imposing marginal incremental per unit cost to the aircraft. The advantage of the Soviet option will be that since they are the manufacturers of the aircraft, the Russians have the design data to introduce the type of aerodynamic alterations required to add say an R-33D engine and a new avionic and radar suite. The per unit incremental cost may be higher in this case but so would be the performance.

The Indian option would be to merely fit a contemporary look-up look down radar integrated to the French-made Magic missiles that are used by Indian Jaguars and Mirages onto the MiG-021 Bis. The Bis engine with a 7,500 kg thrust is better than that of the Wopen-7 fitted



to the F-7M and equivalent to the 7,700 kg thrust of the RB-199 or the 7,167 kg thrust GE-404 engines being touted for the Sabre-II modification of the F-7M. Some years ago, the British company Marconi had successfully integrated a Head-Up display onto an Indian MiG-21. Modifications on the wing were also carried out by Indian specialists improving its flight handling characteristics. The cost for an upgrade programme for 100 MiG-21 Bis aircraft would be of the order of Rs 500 crores but the benefits would outweigh the costs.

The choice between the two options may be decided by the Pakistani decision some time this year on as to whether they wanted to accept the Grumman Aerospace suggestion of a variation of the F-7M called Sabre-II which would be an extensively modified version of the F-7M incorporating the GE-404 engine which is the interim power plant for the Indian Light Combat Aircraft (LCA).

It would be inaccurate to posit the MiG-21 upgrade as an LCA since the latter is an entirely new generation aircraft. However, a major upgrade programme could assist the LCA programme by providing it a cushion against delays as well as a 'test-bed' for new technologies to be proven for the LCA.

#### **India, Bulgaria Tie Up in Many New Areas**

46001179 New Delhi PATRIOT in English  
19 Nov 88 p 9

[Text] The ninth meeting of the Indo-Bulgarian Joint Commission for Economic, Scientific and Technical Cooperation ended on Friday with the signing of a protocol.

Both sides agreed to initiate necessary steps to intensify their efforts for further strengthening cooperation between the two countries and also identifying new areas in the field of agriculture technology, industry and trade.

The protocol was signed by Union Agriculture Minister Bhajan Lal and Mr Ognyan Doynov, member of politburo of the Central Committee of the Bulgarian Communist Party as also Minister and chairman of Heavy Machine Building Association.

In the area of food processing, the Indian side referred to three projects on tomato processing, vegetable-processing and aseptic storage. The response of the Bulgarian side was awaited in this regard.

The two sides agreed to explore possibilities of setting up a design and engineering centre in India for the development of food processing and equipment.

The two countries agreed to develop and modernize projects in India connected with the processing of fruits and vegetables, processing of meat and poultry, aseptic storage system, refrigeration facilities and equipment for packing and bottling of different liquid food products.

The Indian side will submit a list of commodities of processed food items, which can be offered for export to Bulgaria.

The agreement said the Indian side was prepared to supply buffaloes to Bulgaria.

It said the possibilities of cooperation in sheep and poultry breeding, embryo transplant technology and training of personnel were being explored.

The Bulgarian side has agreed to receive an expert team from India in the beginning of 1989 to identify sheep suitable for meat and wool production.

Both sides stressed the need of exploring collaboration possibilities of exchange of seeds and planting material. It was agreed that genetic materials on sunflower, soybean, maize and rajmash (fasol) will be exchanged.

India agreed to identify specific areas of possible cooperation in bio-gas technology and equipment in which Bulgaria showed keen interest.

UNI adds: In the field of industry, it was agreed to explore possibilities of joint bidding and joint supply of power equipment by concerned Bulgarian organisations along with the Bharat Heavy Electricals Limited (BHEL) for third country projects.

The Bulgarian side stated that there was a possibility of cooperation in the field of design and manufacture of equipment and installation of medium and small hydro-power stations in India or in third countries. They also offered to transfer Bulgarian technology for utilisation of low grade lignite coal by thermal power stations and for extension of consultancy services in the area of energy management.

The Bulgarian side took note of India's concern that although exports of textile processing and finishing machinery had taken place up to 1983-84, these have decreased since then.

**Incorrect Map of India Offends Home Ministry**  
46001167 Bombay THE TIMES OF INDIA in English  
13 Nov 88 p 3

[Article by Anirudhya Mitra]

[Text] New Delhi, 12 November—The Ministry of Home Affairs is understood to have taken a serious view of the publication of an incorrect map of India, which does not show the Pakistan-occupied Kashmir (PoK) as part of India in the inaugural issue of the newsletter of the Narcotics Control Bureau (NCB) titled "News from Narcontrol."

The ministry, an official said, had taken "strong exception to the map because not only does its publication amount to a criminal offence, but it was prepared by an American agency and the publisher did not take any clearance from the Survey of India before printing the map."

The issue released last month contained welcome messages from the president the prime minister, the finance minister and the revenue minister. Officials in the boundary cell under the Ministry of Science and Technology said that besides deleting the entire PoK, all the islands, coast lines and other territories, including Goa, Daman and Diu, Dadra Nagar Haveli, Andaman and Nicobar, Lakshadweep etc, have all been deleted.

The NCB sources said the map was prepared by the Drug Enforcement Administration (DEA) of the Department of Justice of the United States in government and was supplied to the NCB as part of its "routine intelligence." The DEA has been liaising with the NCB. The map showed the major Indian traffickers, the drugs they deal in, their associates, their sources and destination and how many of them were arrested by the NCB. This map and various other charts made by the DEA used to be displayed in the office of the NCB until recently.

The sources said the nature of the map had been brought to the notice of its editor, Mrs Kiran Bedi, deputy director in NCB, but "it was too late to withdraw the issue from circulation."

Mrs Bedi admitted the mistake but said, "It was too late for us to withdraw the issues from circulation. However, we have corrected this in our second issue this month.

Officials from the boundary cell said publication of maps depicting incorrect external boundaries, island territories and coast lines of India was an offence under the Criminal Law (amendment) Act, 1961. It was obligatory for publishers to obtain a prior certification from the survey of India, Dehra Dun, in respect of external boundaries.

**Editorial Praises Gandhi Stand on Indian Ocean**  
46001161 Calcutta *THE TELEGRAPH* in English  
5 Nov 88 p 6

[Editorial: "Putting Indian Back into the Ocean"]

[Text] Irrespective of the judgments of history—whether what is happening is right or wrong, or whether the price is justified in terms of gains—Mr Rajiv Gandhi's government has made one thing clear; that it has an Indian Ocean policy. To the extent that a regional power like India can do so, Mr Rajiv Gandhi is determined to show that there will be Indian influence in the Indian Ocean. There are now Indian troops defending and pursuing Indian interests in both the littoral nations within what might be defined as the area of Indian influence, the sweep between the Andaman Islands and the Maldives.

The engagement in Sri Lanka has been long and expensive, the battle to protect a friend of India in the Maldives, Maumoon Abdul Gayoom, should be shorter and more decisive. But the message is essentially the same in both places. If a friend calls, India is ready, willing and able to back its commitments with armed strength. This is not an easy policy to implement, as the experience of the superpowers proves. But Mr Rajiv Gandhi has not shied away. Procrastination, it has been said, is the bane of the Indian mind. Well, at least there has been no procrastination in taking the decision to intervene in the Maldives. In fact, a delay could have made the whole effort infructuous and meaningless. Times was obviously of the essence, particularly in view of the fact that the adversary was obviously well-armed. Mercenaries have been used for coups in small nations before, indeed Frederick Forsyth has popularised this reality through his thinly-veiled fiction. What Mr Rajiv Gandhi knew was that forces inimical to India's interests were on the prowl, hitting at a vulnerable point. And he showed the capacity to respond with speed.

There is an unconscious belief in the average Indian mind that defence means only the defence of our land boundaries. It is a perception shaped by the popular memory of armies entering through the Hindu Kush. The fact that maritime power has been a major determinant of the world's affairs in the last 500 years is something which has not yet sunk deeply enough in the national consciousness despite the fact that India was the biggest victim of this historical development. The British came by sea, through Madras and Calcutta. Modern, free India cannot afford to ignore this lesson. We have, of course, been very consistent in our view that the Indian Ocean must be free of superpower interference that is why we protested against the creation of a U.S. base in Diego Garcia. We were unable to do much. But we have now signalled that there is a point at which we will stand up and defend our interests. To watch idly while Male slipped into the control of anti-Indian forces would have been the sign of ultimate impotence. For too long Indian foreign policy has been little more than a sequence of speeches, many of them consisting of only hot air tinged with moral posturing. We have now come of age, there is ability behind the will.

Mr Rajiv Gandhi has put the Indian back into the Indian Ocean. That is achievement enough.

**Abandonment of Launch Vehicle Project Urged**  
46001155 New Delhi *PATRIOT* in English  
28 Oct 88 p 1

[Text] India should immediately halt its ongoing ASLV project which is based on the obsolete U.S. "Scout" model, and start afresh with more viable and cheaper models if it is to achieve its dream of a reliable space launch vehicle capable of putting effective payloads into orbit, growing number of scientists now feel.

Meanwhile, efforts should continue for development of satellites which could be placed in orbit with the help of reliable foreign partners. Scientists feel that the Soviet space agency 'Glavkosmos,' is the best bet.

They point out that 'Glavkosmos' has success rate of 94 percent in its "proton" type launcher. The agency charges 24 million dollars as against 34 million charged by France and 60 million by the United States.

Basic precepts of Indian Space Programme have been questioned in the wake of the series of expensive SLV disaster. ISRO rakes up a major chunk of the Indian spending on science and technology, and opinion is gathering that much of it has been wasted because of wrong choices.

ISRO Chairman Prof U.R. Rao had, in outlining the space programme, said Indian rockets would be able to launch 1,000 kg payloads by 1989-90 and an Indian space shuttle would become feasible in the nineties. Time is going on and the ISRO has so far failed to launch into space a satellite weighing a mere "150 kg," it is pointed out.

India has been trying to develop its own launch vehicle since 1968 and in 1972, after 4 years of trying a totally indigenous start, went in for collaboration with France for assistance in developing solid fuel SLVs. The U.S. solid fuel rocket Scout was taken as a model, but the hopes were belied. The Scout variant flopped in 1979. Even when the SLV-3 made three successful launches, snags limited payloads to a token 40 kg.

The United States itself had long given up the "Scout" system as obsolete, but ISRO continued with it, upgrading it with strap-on boosters in the ASLV series. ASLV-1 was a disaster, exploding 1 minute after lift off and destroying with it the expensive commercial satellite also. ASLV-2 crashed this year after liftoff from Sriharikota.

The earlier dependence on the U.S. systems for developing Indian space potential made the entire programme vulnerable to Washington's policy prejudices. A special assessment group of the NASA advisory council in a policy report said India's space successes were not in the strategic interests of the United States in this region. The United States is a major activist in the ban of technology transfer in several areas, including vital aspects of space technology, to countries such as India and Brazil. Continued dependence on the United States in space technology development, it is felt, needs to be given up urgently if self-sufficiency is to be achieved by the turn of the century.

**Angry Villagers Stall Interim Test Range Survey**  
46001158 Calcutta THE TELEGRAPH in English  
1 Nov 88 p 5

[Text] Bhubaneswar, 31 October: Angry villagers prevented the district magistrate, senior police officials and

defence officers from conducting a survey of the proposed safety zone earmarked for the interim test range in Chandipur area in Balasore district.

Hundreds of people, including women and children, sat on dharna in Bardhanpur village preventing the collector, Mr Pitabas Patnaik, and other officials from entering the site. The villagers had earlier taken a vow at the village temple to unitedly resist the move to set up the interim test range in Chandipur which will necessitate the evacuation of about 10,300 villagers.

The local Congress(I) MLA, Mr Gopnarayan Das, who reportedly accompanied the official, had to return to Balasore with them.

The villagers have also formed a committee to organise a resistance movement against the project on the lines of their counterparts' movement against the National Test Range project in Baliapal area.

**More Details on Spying by Military Retiree, Scientist**  
46001172 Calcutta THE TELEGRAPH in English  
13 Nov 88 p 1

[Text] New Delhi, 12 November (UNI): The CBI has arrested a retired brigadier of the Indian Army and a government scientist for allegedly selling the country's defence secrets to foreign powers.

Highly-placed CBI sources told UNI today that with the arrest of Brigadier R. S. Deol (retired) and Dr N. W. Nerurkar, the bureau had "fully busted" the espionage ring which was allegedly operated in India by the Delhi-based Jajodia industrialists.

The sources said Brig Deol, who had officiated as a major-general for a brief period, was arrested on Thursday from his residence in Noida, Uttar Pradesh, near here. Dr Nerurkar was arrested from his Delhi residence yesterday.

The accused were produced before the Tis Hazari lower courts duty magistrate, Mr C. K. Chaturvedi, yesterday. The magistrate remanded Brig Deol to police custody till 19 November, while Dr Nerurkar was remanded to judicial custody till 24 November.

The CBI sources said two different remands for the accused had been requested because the bureau wanted to interrogate one person at a time. The sources did not rule out the possibility of requesting extension of Dr Nerurkar's police remand.

Describing the arrests as "a big catch," the CBI sources said the two had been an important part of the Jajodia espionage ring for "2 or 3 years."

The sources refused to divulge the names of the foreign powers which were controlling the strings of the espionage ring. They said several defence files, gold coins bearing

foreign markings and a number of incriminating documents had been seized from Brig Deol's residence. Some incriminating papers had been seized from Dr Nerurkar's residence as well. The raids were conducted by CBI sleuths in October.

The sources said Dr Nerurkar, who is in his early fifties, is an electronics expert. They indicated that the scientist could have been inducted into the Jajodia ring because of his expertise.

The Jajodia industrialists—K. K. Jajodia and his son, A. K. Jajodia—were arrested in the latter half of last year after being declared proclaimed offenders by a court.

Brig Deol and Dr Nerurkar, who is an advisor in the Department of Electronics, were "important agents" of the two Delhi-based industrialists who were the kingpins of the espionage ring operating in the country at the behest of foreign powers, the CBI sources said.

Brig Deol, who was posted in the weapons and equipment directorate at Army Headquarters here, was promoted to major-general in March this year. But shortly afterwards, he was demoted to his earlier rank because of his "suspicious activities," the sources said.

Dr Nerurkar has been suspended from his post by the department of electronics following his arrest.

Eight defence files, five of which had been superscribed "top secret" and golden biscuits bearing Swiss markings were recovered from Brig Deol's residence on 25 October. "The army officer had no business to keep these classified information at his residence. Moreover, he had already retired from service," the sources said.

## IRAN

### Iran, Soviet Union Sign Transport Accord

46000045b Tehran KAYHAN INTERNATIONAL in English 24 Nov 88 p 6

[Article: "Iran, Soviet Union Ink Transport Accord"]

[Text] Tehran, Nov. 23 (IRNA)—The Irano-Soviet joint transport company is to open a branch office in Baku, Soviet Azarbaijan.

The agreement was reached in Moscow Monday between Soviet Railroad Minister Nikolai S. Konarev and Iran's Foreign Ministry Director-General for European Affairs Mahmoud Vaezi.

It was also agreed that Iranian trucks will ply across the Astara border town as far as Baku.

Konarev appreciating the positive trend of Tehran-Moscow talks announced Soviet Union's readiness to further expand relations with Iran in various fields.

### Minister Details Plans for Provincial Development

46000046 Tehran KAYHAN INTERNATIONAL in English 21 Nov 88 p 6

[Text] Tehran, 20 November (KAYHAN INT'L)—Minister of Construction Jihad, Gholam Reza Forouzesh told reporters in Zahedan, the capital of Sistan and Baluchestan Province, on Saturday that the ministry will spend Rls.60b (\$857m) on productive, development and service projects in all the provinces of Iran, during the current Iranian year (21 March 1988-20 March 1989).

According to the Persian daily, Ettela'at he said that the ministry had also allocated Rls.10b (\$142m) for reconstruction projects in the war damaged provinces of Khuzestan, Ilam, Bakhtaran and Azarbaijan.

With regard to the construction of wheat silos in foreign countries, Forouzesh said that soon a delegation of experts from the Construction Jihad Ministry would travel to Libya to study and implement technical and engineering projects in Libya.

He said, "The ministry has been carrying out development projects, including a major irrigation project in Tanzania for the past 2 years."

He added that the ministry had branches in Ghana and Lebanon. "Upon a request from Sierra Leone, a delegation will soon go to that country to study development projects in that country," he added.

He said that in order to build and expand fishing wharfs in Hormuzgan as well as Sistan and Baluchestan provinces, the ministry has allotted a total of Rls.7b (\$10m).

Forouzesh said that for the next 10 years, the Islamic Republic government would invest \$900m on agricultural projects throughout the country.

"By such investment \$5b will be saved in foreign exchange for importing grains," he added.

With regard to the ministry's success in constructing grain silos throughout the country, he said, "So far four big grain silos have been constructed by the Construction Jihad Ministry in the cities of Rasht, Takestan, Qazvin and Tabriz."

"By using the silos, 330,000 tons were added to Iran's total of grain storage capacity," he added.

He continued that currently a grain silo with the capacity of 80,000 tons was under construction in the Kerman Province.

He added that in addition, the construction projects of three grain silos with capacities of 80,000 to 120,000 tons were under study in the cities of Hamadan, Shiraz and Gonbad Kaous.

Forouzesh said that in the current Iranian year, the ministry started to work on the construction of the Maroun Dam in the Behbahan region of Khuzestan Province.

"The height of the dam will be 106 meters and it will have the capacity for 1.2 billion cubic meters of water," he told newsmen.

**IRGC Launches First Iranian-Made Freighter**  
*46000045 Tehran KAYHAN INTERNATIONAL in English 21 Nov 88 p 1*

[Article: "IRGC's First Freighter Set Afloat"]

[Text] Bandar Abbas, Hormuzgan Prov, Nov. 20 (IRNA)—The first barge built by the self-sufficiency industries of the Islamic Revolution's Guards Corps was launched here Sunday.

The 350-ton vessel, designed and manufactured by IRGC experts is equipped with 12 tanks for carrying fuel and edible liquids. The vessel was built in seven months.

IRGC's self-sufficiency industries have manufactured vessels of different class including a submarine, landing-crafts and hovercrafts.

**Oman To Establish Air, Sea Links to Iran**  
*46000045c Tehran KAYHAN INTERNATIONAL in English 29 Nov 88 p 1*

[Text] Tehran, Nov. 28 (Kayhan Int'l)—The Islamic Republic's new ambassador to Muscat was Monday quoted as saying that air and sea links between Iran and the Sultanate of Oman will be established in December.

Muhammad Arab in a talk with the French news agency, Agence France Presse said the Airlines of the Islamic Republic of Iran (Iran Air) is scheduled to fly once a week from Shiraz (Fars Province) to the Omani capital to Muscat.

Sea transport between the two neighboring states will be linked from Bandar Abbas (Hormuzgan Province) in Iran and Mina Qaboos Port) in the Persian Gulf sultanate, Arab reportedly told AFP.

The ambassador added that a letter of understanding in this regard was recently signed by an Iranian delegation in Oman and a joint commission has been formed to boost cooperation among the two Muslim countries.

Further on bilateral cooperation Muhammad Arab noted that Tehran's participation in the Oman International Exhibition to be held next month is of special significance.

The envoy appreciated Oman's stance in the eight-year-old Iraq-Iran conflict and said, "The strengthening of Tehran-Muscat diplomatic relations is a sign that the Islamic Republic attaches significance to its ties with Oman."

It should be noted that political, economic and trade relations between the two states have gradually improved in the past few years. High ranking reciprocal visits have been held between the two sides.

Omani Minister of State for Foreign Affairs Yousuf bin Alawi Abdullah and his Iranian counterpart Ali Akbar Velayati have met on several occasions with the former visiting Tehran as late as September.

Oil ministers of the two countries have also held cooperation talks and it is believed that relations will further expand in different fields following Tehran's July acceptance of U.N. Security Council Resolution 598 to end the war with Iraq.

**Arak Airport Construction Begins**

**Scheduled for Completion by 1992**

*46000044b Tehran KAYHAN INTERNATIONAL in English 24 Nov 88 p 6*

[Text] Arak, Central Prov., Nov 23 (IRNA)—Construction work at the Arak Airport is scheduled to be completed by the Year 1992, a local official told IRNA.

He said during the first phase the 3-km long 5-meter wide runway has already reached completion. The airport can in future be enlarged to accommodate international flights, he added.

**First Phase of Construction Completed**

*46000044b Tehran KAYHAN INTERNATIONAL in English 28 Nov 88 p 6*

[Text] Tehran, Nov 27 (Kayhan Int'l)—Managing director of the Technical Bureau of the Central Province, Engineer Muhammad Rajabi recently told the Islamic Republic News Agency (IRNA) the first phase of the construction of Arak airport (in the city of Arak, the capital of the province) has been completed. Spending involved in the work amounted to Rls. 80m (over \$1m).

He said that an additional Rls. 1.2b (\$39m) will be required to bring the project to the final phase of completion.

He said, "The airport is being constructed on 480 hectares of plot of land, which has a three-kilometer runway and one terminal as well as other airport facilities."

"The airport's projects has been designed in a way that it can be expanded to become an international airport when required," he added.

**Iran Air To Add 8 Airbus Planes to Its Fleet**  
46000044a Tehran KAYHAN INTERNATIONAL in  
English 17 Nov 88 p 2

[Text] Tehran, Nov 16 (IRNA)—Iran Air will purchase eight airbus passenger planes from the French company Aerospatiale according to a letter of understanding inked between the two.

Director General Muhammad Reza Majidi said Wednesday three of the purchased planes will be delivered within the next two years. The type of the airbuses was not specified.

The new aircraft will increase Iran Air's passenger fleet to 34 and considerably bolster the European influence at the cost of the American. The airline used to have only Boeing aircraft before the 1979 revolution.

Nearly 300 civilians aboard an Iran Air Airbus A-300 were killed when it was shot down by the U.S. Navy on July 3. Flight 655 was en route to Dubai from Bandar Abbas.

On Iran Air's performance, Majidi said despite problems created by the Iraqi-imposed war and shortage of planes the airline carried 5.5 million passengers in 1366 (March 1986-87), 3.9 percent more than in 1365.

Its earnings rose by 7 percent in the same year to the highest ever, he added but did not say how much the earning were. In 1365 the airline transported 30.4 percent more passengers than in the previous year.

Goods transported by Iran Air increased by 18.4 percent in 1365 and 2.7 percent in 1366.

Majidi said Iran Air, in proportion to its size ranked first in the world in the number of passengers carried, based on statistics published by the International Air Transport Association (IATA).

**Official Discusses Tar Refinery Project**  
46400027a Tehran RESALAT in Persian  
19 Oct 88 p 11

[Text] Economic Section: By the establishment of a tar refinery, a most important investment by the Foundation of the Oppressed, this substance will be used internally as basic material for tens of chemical manufacturers. With the implementation of this project, most of our needs currently imported from abroad will be provided for within the country.

According to our reporter, yesterday during a press, radio and television interview regarding this project, Engineer Ramin Valar, executive deputy of the Tar Refinery Project said: After the completion of the steel mill of Fuladshahr in 1356 [21 Mar 1977-20 Mar 1978], the tar refinery project was taken into consideration for

support, so the National Steel Mill Co. began to excavate reservoirs for the storage of tar, some of which are now 15 years old.

Regarding the effect of the tar refinery project on eliminating the pollution of underground waters, Eng Valar said: Because of the permeation of rainwater into tar pools during storage, underground waters were polluted but the tar refinery project will clear the pollution in these areas.

He added: The execution of the tar refinery project was initially undertaken by the Ministry of Industries in 1362 [21 Mar 1983-20 Mar 1984]; however, it was relegated to the Foundation of the Oppressed in 1365 [21 Mar 1986-20 Mar 1987].

Regarding the goals of the project, the executive deputy said: Upon the completion of the project, tar that is currently exported in order to bring in foreign currency, will be used instead as a catalyst in chemical industries, among them: the manufacture of paint, herbicides, anthracene, chemical fertilizers, pesticides, various adhesives, graphite industries, plastic manufacturing and industrial solvents.

Engineer Valar mentioned the cost involving the execution of the project to be 7 billion rials and pointed out: Upon the completion of the project \$25 million in foreign currency will be saved every year.

The executive deputy of the Tar Refinery Project declared the output capacity of the refinery to be 100,000 tons.

He said: Upon implementing this plan, 8,500 tons of naphtalin will be produced annually, 8,000 tons of which may be exported; also 7,000 tons of the overall tar requirements of the National Gas Co for its pipeline insulation will be manufactured.

He added: Creosote substance used for the impregnation of "traverse" wood used by the railways as well as graphite tar used for the production of pencil lead are some of the significant outputs of this product.

In conclusion, he said: The project will undergo its execution phase within a 39-month scheduled plan with the cooperation of a British firm which has already won an international call for bids and has a great deal of experience in the field of tar industries.

**War-Damaged Homes To Be Rebuilt Free of Cost**  
46400027b Tehran RESALAT in Persian 27 Oct 88 p 2

[Text] All residential units belonging to deprived and oppressed families which have been ruined or damaged during the imposed war in the country's war zones will be rebuilt, restored and handed over to their owners gratuitously by the Imam Khomeyni's Relief Committee.

Also the furniture and home utensils of such families which may have perished as a result of the imposed war, will be provided and made available to them.

Declaring these in an interview with the IRNA reporter Mr Shafiq, the representative of his holiness the Imam and member of the Imam Khomeyni's Relief Committee, who is visiting Shahrud, mentioned the credits allotted to the said committee, for the current year, to be 59 billion rials.

Pointing out that by the approval of the heads of the three branches, the credits to be paid to the families of soldiers with large households increased during the current year from 10 billion rials to 16 billion rials, he said: In order to protect the families of encumbered soldiers, as of this year their pension which used to be 10,000 rials per month, was increased to a maximum of 20,000 rials per month as of 23 September of this year. Also, each family will be given 5,000 rials in addition to the amount they used to receive, for the first 6 months of this year.

Then pointing out that this year the sum of 1.2 billion rials was allocated to the cause of rendering self-sufficient families covered by the plan, Mr Shafiq said: Programming functions and other measures adopted by the Imam Khomeyni's Relief Committee have so far rendered more than 40,000 needy families self-sufficiency.

The representative of his holiness the Imam went on to mention the building of housing units for the needy and the deprived as the Committee's most important plan for the future and added: The preliminaries for establishing 100,000 housing units for the purpose of providing housing for deprived families in the various cities of the country is under study.

## PAKISTAN

### **Analyst Condemns Deficit Financing**

46000040d Karachi DAWN (Supplement) in English  
3 Dec 88 p 1

[Article by M. Ziauddin]

[Text] The New Governments' first task is to review, revise and have the budget for the current year passed by the newly elected National Assembly within the next fortnight as the supreme court has allowed the Government the use of Consolidated Fund only "up to one month after the declaration of the general election results" which were officially notified on Nov 24.

The Constitution allows the Government access to treasury funds only for four months in the absence of a National Assembly. Since the election date was fixed on Nov 16, after the dissolution of NA on May 29, the Government was authorized to incur expenses only up to Oct 31, 1988.

This situation forced the Government to go to Supreme Court to seek its advise and the Superior Court allowed it a grace period of about two months.

And now since it will take at least another fortnight for the entire election process to complete (i.e., the election of the president is due on Dec 12), it will not be possible for the new Government take up the subject of the budget before Dec 15.

The first question that the new government will have to ask itself before doing anything on this score is: "to what extent does the budget passed by the previous Government on June 26 reflect the economic manifesto of the party?"

### **Redesign Budget**

If the difference in the two documents is only subjective or that of emphasis in places then the new Government should waste no time in rehashing the original budget just to create the impression that it was giving a brand new budget.

However, the differences between the two are fundamental, then the Government should avoid doing a quick job of it and tackle the task with a sincerity of purpose and redesign the budget in accordance with the economic manifesto of the party. Otherwise it would be accused of having betrayed its mandate.

The budget announced on June 26 had begun with an overall deficit of about Rs 90 billion (the official documents had admitted a deficit of only Rs 41 billion).

Now with only 30 days to go for the completion of the second quarter, it appears that the overall deficit would go beyond Rs 100 billion.

Already it appears that the previous government could not keep up the revenue collection as envisaged in the budget for the first two quarters. The shortfall is very significant.

On the other hand expenditure, especially the non-development expenditure, has gone much beyond the budgetary projections for the first six months.

As a result of these two developments, the Government was forced to at the end of the first quarter declare a moratorium on development activity.

Meanwhile, floods and urban disturbances have affected both the agricultural and industrial production and exports have tended to stagnate causing a sharp widening in the trade gap. And to make matters worse the remittances have also dropped more significantly than what was projected, in the budget causing a further deterioration in the balance of payments position.

The slow-down in industrial and agricultural production on the one hand and the pumping into the economy of billions of rupees by the candidates contesting the recently concluded elections have accelerated the rate of inflation which represents, in addition, the effects of deficit financing of the budgets in the last eleven years.

As a result, the rate of investment too has slowed down. In inflationary times investors go into a shell. And inflation also erodes savings.

The June 26 Budget had proposed a number of fiscal and monetary reforms by way of restructuring the economy. All these reforms were in keeping with the demands of the time and very appropriate but either the others of these reforms themselves did not have any faith in these reforms and mentioned them, while announcing the budget, just to win some short term political mileage or the managers of the economy had no idea what to do after having made tall promises.

#### Big Money Control

Actually most of these reforms affected directly and adversely the smugglers, the big tax evaders, the corrupt, the drug traffickers and the gun-runners.

It were these people who had become the "big money" in Pakistan in the last eleven-years and had come to share the controls of the country's economy with a dictatorial government.

The two, the Government and the "big money", had in the last eleven years squeezed the last drop from the nation and given it nothing in return.

With the kitty almost empty, the Government had no option but to go for the pure of the "big money" and ask it to part with part of its loot needed urgently to run at least the Government machine.

This obviously was not like by the "big money" and it refused to pay and even threatened the Government to withdraw the political support it had provided it for the last eleven years.

This tussle between the "big money" and the Government on the issue of parting with part of the loot so as to enable the Government to pay for its day-to-day needs has already resulted in a serious decline in the revenue collection.

The new government needs to take the bull by the horn at the very start. If it tried to paper over the issue at this juncture and allow the "big money" to go scot-free with its loot, then to start with it would end the year with a massive deficit, probably much more than the estimated Rs 100 billion or about 15 per cent of the GNP and forfeit its right to rule the nation. Secondly, if it shirked

from its immediate responsibility of bringing to book this class of "big money", it would have lost the last chance for the nation to put its economy on an even keel.

#### Paper Warns Country of India's Aggressive Designs

46560005b Lahore NAWA-I-WAQT in Urdu  
23 Oct 88 p 10

[Text] The Indian forces have begun preparations for the winter exercises in Rajasthan adjoining Pakistani border. According to reports from across the border, the Indian military exercises will begin around the time of Pakistani general elections and continue through February. For these military exercises, a strategy based on three plans has been devised and during the concluding stages, all three services of Indian forces will participate in the exercises and stage a rehearsal for an aggressive attack on Pakistan in the Sind sector.

A look at the details of the military exercises at once suggests that once again, as in 1986, India wants to work on "Operation Brass Tacks." Under this operation, the three services of India staged a rehearsal of a joint attack on Sind and disregarded the rules of military exercises, not only used live ammunition but also used real instead of assumed names for "enemy" cities, something that was nothing short of an act of aggression. That is why in retaliation Pakistan too had to alert its forces and land forces took up defensive positions and there loomed imminent danger of war and the situation became very critical and grave. But the then Prime Minister Mohammed Khan Junejo had a talk with the Indian Prime Minister Rajiv Gandhi on the hot line which led to talks to reduce tension between the two countries and the former Foreign Secretary Abdul Satar visited New Delhi and negotiated an agreement for the withdrawal of the military forces.

Prior to this at the height of Indian military exercises, the then President General Ziaul Haq, forced by his difficulties, suddenly arrived in Jaipur and with the help of the Pakistan-Indian cricket match, completely deflated tension and thus by the use of cricket diplomacy averted the danger of an imminent war. But because of the Indian military exercises next month, this danger once again appears to be looming large and this time the situation will be such that Pakistan will be in the grip of elections followed by the critical juncture of transfer of power.

Nor is there anyone like the former president who could go so far to placate India as to give the impression Pakistan was kneeling down before India. Thus the potential dangers to Pakistan during the next few months should not be hidden from anybody.

It is possible that in order to relieve Indian army pressure from the Sind border, Pakistan, as in 1986, may have to carry out military manoeuvres on the Punjab border. This is because if for Pakistan, Sind is a sensitive and critical province, India is having its own problems in



the Punjab. As a result of these manoeuvres forces of both countries will definitely take up positions on the international border, eye ball to eye ball.

From Pakistan's point of view, the next few months are very critical and our enemies are working night and day to accomplish their designs. First of all, they will try to make impossible holding elections by resorting to internal and external pressures, riots, sabotage and intimidation so that democracy may not be restored in Pakistan and the entire country and specially Sind may be enervated from their disputes and thus be ripe for India to swallow.

Already, one by one, India has reduced its other weak and small neighbors into subservience and now Pakistan is the only obstacle remaining in the way of its regional aggrandizement and to deal with it, India is resorting to all kind of tricks.

A large section of India's own population is opposed to expansionism and a former Indian Foreign Minister, Atal Bihari Vajpayee, said in an interview with the Voice of America, that India should refrain from using strong arms methods against small neighbors. But these counsels fall on deaf ears of India's Brahmin leadership, which is engaged in maintaining tensions with neighboring countries in order to divert public attention from the innumerable internal problems. On this account too, Pakistan has become a permanent target of India. Apart from this, another reason is our own weakness and the way we keep fighting among ourselves and instead of one Pakistani nation, we keep getting divided into various linguistic, racial and regional groups and nationalities, further encourages the enemy. Thus its aggressive preparations are unconcealed and it has openly finalized plans for holding military exercises near our border.

One way to deal with the dangers arising from this is to hold elections under all circumstances and thereby the civil government could take charge of the country's and nation's affairs and the entire country could bury all its differences and irrelevant quarrels and present a solid front to the enemy. This is the safest and straightest course for safeguarding the nation's and the country's power.

### **Editorial Expresses Hope Democracy Will Cure Social Ills**

*46000040c Karachi DAWN in English 3 Dec 88 p 6*

[Text] The worth of democracy is ultimately to be judged in terms of its relevance to the kaleidoscopic variety of our everyday life. Now that the elected representatives of the people are assuming the reins of government, it is important to ponder the likely influences of the new dispensation on our civil society and its concerns and normal pursuits. If representative rule does not rescue the civil society from its existing state of near-anarchy and restore it to health and vitality, the speeches made in the assemblies and the slogans raised at rallies will be of

little avail. Feelings of relief and joy over the gratifying completion of the electoral process and the transfer of power in accordance with the Constitution have momentarily diverted attention from our social malaise, our horizontal conflicts, and the decline of order and the administration. The strains and stresses to which of civil society has been subjected are an inevitable consequence of the past decade's authoritarian rule. The drift has been manifest at different levels and in many sectors of our collective existence. Drug addiction, induction of sophisticated arms, violent crime, corruption, ruthless acquisitiveness, ethnic and regional tensions and declining standards in such sectors as education and medical service may be cited as the more glaring signs of the prevailing social disarray. What perhaps best illustrates the pervasive malaise is a loss of interest among individuals in the well-being of the community.

Obviously, the process of revitalization of the civil society cannot be achieved through the familiar rituals of democracy. But the threat to a community may be gradually reduced with the adoption of democratic norms and ideals in the working of its institutions. Casting one's ballot in the elections may be seen only as a vow to adopt a system which has its rewards as well as responsibilities. The most essential feature of democracy is the right of an individual to participate in power through the freedom of choice and to make the rulers accountable. This principle has to be infused into all relationships of power in the various strata of our society. Democracy also fosters tolerance of dissent and a spirit of compromise. With all its structural variations embodied in the different constitutions, democracy helps reconcile conflicts of interest and makes it possible for people who hold opposing views to live together without oppressing any one and without being oppressed by any one. If we are able to work a democratic system in its correct spirit, the results will be evident in terms of an improvement of the health of our civil society. But the ideals we pursue are not always readily achieved. Our institutions have become so weak in the recent years that we must be cautious in taking the initial steps. We are almost strangers to the new political life which promises, if we can accept its virtues, peace, progress and, also, prosperity. Most significantly, the success of the present democratic enterprise would ensure our survival as a civilized community with a moral vision of the meaning of life. We cannot deal with the forces of destruction and decay without the strength which we can only draw from a truly democratic dispensation.

### **Analyst Sees Senate as 'Stumbling Block'**

*46000040b Karachi DAWN in English 24 Nov 88 p 6*

[Article by Sultan Ahmed]

[Excerpt] Although the Pakistan People's Party has won 93 seats in the National Assembly vis-a-vis 55 of the Islami Jamhoori Ittehad, the Muslim League has now a brake to deter the PPP from having an effective or efficient government in the form of the Senate. That

legacy of General Zia with its 87 members has been predominantly a PML body with half a dozen Independent members. But that may not be a strong brake, and may crumble soon, as the PPP and IJI struggle to win over the Senators conclusively.

Although the Senate, into which Gen Zia put in five professionals and Ulema from each of the four provinces, has been a predominantly PML body the Senators have not really been Muslim Leaguers who cannot tear off that label and cross the floor to join the other party.

To begin with, the present Senate was elected in 1985 when there was no official Muslim League. A Half the Senate was vacated this year through the ballot system, and new Senators elected in their place when the official Muslim League was functioning. But as crossing the floor in the Senate would not result in the fall of the Prime Minister or Cabinet, it was not regarded imperative for the rulers to bind down the Senators as men elected on Muslim League tickets, as in the case of those elected now on party tickets to the national and provincial assemblies.

Such Senators may now feel free to join the PPP which needs them to have effective parliamentary control in both the houses; but it may be the attempt of the Muslim League to prevent them from deserting it and joining the PPP.

The Senators did not have to use party symbols to contest elections. But many of them, like Mr Hazar Khan Bijarani in Sind and Mir Afzal Khan from the Frontier, former PPP Ministers, had joined the Muslim League before the elections to the Senate and joining the PPP or any other party without violating the Parties Act which forbids crossing of floors and demands that those who do so forfeit their seats and contest elections again.

The PPP needs substantial cooperation of the Senate for a variety of purposes. It needs its cooperation to elect its own candidate as President as the electoral college for this purpose comprises the national Assembly, the Senate and provincial assemblies. But the strength of the PPP in the NA is 93 from among the 205 results announced so far and its strength in the provincial assemblies as a whole is 185 out of the 457 seats for which results have been announced. Although PPP position is far better in both these constituencies than the IJI's, it needs the votes of a large part of the Senate to win the presidential elections.

Secondly, the PPP needs the cooperation of the Senate to pass the legislation which the NA adopts, following its initiative, quickly instead of confronting it with obstructive amendments.

But Gen Zia realized a long time ago that he can make the Senate act as a major brake on the national Assembly if the opposition wins the NA elections or the NA decides to act tough. So through his Eighth Amendment

he raised the strength of the Senate from 63 to 87, particularly by providing for 20 professionals and Ulema in it. Then he increased the term of the Senate from four to six years and provided that half the Senate should be vacated once in three—years instead of two years, as provided earlier.

Gen Zia also gave the right to initiate Bills in the Senate instead of acting as a review body or upper house for scrutinizing the Bills passed by the NA.

He gave the right to the Senate to initiate amendments to the Constitution instead of waiting to scrutinize the amendments passed by the NA. And while the 1973 constitution provided for simple majority in the Senate to amend the constitution, unlike in the NA where two-thirds majority is essential, he made it necessary for constitutional amendments to be passed by two-thirds majority of the Senate as well. That means that if the PPP wants to amend the 1985 constitution and bring it close to the 1973 it would need overwhelming support in the senate.

It a broad-based coalition does not come about the Senate will be come the center of discord. While the IJI may try to exploit it, the PPP may try to pulverize it.

So there sits the Senate as a major stumbling block for the PPP. It can win over some of the Senators by making them ministers—up to one quarter of the Cabinet. How well the PPP can use this powerful tool to break the PML dominance in the Senate remains to be seen.

And while the IJI may try to use it as a battering ram against the PPP, the PPP will try to pulverize it.

**Analyst Calls for Respect of Voter's Verdict**  
*46000040a Karachi DAWN in English 24 Nov 88 p 6*

[Article by Aziz Siddiqui]

[Excerpts] The people cannot be blamed for having been deeply skeptical about this first phase of the democratic process. They had been fooled so persistently over all of the past and with such particular brazenness over the last 11 years that it would have been odd if they had been less unsure of the official.

So far they have had reason to be pleasantly surprised. For all the assurances they had remained doubtful to the last if election would indeed be held. In the event it was. They had been very uncertain in the case of its being held of its being fair. It turned out to be quite reasonably so, apart from the feared consequences of highly partisan governments being persisted with in the caretaking role and of the demonstrably disabling requirement of the identity card being pursued with equal relentlessness.

Thirdly, doubts have rankled whether unlike 1970 power would in fact be transferred to the elected representatives after the election as been held fairly. It is to be hoped that those doubts too would shortly go the way the others did.

The controversy is causing unnecessary confusion and deepening doubts. Besides, the longer it lingers the more is it likely to harden positions and the more difficult will it make for exaggerated hopes to be assuaged afterwards. There are going to be enough problems in that area in the coming days without another sense of imagined wrong being added.

It seems vital this time round that we play the democratic game strictly according to book. In other words, that we trust the popular verdict, the letter and spirit of the Constitution and the principles over which there is demonstrated popular consensus. That we do not seek to supersede these with expedients that are for some reason viewed by the Establishment to be more in the 'national interest.' That course has not in the end served the national interest in the past: it has even brought disasters of one kind or another. For a change the popular sentiment—of which there are numerous pointers in the ways that the elections went—should be allowed to be the guide, even above the received wisdom of the past and the judgments and assessments of the established class of patriots.

Democracy doesn't die just from open rape by bigots and dictators. It also suffers, silently, from violations of its spirit in subtle insidious ways. And it doesn't thrive when, long before it has had time to become a way of life, its clumsiness brings ready exasperation from bureaucrats and brass hats (and is looked as an easy source of cheap chuckle on entertainment shows). A nation has first to learn to be democratic before it qualifies to laugh at the ways of democracy. The fortuitous guardians of the nation do not even then earn the right to override the dictates of it. In our case in particular, we should not only abide by its norms but appear to be doing so too.

Transfer of power is now only among the first of the tests. There appear likely to be numerous others in short order. The mood and the strength of the ruling party and the opposition to be presage a continually divided house at loggerheads with itself. One will be determined to rule, the other not to let it do so. A constant state of siege seems in the offing in the initial phase. Flashpoints may occur at every other step: over constitutional amendments, over foreign relations in certain critical areas, over Centre-province relations—especially if a province is ruled by a party which is in the opposition at the Centre.

It seems that the country is restarting its experiment in democracy at the deep end. The circumstances could not be more challenging. But it is possible to survive the phase—in fact, to come out of it bruised, weather-beaten, but strengthened. The only condition is that

however bitterly the two sides of the house resent each other's gists, they, and their supporting cast, agree always to play by the rules. There should be nothing that is not subject to resolution at the end of the day by the standard democratic principles—not even patriotism. That is the only survival kit there can be through the minefield of booby-traps ahead. And it isn't just the two parties whose future will be at stake.

The President will hopefully lead the way.

#### **Article Alleges IJI Used Indecent Means To Win Punjab**

46000041b Islamabad *THE MUSLIM in English*  
24 Nov 88 pp 11-12, 26

[Article by Umar Farooq]

[Text] Among the many unpleasant features of the recent election campaign was the use of invective by parties against the rivals. The Islami Jamhoori Ittehad, while claiming to introduce the politics of 'sharafat' (decency) and 'sadaqat' (truthfulness), broke all bounds in madraking, especially when it came to attacking the Bhutto ladies. Leaflets carrying images designed to malign them and attack their character were dropped from planes over Lahore and other places. The worst demonstration of this kind of 'decent' campaign was when Hafiz Salman Bhutt, the Jamaat-i-Islami candidate standing on the IJI ticket invited General Ziaul Haq's son to address an election rally, and again when the IJI held its rally in Lahore on the final day of campaigning and its supporters drove through the city shouting filthy expletives against the PPP leaders.

But this abuse did not materially affect the outcome of the election. If some people were prepared to believe the foul words mouthed by the desperate-looking campaigners, a greater number of people were repelled by such dirty speeches. What the IJI did after the NA election and on the day of polling for the provincial assemblies was infinitely more objectionable because it interfered with the people's right to freedom of voting.

The IJI leaders had made arrangements with the local administrations and police to receive results of vote-counting before these became available to the Returning Officers. They knew before the public did that the PPP had won more NA seats than the IJI in the Punjab. They immediately realized the effect this fact could have on the provincial elections: if the people believed that the PPP was coming into power at the Centre, there could be landslide in its favour during the polling for the Punjab Assembly. The immediate task, therefore, was to convince the electorate that the IJI was going to form the new Government at the Centre and that Mian Nawaz Sharif was the Prime Minister-designate.

The first step taken to achieve this objective was to persuade the NPT papers, The Pakistan Times and Mashriq, to publish utterly untrue banner headlines. For instance, THE PAKISTAN TIMES declared in its issue of November 17:

Ittehad bags 92 seats, PPP 70, IJI leading in the NA polls

Later in the day Mian Nawaz Sharif issued a statement that IJI had won 59 NA seats in the Punjab as compared to the PPP's 52, while in fact its tally was 45. All this was designed to convince the electorate in the Punjab that the IJI enjoyed majority support in the province.

The IJI's most important operation on Thursday was to oil its election machinery and ensure that its workers were more effective than the opposition's in bringing the voters to the polling stations and in tutoring them thoroughly. At the same time efforts were made to drop such IJI candidates in favour of independents as were not expected to win, thus improving the prospects for defeating the PPP candidates. The results proved that quite a few seats were thus saved from falling to the PPP's lot. However, these maneuvers are considered quite fair in elections. The IJI was helped considerably by the overall failure of the PPP to realize what was going on and the attitude of complacency adopted by most of its cadres except in areas where the party had lost the NA seats and the provincial candidates had reason to fight for their success.

What cannot be considered fair is the strategy adopted to poison the Punjab electorate's mind against the PPP. It was decided to paint the PPP as a party of extremist Sindhis, out to deny the Punjab its rights, as a reincarnation of Sheikh Mujib's Awami League.

Accordingly, an advertisement was inserted in the newspapers of Saturday, November 18, which said:

Protect your provincial Government

"The People's Party failed to secure majority in the National Assembly on 16 November.

Out of the 205 seats 113 were bagged by its opponents.

Islami Jamhoori Ittehad has got more seats than PPP in Punjab, Frontier and Baluchistan.

Now, by God's will,

At the Centre Ittehad's coalition will be established.

Today—on November 19—vote once again for Islami Jamhoori Ittehad.

Do not ignore the importance of the Provincial Assembly.

Provincial Assembly is no less important than the Central Assembly.

Vote for Islami Jomhoori Ittehad and protect your Provincial Government.

This advertisement contained false claims and sought to prejudice the electorate against the PPP by suggesting that if this party won a majority in the province the people of Punjab would lose their provincial government. This was the first indication that the IJI was going to rely mainly on its slogan that the PPP was an anti-Punjab party.

The design was further revealed in a poster published as a special supplement by weekly 'Siyasi Log' which declared in an exceptionally bold headline:

Nawaz Sharif Shall Be the Prime Minister

The text of one of the write-ups carried by this 'paper' was as follows:

"Islami Jamhoori Ittehad has claimed that it has secured the support of more than 105 members in the national Assembly, while the other large party, People's Party, has only 92 members. In view of this, (IJI) Islami Jamhoori Ittehad has decided to submit a memorandum to President Ghulam Ishaq Khan that the Ittehad's leader should be nominated as Prime Minister and invited to form the government. According to the Islami Jamhoori Ittehad memorandum, Nawaz Sharif will be the Prime Minister on behalf of Islami Jamhoori Ittehad.

"According to the memorandum of the Islami Jamhoori Ittehad, the People's Party has secured only 92 seats out of those for which election was held on November 16 while 113 seats have been won by Islami Jamhoori Ittehad and other parties and Independent members. Out of these other parties, Islami Jamhoori Ittehad is in touch with the Mohajir Quomi Movement, Jamiat Ulemai Islam and other groups and independent members. The Ittehad has already secured the support of 105 members and after the announcement of results of the election of ten seats of women's 20 seats, Islami Jamhoori Ittehad will gain the support of at least another 15 members and in a house of 237, Islami Jamhoori Ittehad's strength will exceed 120. Besides, from the point of view of running the federal government, Islami Jamhoori Ittehad's largest party Muslim League enjoys the support of 84 out of the 87 members of the Senate." (Literal translation from Urdu. Emphasis added).

The other write-up argued that it would be difficult for the PPP to get 100 seats in the provincial assembly of Punjab. It was said on the authority of 'political circles' that the PPP's poor showing was due to "the statement of Miss Benazir Bhutto that her party would not accept any Punjabi as Prime Minister." The concluding part of the report said:

"The Punjab's voters reacted strongly to this statement. Now that, by winning a large majority in the Sind

Assembly, an extremely weak position in Frontier, Baluchistan, and getting less than half of the seats in the Punjab, the People's Party has emerged clearly as a Singhi party, this will have a further effect on the Punjab Assembly elections. And after it becomes clear that the People's Party wants to rule over Punjab with Sind's force, the People's Party will face further defeat during the provincial assembly elections. The Punjab's voter will not be able to ignore the fact that, in the climate created in Sind under the PPP slogan of 'Jiye Bhutto' (Long live Bhutto) and 'Jiye Sind' (Long live Sind), Pir Pagara, Mohammad Khan Junejo, Ghulam Mustafa Jatoi, Ilahi Bakhsh Soomro, and other leaders were rejected only on this ground that they were cooperating with forces working for Islam and Pakistan's unity and integrity. By raising the slogan 'Sind for the Sindhis' the PPP has punished these leaders for working for patriotism and Islamic unity." (Literal translation from Urdu.)

This poster was distributed throughout Lahore and pasted outside polling stations. At some places it was displayed inside polling stations and shown to people who came to cast their votes, in clear contravention of rules.

In its oral preaching to the voters throughout Punjab, the IJI stooped even lower. Extremely crude appeals were made to the Punjabi people's sense of honor. In addition, the IJI workers secured special permits to enter the stations and at some places they gathered in force to canvass inside polling stations and to threaten the PPP supporters. They received help from the temporarily recruited special police a great many of whom had been favored on the recommendation of IJI stalwarts enjoying good relations with 'thanedars'.

The dangerous implications of the IJI's campaign of hatred towards the people of Sind are obvious. A natural question is why did the IJI leaderdebase itself by resorting to methods that will destroy national unity and dangerously alienate not only Sind but all the smaller provinces. One reason lies in the fact that the ruling elite's stakes in the Punjab are extremely high. For it loss of political power would mean loss of extraordinary privileges and a threat to profit-making projects that are in the pipeline. Second, the Muslim League put the Jamaat-i-Islami in the driving seat. The Jamit boys took over the IJI election campaign and they conducted it the way they have been 'winning' the campuses. The flag-bearers of the notorious Al-Shams and Al-Badar of East Bengal know only one thing: they are specialists in sowing the wild wind so that the people of Pakistan keep on reaping the whirlwind.

#### **Commentator Criticizes Inadequacy of Electronic Media**

46000041a Islamabad *THE MUSLIM in English*  
28 Nov 88 p 4

[Article by Mir Jamil-ur-Rahman]

[Excerpt] The electronic media, Pakistan Television and Radio, functions under a very strange code. It tries to act neutral as far as politics of the country is concerned.

In its zeal for its misplaced neutrality it does not report at all on the political happenings in the country. It would report a meeting taking place between a politician and the President. But its so-called neutrality will suffer if it reported the meeting of two politicians trying to reach agreement in the formation of a coalition Government.

The newspapers report freely and independently but they have got their limitations. They cannot be read by the overwhelming majority of the people. They are also expensive and cannot reach villages in time due to lack of communication facilities. The electronic media, especially the Radio, reaches every corner of the country instantly and cheaply. But it does not report what is happening in the politics of the country. As far as PTV and Radio are concerned the election campaign with lots of political activities involved never took place in Pakistan. It is disgraceful that most of us had to listen to the BBC, VOA and other foreign broadcasts to keep abreast with the election campaign of our own country.

Will it always remain our fate to be treated like children come dictatorship or democracy? The great mass of people may be illiterate but it is not foolish. It has got the ability to discern right from the wrong. The new Government should give a serious thought to this problem. What is the use of spending crores of public money on TV and Radio if they cannot disseminate the news honestly.

#### **Columnist on PPP Serving Indian Interests on Kashmir**

46560005a Lahore *NAWA-I-WAQT in Urdu*  
21 Oct 88 p 2

[Nazir Naji column "Morning Rap"]

[Text] There is a furor over Begum Nusrat Bhutto's policy statement that on coming to power, the Peoples Party will allow America to inspect the Kahota Atomic Plant. In fact this assurance was given to the U.S. Congress' Foreign Relations Committee by the party's leadership and this has now come to light.

Looking at commentaries by different people, I realized how far the public has been misinformed regarding the party's foreign policy. Perhaps the public has not noticed that not only the party's leadership but even its philosophy has changed. Formerly this party's manifesto and basic papers used to be written by J.A. Rahim and Dr Bashar Hasan. This time the manifesto has been written by Dr Tariq Saheel and Rafiq Munshi. Munshi is an expert on Burmese and Philippine martial law.

These two countries are the main subjects of his research. He has close contacts with Stephen Solarz and his supporter, the Jewish lobby. In this connection government has also taken action against him. Both these individuals are keen to have subservient relations

with India. In reality it is India that is upset over Pakistan's atomic energy program. The assurance given to the American committee is also meant for India. It is not as though the Bhutto women do not have their own channels to India. That too is there, however, the assurances given to America are meant to prove to India their good faith. Otherwise relations with India are of such a nature that now certain services are also obtained from the Indians.

In this context there is a joke that Begum Benazir became suspicious about her house being bugged by the government, 70 Clifton, with listening devices. She told her Indian embassy friends to search and remove the listening devices. To accomplish this request some Indian experts came to Karachi in the guise of tourists. They searched 70 Clifton and removed the intelligence devices. A few days later, Begum Benazir was told that the government is still getting reports of her secrets. She was taken aback. She told her sympathizers to find out how the government is receiving her secrets.

After a few days' investigation they reported "Receiving from New Delhi." In other words the Indians had removed Pakistani devices and planted their own instead and the Pakistani spies had found access to Indian sources.

Gone are the days when the Peoples Party talked of a thousands year war in India. Now it wishes to establish relations with India on the basis of the Simla agreement.

In Peshawar District bar, Begum Benazir had herself declared, "Our party will make the Simla agreement the stepping stone for improved relations with India." Nobody has any problem with the Simla agreement. The question is of its interpretation. Bhutto himself had refused to accept the Simla agreement's interpretation that forsakes the right to raise the Kashmir issue in international forums.

India's position is that according to the Simla agreement, the two countries will resolve the Kashmir issue bilaterally and therefore Pakistan no longer has the right to raise it in international forums. Pakistan's stand is that the bilateral resolution of the issue in no way bars exploring other avenues. The issue is certainly bilateral. It will be good if the issue could be resolved bilaterally but until it is done, why give up efforts to draw the attention of the world public opinion to India's excesses? This was Bhutto's and later General Ziaul Haq's policy as well. However, Benazir accepts the Indian interpretation.

On her orders, all that her new manifesto has to say on the Kashmir issue is that it will be resolved. In the context of resolving it, Pakistan's right to raise it in international bodies is not even mentioned. It is quite possible that because of the election compulsions, the ladies might indulge in slogans. However, the real matter is the manifesto and in this only so much is said that is acceptable to India.

During the life time of President Ziaul Haq, I had predicted in these columns that now the American effort

would be to install such a civil government here which would sign a friendship agreement with India. America has initiated this move. You may have noticed clear signs of this effort in the newspapers of the last few days. I do not object to a friendship agreement. However, details of the type of "friendship" that India speaks of may be seen in its agreement with Sri Lanka. This is not a friendship agreement but a document of slavery.

The Peoples Party leadership is prepared to establish with India the kind of relations that Sri Lanka has. So far the Pakistani people have defended their freedom under all kinds of circumstances. In the future also they will frustrate every conspiracy hatched against their freedom. The right to establish contacts with the world public opinion on the questions of harnessing atomic energy and the resolution of the Kashmir issue is a part and parcel of our independence. This right cannot be forsaken under pressure either from America or from anyone else. This is not an election issue. It is a question of the nation's permanent interests.

#### **Iranian Paper Sees PPP Victory as Benefit to Regional Stability**

46000041c Tehran KAYHAN INTERNATIONAL in English 21 Nov 88 p 2

[Text] Tehran, Nov 20 (IRNA)—The victory of Pakistan People's Party leader, Benazir Bhutto in parliamentary elections, has been seen by an Iranian newspaper as a benefit to regional stability and a boost to the restoration of democracy in Pakistan.

"Entrusting power to civilians with a popular stature, will reduce tension in this sensitive region of the world," the Persian daily, Abrar said.

"Her popularity and that of her party should be considered the reason why they won the elections which was unprecedented since 1977," Abrar commented in its foreign political analysis column.

The Islamic Republic of Iran has not officially reacted to the Pakistani elections, which is expected to result in Bhutto's premiership. If so she would be the first woman to head a Muslim state.

Iran and Pakistan, along with Turkey, are members of the regional Economic Cooperation Organization (ECO) and trade between Tehran and Islamabad has increased considerably since the Islamic Revolution.

Abrar criticized the late president, General Zia ul Haq's regime, describing it as a "complex military dictatorship" and accusing it of allowing Iranian anti-revolutionaries to operate freely in Pakistan.

It said the transformation of the political climate following Zia's death in a mysterious plane crash in August has helped the revival of democracy in Pakistan.

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