

172074

JPRS-NEA-85-065

8 May 1985

Near East/South Asia Report

19980804 082

DTIC QUALITY INSPECTED 2

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

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

3
136
AΦ7

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

8 May 1985

NEAR EAST/SOUTH ASIA REPORT

CONTENTS

ARAB AFRICA

EGYPT

Communist Party Leader Michel Kamil Interviewed (Michel Kamil Interview; AL-HURRIYAH, 3 Mar 85)	1
Local Government Minister Interviewed (Hasan Abu Basha Interview; MAYU, 25 Mar 85)	9
AL-AHRAM Chief Editor on Stages of Sudanese Coup (Ibrahim Nafi'; AL-AHRAM, 12 Apr 85).....	15
Pope Shinudah Views Arab Unity, Jerusalem (MENA, 12 Apr 85).....	18

LIBYA

Information Media Surveyed, Critiqued (Yunis Sha'ban al-Fanasdi; AL-JAMAHIRIYAH, various dates)	20
--	----

ARAB EAST/ISRAEL

IRAQ

Current Chemical Industry Developments Reviewed (AL-THAWRAH, 28 Jan 85)	30
Al-Karkh Water Complex Nears Completion (AL-THAWRAH, 25 Jan 85)	32
Oil Industry Official Reviews Accomplishments (Mujid 'Abd-al-Zahrah al-'Ubaydi Interview; AL-THAWRAH, 15 Dec 84)	33
Water, Drainage Systems Construction Plans Outlined (AL-THAWRAH, 26 Jan 85)	36

SAUDI ARABIA

Various Problems Facing Dairy Farmers Discussed (Muhammad Najib Sa'd; TIJARAT AL-RIYAD, Feb 85)	38
--	----

SOUTH ASIA

INDIA

Papers Report Changes in State Governments (Various sources, various dates)	50
New Ministers in Karnataka, Bihar	50
Territory of Pondicherry	51
Analyst Writes on Changes in Governorships (G. K. Reddy; THE HINDU, 13 Mar 85)	53
CPI Asks Gandhi To Release Akali Leaders (THE TELEGRAPH, 28 Mar 85)	54
Press Reports, Reacts to Soviet Diplomat's Defection (Various sources, various dates)	55
HINDU Analyst's Report, by G. K. Reddy	55
Government Protest Approved	56
Possible Effect on U.S. Relations	57
Reportage on Gandhi Attendance at Chernenko Rites (Various sources, various dates)	59
Arrival in Moscow	59
'Unprecedented Welcome'	60
Meetings With World Leaders	61
Remarks to Parliamentarians	62
Remarks to Newsmen	63
HINDU Analyst's Report, by G. K. Reddy	63
CPI General Secretary Talks to Press in Bhubaneswar (PATRIOT, 4 Apr 85)	65
Activities of Vietnamese Defense Minister Reported (G. K. Reddy; THE HINDU, 27 Mar 85)	66
Correspondent Reports on Sikhs in United States (Warren Unna; THE STATESMAN, 1 Apr 85)	68
Report on Rao Meetings With Soviet Leaders in Moscow (PATRIOT, 2 Apr 85)	74
India in Touch With Iran Over Peace Initiative (G. K. Reddy; THE HINDU, 28 Mar 85)	75

Reportage on Efforts To Solve Sri Lanka Tamil Problem (Various sources, various dates)	76
Analyst on Bhandari Colombo Visit, by G. K. Reddy	76
Efforts To Diffuse Crisis, by G. K. Reddy	77
Report on Visit Communique	78
Gandhi Efforts To Improve Relations With Neighbors (G. K. Reddy; THE HINDU, 24 Mar 85)	79
Jammu, Kashmir Politics Reported in State of Flux (THE TIMES OF INDIA, 16 Mar 85)	82
Press Reports, Comments on Budget, Economic Survey (Various sources, various dates)	84
Report on Economic Survey	84
Budget Text	88
TIMES Leading Article	102
Analyst on 'Innovative Budget', by G. K. Reddy	103
More Changes Predicted, by G. K. Reddy	105
India Refuses To Back UN Draft on Afghanistan (Tilottama Tharoor; THE TELEGRAPH, 26 Mar 85)	107
Three New Districts Created in Tamil Nadu (THE HINDU, 16 Mar 85)	108
Antarctic Team Returns, Future Plans Told (THE HINDU, 26, 28 Mar 85)	109
Team Leader Meets Press	109
More on Leader's Remarks	110
Correspondent Summarized Points in Railway Budget (THE HINDU, 15 Mar 85)	112
Defense Minister Tells Plans for Navy Modernization (PATRIOT, 29 Mar 85)	114
Long-Term Fiscal Policy To Be Announced in September (THE STATESMAN, 3 Apr 85)	115
HINDU Analyst Reports on Armacost Visit (G. K. Reddy; THE HINDU, 16 Mar 85)	117
World Bank, IDA Promise Loans for Development (THE TIMES OF INDIA, 14 Mar 85)	118

Briefs	
Poor Harvest Outlook	120
Visiting Chinese Minister	120
New Zealand Envoy	121
Akali Dal	121
Indo-Soviet Oil Pact	121
Ganges Water Plan	121
Trade With FRG	122
EEC Training Aid	122
Explosives Seized	122
New Pakistan Envoy	122
Request From Japan	123
Assam Student Body	123
More Madhya Pradesh Ministers	123
Indo-Nepal Pact Extended	123

IRAN

Tabriz Radio Comments on Foreign Media Propaganda (Tabriz Domestic Service, 4 Apr 85).....	124
---	-----

PAKISTAN

Objection Voiced to India Seeking U.S. Arms (NAWA-E WAQT, 28 Apr 85).....	125
Formation of Anti-Regime Front in London Reported (THE HINDUSTAN TIMES, 18 Apr 85).....	126
PPP Repeats Stands on Issues (DAWN, 26 Apr 85).....	128
Briefs	
Manufacture of Chinese Tractors	130
Medical Aid for Somalia	130

EGYPT

COMMUNIST PARTY LEADER MICHEL KAMIL INTERVIEWED

Nicosia AL-HURRIYAH in Arabic 3 Mar 85 pp 39-41

[Interview with Michel Kamil, member of Egyptian Communist Party politburo, by Fadi Tawfiq: "The Egyptian National Movement Is Conciliatory and the Left Is at a Crossroads"; date and place not specified]

[Text] AL-HURRIYAH has had a tradition of meeting with Comrade Michel Kamil, member of the Egyptian Communist Party's politburo.

This interview assumes a special importance because it came at a time of complicated circumstances being witnessed by the Arab national liberation movement, and the Palestinian revolution in particular, and also when there has been a state of confusion and muddle in the Egyptian political arena.

The interview was wide-ranging and candid, beginning with conditions in Egypt, focusing on the Palestinian arena and ending with the pilgrimage of "America's Arabs" to Washington.

The Egyptian Regime Godfathered the Husayn-'Arafat Accord

[Question] Mubarak's visit to Washington is imminent. Reagan administration circles attach special importance to this visit, while some have described it as a qualitative step in the relationship with Washington and its role in the Middle East. How do you view this visit?

[Answer] Actually, Mubarak's visit to Washington is proceeding within the same framework of the plan that has been designed for Egypt in the region. Perhaps the reactivation of the Egyptian role and of the role of Arab reaction in general is a result of the breakdown of a certain tactic in the recent imperialist assault against the region.

There are, of course, Mubarak's economic demands to increase aid by a billion dollars and to consider the military loan as an unreturnable gift, although we think that he will get nothing. However, a consideration of these demands that Mubarak is getting ready to present during his visit will be coupled with an augmentation of the role America has assigned him in the region.

The American imperialist assault that has taken on a military character peaked with the Marine's and the multinational NATO forces' occupation of Lebanon. This assault was supposed to have culminated in the conclusion of another Camp David Accord to bring the whole region under the theoretical umbrella of the American "military consensus." This plan broke down because of the courageous national resistance by the progressive national forces in Lebanon. With the help of Syria and the USSR, the military and political struggle was stepped up to a point which caused the abrogation of the "17 May agreement" and the forced withdrawal of marines and the multinational forces from Lebanon.

The plan shifted from a direct military assault by the strike forces of imperialism to the utilization of the region's reactionary forces to carry out the plan and wrest new areas of influence for imperialism.

The Egyptian role emerged as a primary one in this plan. This is what we witnessed in the military adventures against Libya, the military intervention in Sudan and the involvement in the Iran-Iraq war, be it through arms supplies or facilities for Iraqi Army volunteers, as the regime welcomes this role.

Nothing is more indicative of this than the trite statements of Field Marshal 'Abd-al-Halim Abu Ghazalah, the Egyptian minister of defense, in which he said "the Egyptian soldier will cost no more than \$1,200 a year, while the American soldier costs \$12,000 to come to the area of operations in the Middle East."

Weinberger, the American defense secretary, in a statement he gave on the occasion of Mubarak's visit to Washington, confirmed the same thing when he said that he asked for "more aid because America does not only want to augment its security but wants its cooperation with the friendly countries (Egypt and Israel) to represent a deterrent force that can emerge whenever necessary."

A deterrent force against whom? Surely against the Arab national liberation movements with the aim of subjugating the rest of the resistance and opposition centers and surrounding and isolating the national forces on islands and trying to deal them blows, as has been witnessed in general.

Herein precisely lies the significance of the Egyptian role which clearly emerged during the signing of the 17 May agreement, which was defeated in Lebanon and which reemerged in Amman where Usamah a--Baz played the role of a true godfather in conducting the Husayn-'Arafat accord. Arab reaction for its part is pushing toward giving Egypt a bigger role on the basis of continuing with the same American plan, the strategic consensus which it aims to realize by popularizing Camp David, and of achieving imperialist hegemony over the region.

Here Mubarak tries to act as the main broker. He possesses many features which qualify him for this role, such as Egypt's historical weight which has shifted with the change of power to the ranks of the counterrevolutionary camp. He is also trying to utilize this role to raise his share of aid to correspond with the tasks he has taken upon himself in the region in favor of the American plan.

Consequently, Mubarak's visit will not exceed the framework of arranging the distribution of roles to "America's Arabs" in the region in preparation for the next phase of the American imperialist plan.

Present Egyptian National Movement Is Conciliatory

A state of confusion prevails over the political arena in Egypt these days due to the circulation of some delusions emanating from the ranks of some national forces who are spreading the following statements:

- Change from above due to the fact that the contradiction is in the ranks of the ruling class alliance.
- Economic reform within the framework of the existing regime.
- Diminishing the role of the national forces within a coattail framework under the slogan "support for the forces of change in power."
- Evoking skepticism about the ability to abrogate Camp David and cancel the open-door economic policy.

[Question] Comrade Michel Kamil, please explain the true dimensions of these statements and bets that led to the state of confusion.

[Answer] The national movement in Egypt, since the mid-sixties, has witnessed developments that underscore the theoretical statement: the bourgeoisie, including the national bourgeoisie, is unable to lead the national liberation movement to its conclusion.

The post-World War II stage and the Cold War caused sectors of the bourgeoisie to lead large national movements against colonialism. They played a significant role in this stage particularly, but even this role was restrained by the basic rules of social revolution, rules that were established at the turn of the century and which Lenin discussed in 1905 when he wrote "Two Tactics [of Social Democracy in the Democratic Revolution]" in which he clearly stated that the bourgeoisie had lost its usefulness in leading the national liberation movement. It could lead certain preconditions or could get through a specific stage, but it could not see its objectives through to the end.

In Egypt, as in the Third World in general, many significant accomplishments have been achieved through national movements in the Nasirist fashion, beginning with [Kwame] Nkruma [of Ghana] to 'Abd-al-Nasir

to Peron in Argentina, but this phenomenon could not go on. It was like the life cycle that goes from growth, vigor and maturity to decline, old age and the end. It did not have continuity as an ascending graph and had to suffer a relapse at a certain point.

Egypt's reality has confirmed that the regime's crisis began in 1965 in all the various political, economic, cultural and intellectual fields--the crisis that culminated in the 1967 defeat--to the extent that not one month passed without a coup against a national order or the end of another national order.

Herein lay the part of the labor parties in assuming their leadership roles through their alliance with the national forces, but with the need to emphasize gradually this role until they occupied the position through which they could go on with the revolutionary movement to achieve socialism without stopping at the critical point, which is the new contradiction between the relations of production and the forces of production.

However, the forces that were prepared to take upon themselves the leadership role did not have sufficient strength, hence the phase of decline and breakdown in the revolutionary movement. The savior will not be a new "Nasir" or a bourgeois regime but rather a totally new regime in which they can play a growing and effective role, led by the working class which enables them to make a truly revolutionary move.

The problem and the difficulties of the Egyptian national movement lay in the fact that this movement is still under the control and leadership of the national bourgeoisie and the middle classes, so much so that its parties are basically bourgeois and petty bourgeois. This is the class structure of most of the parties of the Egyptian national movement.

So long as the working class does not have a leading role, the Egyptian national movement will remain a conciliatory movement, always seeking to compromise with the regime and imperialism and always following behind the bourgeoisie.

Thus, when al-Sadat, who was a rallying element due to his bluntness and his quasi-facist rule, departed, a severe crisis shook the regime. Then the more sensible and judicious sectors in power took over the reins of power with the primary goal of preserving the essence of the same policies, but with more flexibility to guarantee greater efficacy in serving the interests and goals of the counterrevolutionary forces.

From that point on, several Egyptian national forces began drawing parallels between imaginary "developments" in Egyptian policy. Through their rightist interpretation of the concept of Arab solidarity, they welcomed the restoration of Egyptian and Jordanian relations and drew up the weak formula, "rapprochement commensurate with alienation," which means getting closer to the Egyptian regime in the same proportion

as the regime moves away from Camp David. They encouraged the Palestinian right to take the direction of the Egyptian regime and developed relations with the Iraqi Ba'ath. They even gave up the slogan, "abrogation of the Camp David Accords, replacing it with "struggle against the Camp David course."

The nature of the existing parties does not allow them to adopt radical positions, particularly in those phases when "some freedoms" are granted. Likewise, these parties lack grassroots support and, therefore, are upper-class and primarily elitist parties. Hence, their leaders engage in high-level dialogues at the presidential palace and with officials instead of revolutionary struggles in the factory and the field and at the university.

Mubarak also succeeded in demarcating specific limits the opposition forces must not cross, and they must not overstep the rules of the game. He has allowed a partial relaxation in the field of information and the area of expression and has drawn the sword of deterrence in the field of organization or participation in popular movements.

However, we believe that things definitely will not persist in this manner. There are considerations, including mass uprisings and actual pressures by the grassroots support of some national parties. Add to that the daily facts of life that expose and reveal the decisive collapse of all the various delusions and wagers. All this will cause the leaders of these parties from now on to be or not to be.

Leftist Forces in a Dilemma

[Question] How do you assess the present situation of the Egyptian left?

[Answer] Today the Egyptian left is in a terrible dilemma and is a turning point at which it must decide its fate and its future because it has actually skidded into conciliatory positions. It has been established that the delusions it propagates do not represent the course of events which confirm each day the opposite of what has been conceived about conditions in Egypt during the Mubarak phase.

Hence, the leftist forces, if they do not have the strength and internal dynamism to regain their balance and their senses, will wither away to a few small bands with no influence whatsoever in Egyptian society.

Egyptian leftist forces must reexamine their position in order to get out of the state of deterioration, fumbling and passivity in which they have long been wallowing.

Several positive encouraging phenomena have emerged in the recent stage, particularly the rise of the mass movement and the maturity and clarity of vision and class perception on the part of the grassroots

supporters of the progressive and national parties. Their reflections on some leadership sectors has started going beyond the delusions and has begun stepping up their opposition to the intrinsic issues in the regime's policies.

Here, some scientific priorities become clear. They can be summarized in the fact that "national salvation" is impossible under the auspices of the existing regime. Indeed, it is realized under the leadership of an alternate democratic national order. This does not mean that the slogan of abrogating Camp David has become an immediate executive goal because the elements necessary for its accomplishment are not yet available. The fulfillment of this slogan requires the accomplishment of key tactical tasks in the economic, political, tactical and organizational fields and in the field of freedom and alliances as well, which comes about in the framework of a clearly defined strategic goal in order to guarantee that it will serve this goal.

Decidedly, the left is at a crossroads: either it defines its capabilities to overcome this state of deterioration and enters into a new movement on a secure foundation or some other revolutionary forces will crystallize, putting forth true revolutionary slogans.

America Imparts Only Destructive Elements to National Forces

[Question] A pilgrimage of "America's Arabs" has begun flocking to the White House. What, in your opinion, can America give these pilgrims, beginning with Fahd and ending with Husayn?

[Answer] I think America will not give anything more than the Reagan plan. Up until now, America believes that all the serious concessions already offered are not enough! That is why we find Reagan today asking the Egyptian regime to seek an amendment of the Jordanian-Palestinian accord. One main point to be amended is a clear text concerning UN Resolution 242. America rejects even an implicit allusion. At any rate, America is the winner: first, it pushes the Palestinian right to offer more concessions and, second, it seeks at the same time the total liquidation of the Palestinian problem. According to its logic, there is no such thing as a Palestinian state or even self-determination but only a subordinate state that is part of Jordan.

Even if the Palestinian right came out with nothing, the concessions it offered notwithstanding, there will be an American gain. America has succeeded in breaking up and fragmenting the liberation organization and in disrupting and shattering the Palestinian arena. It is an American design followed in several Arab arenas.

America can only offer the destructive element to the national forces in the area, nothing more. It is now providing the right wing with a chance and suitable conditions for more concessions and for destruction.

Husayn-'Arafat Accord Leads to Worse Than a United Kingdom

[Question] How do you assess the Husayn-'Arafat accord arrived at in Amman on 11 February 1985?

[Answer] The accord must not be viewed as a text to be read and analyzed through its articles. Neither should its clauses and terms be argued, for this is a grave mistake. The accord must be viewed as the culmination of a certain phase marked by a series of concessions and retreats in the liberation organization. The role of the Palestinian right wing in it is quite evident and there are dozens of pieces of evidence of the process of retreat and decline that took place in this phase.

The formula of the accord is, first, that the joint delegation is a relinquishment of independent Palestinian representation and, second, that the right to self-determination drags it directly to confederation. The plan is quite evident in its renunciation of the idea of a state and the accord, on the whole, is a return to the "United Kingdom Plan" or worse.

We Support What the Palestinian Democratic Alliance Represents

[Question] Will you please acquaint us with the Egyptian Communist Party's point of view concerning the PLO crisis?

[Answer] Our position from the outset has been concern for the unity of the PLO. We used to call for PLO unity, but unity is not an ideal thing nor is it a matter of form. Our position cannot be neutral in the existing conflicts. Therefore, our positions on several issues have been clear, while bearing in mind not to interfere in PLO affairs. However, we have common issues that affect us as national forces in Egypt.

For example, when 'Arafat visited Cairo, the Egyptian Communist Party's politburo issued a communique condemning this visit and analyzing the reasons behind such a condemnation, one of which was that the visit was intervention in Egypt's affairs because it supported the position of the Egyptian regime in its confrontation with our party's positions.

We always supported what the democratic alliance represented in view of the fact that it was the center of the organization's consolidation and reunion on the basis of the anti-imperialist, anti-Zionist and anti-reactionary line; thus our support of the Aden-Algeria accord.

With regard to the agreement between 'Arafat and Husayn, a joint communique by the Egyptian and Palestinian Communist Parties was issued condemning this accord and considering it the most serious concessionary step, for it widened the rift and brought matters to a head in the Palestinian arena and that of the Arab national liberation movement as well.

Our common goal between the Palestinian revolution's detachments and the Arab national liberation movement is to search for formulas and forms able to resist and abrogate this agreement because it is a dangerous design backed by reactionary Arab forces and world imperialism.

12502

CSO: 4504/286

EGYPT

LOCAL GOVERNMENT MINISTER INTERVIEWED

Cairo MAYU in Arabic 25 Mar 85 p 5

[Interview with Hasan Abu Basha, minister of local government, by Mahmud Salah: "Hasan Abu Basha Opens His Heart to MAYU; What Does Minister of Hope Say; Egypt's Issue Is Issue of 'Development and Production' for Which 47 Million People Are Responsible"; in Cairo, on occasion of 25th anniversary of local government system]

[Text] Because Egypt's hope is development and because development cannot be achieved without the active participation of the 60 percent of Egypt's population who live in the provinces, I am sitting with the minister of hope.

His office is in al-Jizah, only a few steps away from Cairo's boundaries. He spends all his working hours thinking of, speaking to and receiving those who live outside the capital.

The interview with the minister of local government came on the occasion of the 25th anniversary of the local government system and covered more than one question.

The questions are of the type about which one needs to study volumes in order to be able to answer.

In any case, we did what we had to do and asked the questions and the minister did what he had to do and answered them and we ended up with this interview, which is of interest to every Egyptian.

[Question] What is the idea behind the local government conferences and is there a plan to continue them?

[Answer] These conferences are a true reflection of democratic action. Each conference covers a province which includes more than one governorate. At these conferences, the broad masses are represented through their popular leaders, namely the members of the local councils who meet to make their evaluation of their conditions and who present their hopes and aspirations. Discussions take place between these members and the

executive officials on all issues, such as health, culture, education, agriculture and supply. A conference concludes with specific recommendations announced in its final sessions. The prime minister and a large number of ministers attended the final sessions of the past two conferences. What is important is that the Ministry of Local Government collects these recommendations and breaks them down into specific categories and then presents them to the prime minister to make the proper decisions on them. Therefore, these conferences embody the national action and give it a positive meaning by channeling democracy to serve society, not just in words but in real accomplishments that serve the citizens and their future. Through these conferences, the local governments which work to serve their communities bring the problems and obstacles to the attention of the central authorities concerned. Ultimately, this is reflected in the society as a whole.

[Question] Does this mean increased participation by the citizen who lives in the provinces in solving his problems?

[Answer] Yes, and it is time that the provincial citizen stopped sitting idly to wait for the solutions and decisions to come from Cairo. We all must turn into beehives fused into the production and development process. This is a fateful issue by virtue of several facts: first, our population is growing at fearful rates and we are heading toward a society with a population of 70 million. The second fact is that the Egyptian citizen's present needs are totally different from what his needs were 30 years ago. At that time, the rural citizen did not demand a preparatory school, a hospital or an asphalted road. He was content with the kuttab [small religious school], with the kerosens lamp, with compulsory education and with health campaigns. The needs are now different and have grown greater and the state is required to meet them. Our resources, regardless of how great, are still limited when compared with our actual needs. The third fact is that there is a shortage of agricultural labor because of emigration from the village to the small town first and then to the big city, thus causing an imbalance in the population distribution. This imbalance must be tackled by strengthening the elements of attraction in the local communities.

[Question] Mr Minister of Local Government, do you think that the concept of local government is clear to the citizen?

[Answer] The first task of the local government--a task which it must perform at all levels--is to persuade all that the local governments play a vital and important role in the development of Egypt. The desired development is both social and production development. The citizen's outlook must change. For example, when a water plant is built in a village, a local resource must be secured to manage and maintain it instead of having to wait for Cairo to do the repair work even when a nail is broken. As for the government, it is very important that it understand the citizen's role. For example, at an NDP [National Democratic Party] committee meeting, a citizen said that the inhabitants of

his village of Nazlat al-Batran in al-Haram volunteered to enlarge and develop the hospital but that the health directorate objected! I asked the governor concerned: How could this happen? We want every citizen who is aware of society's shortcomings to contribute to solving them. People must be encouraged to participate. Herein lies the responsibility of the local governments, which can mobilize the masses and persuade them that all are responsible for exerting efforts for the future and for insuring a proper life for our future generations.

Japan's Experience

[Question] If development is "Egypt's issue" and if the solution to any problem must have a beginning before it can have an end, then what, in your opinion, is the beginning of Egypt's development process?

[Answer] The beginning is inevitable, namely that we all work to develop our local communities socially by developing and improving the utilities, or the so-called infrastructures, of society. We all must then work to produce. There are those who imagine that the production must be agricultural. This is wrong because not every Egyptian can produce in the agricultural sphere. We are a population of 47 million and the area of our cultivable land is 6 million feddans. Thus, every nine citizens have a share of 1 feddan. What is required is that some of the people work in agriculture and increase its production through vertical expansion and through the reclamation of as much land as we can reclaim. At the same time, we must turn to production in all spheres to create work opportunities for every home in the village or the small town. We have a lesson in Japan's experience where farmers and simple citizens assemble transistors in their homes and then sell them to giant companies producing electrical equipment. We must implement such projects in our country instead of the small projects from which only a small number of people benefit. What prevents us from setting up a big project in which the largest number of a local community's population participates with financing and management to reap a profit that will ultimately reward it and reward society as a whole? We want 100 projects in every governorate and we want a comparison between the executive agency's management of such projects and the transformation of the projects into some sort of joint-stock company or cooperative company in which the citizens hold shares and which are managed in the private sector's style. We must determine which is the ideal system and then follow it.

[Question] What is your opinion of the role of the national development banks in the projects in which the citizens must participate?

[Answer] The national development banks' name indicates their philosophy. These banks have been established to contribute to enhancing the development process. Even though branches have been opened for these banks in 17 governorates, most of the banks are, regrettably, still engaged in purely commercial and banking operations, not in development, as a result

of restrictions imposed on them. The activity of these banks must be reexamined and means must be found to increase their capital so that they may contribute to development. When Tal'at Harb established the Bank of Egypt, this bank set up numerous projects which were beneficial to broad sectors of the people. Why can't the development banks be the same? Why don't they rely on the natural and human elements surrounding them? When a bank is able to gain people's confidence, it will turn into a vessel for their savings which are used to develop their societies.

[Question] Can it be said that the multiplicity of authorities supervising development is one of the problems of this development?

[Answer] It is true that there are numerous authorities and that each authority acts according to its interpretation. The danger lies in the matter turning into a competition between these authorities--a competition that causes them to stray from the sound scientific approach that produces the highest yield with the fewest resources. This is what is called maximum production efficiency. What are required, whether at the central level or the provincial level, are coordination and guidance to achieve certain objectives. There is a proposal to form a local development committee in every governorate and a higher central committee to chart the policies, with the local committees performing their role through these policies.

[Question] But where is the role of the individual citizen in all this?

[Answer] The time has come for every Egyptian to work for the sake of production because production is the issue of the future. We have numerous resources and it is possible for us to achieve better results. The age in which we are living does not permit people everywhere to wait for Cairo to do something for them. Every person must work. We will thus bolster the democratic nature of the decision which will be issued by the people concerned with the decision, namely the local communities. In the past, Cairo made all the decisions for the provinces, building the school and the hospital and paving the road. The government had to do everything and the citizen's role was not clear. The citizen was a recipient only. Until 5 years ago, the state projects were divided among the provinces, which had no role whatsoever in the major projects. The savings of Egyptians working abroad, most of whom are from the provinces, amount to \$9 billion a year, i.e., one-third of the national income. Why aren't there suitable vessels for these Egyptians to invest their savings in the provinces so that they may contribute to developing their communities instead of returning from abroad to purchase a house and a piece of land? We hope that there will be in every part of Egypt productive work in which the citizens can participate. The popular participation rate does not exceed 4 percent and we aspire to have it reach 70 percent.

[Question] And what about the role of the local government?

[Answer] We have the General Secretariat which follows up on the role of the governorates in implementing the national plan's projects and on the problems of the governorates requiring coordination with the central levels. There is also the Village Development Agency which is concerned with developing the village socially and economically by helping the citizens participate in numerous production projects. We have been implementing the concept of local government for 25 years and three amendments have been introduced into this local government law, with the local councils first gaining a watchdog role and then an executive role through proposing projects and approving the governorate plan. There is talk about negative features revealed by the experience of 25 years in local government. I have prepared and submitted to President Husni Mubarak a memorandum containing a concept for launching local government in the direction of achieving the desired aspirations. I will ask the governors and a number of university professors to study the amendments proposed to develop the role of the local communities in the future so that we may eliminate the negative features which cause the responsibilities to be blurred.

Election of Governors

[Question] What is the local government minister's opinion on the idea raised regarding the election of governors?

[Answer] My personal opinion is that it is not at all beneficial to have the governors elected to their position at present. This is an advanced phase that may be suitable in the future because it requires standards and expertise that must be available. The tribal character is still present in numerous communities and the family spirit is still present and it can influence the elections. It is not the time to embark on the experience of electing governors.

[Question] How does the minister of local government, a man who spends his day thinking and concerning himself with what is happening beyond Cairo, view the shape of the Egyptian village now?

[Answer] The Egyptian village has its positive and its negative features. But it has now entered the so-called "demonic cycle." The positive features are embodied in village development whereby schools, paved roads, townhall units, hospitals, electricity and water plants and sanitary sewage disposal have become available. All these are positive features that are supposed to help the village increase its production because it has approached civilized society. Despite this, two extremely serious phenomena have developed in the Egyptian village. The first is the desertion of the conventional production system which was prevalent in the village. Every home in the village used to raise chickens, ducks and various kinds of poultry and every home used to bake the bread it needed and produce the cheese it needed. In my village, my cousins set up a small cheese plant, collecting milk from the village, making cheese and then selling it. The village used to export to the city a variety of small products. Now village production is almost totally confined to

agricultural crops, with only one-fourth of the village population engaged in agriculture. The farmers have abandoned other kinds of production due to the rise in village income resulting from emigration to the cities or to the outside world. Thus, the village has taken a full turn toward consumption. The rural population, which amounts to nearly 60 percent of Egypt's population, now represents a heavy burden in consumption. This phenomenon has been coupled with emigration from the rural areas, thus causing an imbalance in the population distribution. All this is the result of the fact that the concept of development has not been clear to the people, because the concept of participation has been absent from among us and because we are still waiting for the state to plan, finance and provide. If the state does not do this, nobody will. The problem now is that the rural population growth is excessive, the cultivable land is limited and there are no projects to absorb the increase in population.

8494

CSO: 4504/284

EGYPT

AL-AHRAM CHIEF EDITOR ON STAGES OF SUDANESE COUP

PM160911 Cairo AL-AHRAM International Edition in Arabic 12 Apr 85 pp 1, 3

[Article by Ibrahim Nafi': "Egypt, Sudan, and the Events of the Difficult Days"]

[Excerpts] [Passage omitted] As President Ja'far Numayri flew from Khartoum airport to Washington in pursuit of U.S. economic aid to solve his country's problems the spark occurred in Sudan and all the volcanoes erupted without prior arrangement. The disturbances and demonstrations continued, culminating in the general strike which was called by the unions and which brought life in Sudan to a complete standstill. That did not result in a rescinding of economic decisions.

By last Thursday the Egyptian political leadership's information confirmed that the disturbances in Khartoum had reached a climax. So President Numayri was contacted in the United States and informed of Cairo's assessment of the seriousness of the situation. President Numayri's reply was that he would return to Sudan on Saturday via Cairo.

On Friday the disturbances got even worse and the Sudanese internal security forces were unable to deal with them. The only remaining option for stabilizing and dealing with the situation was for the Sudanese Armed Forces to come out on the streets and quell the disturbances.

On Friday evening the military commands met at the Sudanese Armed Forces headquarters to study the situation and consider means of stopping the deterioration. The members of that military group were in psychological turmoil. They were angry and upset about the rapidly breaking developments of the past 10 days.

I can confirm that up to that moment the idea of a military coup was out of the question. The aim of that meeting was not seizure of power by the army. The main aim was to study the situation and arrive at some decisions as to how to deal with the situation without loss of life and without bloodshed. It then became clear to the military command that it had only two options for dealing with the situation in Sudan. The first was to send the Armed Forces out to the streets to confront the masses in revolt and restore stability and calm whatever the consequences and regardless of the blood which might be spilled

in a bloody confrontation. The second was for the military group to assume power for a transitional period in an attempt to save the situation and avoid a popular revolution.

By the end of the meeting which began Friday evening and ended at dawn on Saturday, the conferees decided to seize power and avoid direct confrontation with the Sudanese masses.

Early on Saturday morning the military commanders summoned the Egyptian ambassador and senior embassy officials in Khartoum and informed them that it was decided to assume power to prevent bloodshed. They requested that that information be conveyed to Cairo with the emphasis that the close Egyptian-Sudanese relations were not relations between individuals or regimes but between peoples and that they were relations of common destiny, objectives, and interests. The new Sudanese leaders did not summon any other ambassador that morning to inform him of their intention to seize power.

By the time President Numayri's plane was about 2 hours from Cairo airport Cairo had already received the new Sudanese leaders' message and learned about all the Sudanese developments.

When President Numayri arrived in Cairo he still did not have any knowledge of the power change in Sudan. He first heard about it in Cairo and the effect of the news on him was profound indeed. Cairo gave him the details of what happened and the text of the first military communique issued by the new command.

Cairo's advice to President Numayri was that he should return to Khartoum to reach some understanding with the new leaders about the assumption of power and the new situation. President Numayri decided to proceed to Khartoum. Some of his aides boarded the plane before him but before the engines were switched on Cairo received a message from the Sudanese leaders that they believed that, to save his life, President Numayri should stay in Cairo for the time being.

Cairo's opinion was that since the new Sudanese leadership saw no need for a meeting with President Numayri at present there was no need for him to make the trip, and also that this was an internal affair regarding which the decision and the choice were solely theirs. The Egyptian leadership did, however, caution the new Sudanese leadership that it should beware of foreign intervention in Sudan particularly in view of reports reaching Cairo that 20 Libyan fighter planes had arrived at Addis Ababa airport with their Libyan pilots.

The Egyptian leadership assured the Sudanese leadership of Egypt's unreserved support for Sudan against any foreign attempt to interfere in its affairs and against any attempt to impose a foreign will on its leadership.

The strange thing is that Libya, which hailed and cheered the first news of the coup imagining that the new leadership would support it, began to issue appeals through its feverish trumpets to the new leadership urging it not to establish any relations or hold any contacts with Egypt.

When the first day was over and the facts began to emerge about the identity and nationalistic views of the new leaders, and when demonstrations were staged after the coup in support of Nile valley unity, al-Qadhdhafi's trumpets began making convulsive charges against the new Sudanese leaders calling on them to hand power over to the people.

Libya got its final shock from the new Sudanese leaders when their attitude regarding the strange story spread by the Tripoli trumpets about the Iraqi and Egyptian planes became known. By coincidence, on the same day as the Khartoum coup a number of Iraqi military aircraft arrived at Cairo airport bringing people wounded on the Iraqi front to Egypt for treatment. Reporters who saw the Iraqi military aircraft at Cairo airport as they were covering President Numayri's arrival in Cairo spread the news which Libya used to make up a fairy tale about an Egyptian-Iraqi intention to send military aircraft to Khartoum to intervene against the new Sudanese leadership. The Libyan warnings to the Sudanese leaders continued by the Sudanese leaders' reply to the Libyan leadership disappointed them completely and dashed all their hopes. They said that the whole story was unfounded and that the idea of Egyptian intervention against the Sudanese leadership was not in harmony with the Egyptian way of thinking, that it could not have entered into Egypt's calculations, and that Sudan would never allow anyone to drive a wedge between it and Egypt.

In Cairo President Numayri was informed on Saturday evening that he was welcome to stay in Egypt, that Egypt was the home of all Arabs, that his presence was consistent with Egypt's role and noble record of providing security for anyone who seeks refuge in it, that his presence could not possibly be directed against anyone, and that Egypt does not use its guests for any political purpose or objective. Many Arab leaders and kings had sought asylum in Egypt before him.

Egypt's message to the new Sudanese leadership was that Egypt deals with people, not with individuals, and that it does not seek to impose its views on anyone for the simple reason that it does not wish anyone to impose his views on Egypt.

At the same time the Egyptian leadership contacted the United States and urged it to provide financial aid to the Sudanese people. The U.S. government responded for, after only a few days, U.S. officials announced their decision to give Sudan an urgent financial grant to be used in the purchase of petroleum byproducts urgently needed by Sudan. That was over and above the \$67 million already allocated for Sudan. [passage omitted]

CSO: 4500/91

EGYPT

POPE SHINUDAH VIEWS ARAB UNITY, JERUSALEM

NC131008 Cairo MENA in Arabic 2215 GMT 12 Apr 85

[Text] Cairo, 12 Apr (MENA)--Pope Shinudah, pope of Alexandria and patriarch of the Missionary Province of St Mark, has criticized U.S. policy in the Middle East, describing it as unclear.

In an interview to be published in tomorrow's edition of the weekly newspaper, AKHBAR AL-YAWM, Pope Shinudah noted that no one can approve of continuing U.S. support for Israel right or wrong.

Pope Shinudah also criticized the Soviet Union, and said it has made mistakes in the region. The Soviet Union has caused division and created conflicts with its policy.

On the Arab situation, Pope Shinudah declared: The Arabs are divided and their efforts are wasted.

According to Pope Shinudah, the continuation of the Iraq-Iran war will fragment the Arab forces and sap their economy, funds, and arms. He described this war as one of the reasons for the region's loss, or, at least, for the loss of a military force that could be used against Israel.

Dealing with Jerusalem, Pope Shinudah emphasized his rejection of its internationalization. He noted that such a principle is neither practical nor a solution to the problem. This is so because Jerusalem is for the Arabs, and because Israel's current occupation of the city doesn't make it the rightful owner.

Pope Shinudah continued: Were every nation to demand that its political claim to a territory, which dates back more than 19 centuries, be satisfied, the entire world system would be disrupted. Today's political map would also be quite different. Therefore, Israel's claim to Jerusalem is both illogical and unjust.

Pope Shinudah emphasized that the Judaization of Jerusalem won't satisfy anyone. This is due to the fact that Jerusalem includes ancient Islamic and Christian artifacts as well.

Pope Shinudah called on the Arabs to draw up a single political plan to recover Jerusalem. He pointed out that Israel is taking advantage of the division and disputes in the Arab world to achieve its objectives and consolidate its foothold.

He said that rights cannot be restored by speeches and slogans. Unified and serious Arab action is required.

On the question of Palestine, Pope Shinudah declared that the Jordanian-Palestinian agreement was a positive step. He added: Persuading the United States to hold a dialogue with a Jordanian-Palestinian delegation and a possible later dialogue with Israel was a step forward that the three parties could not agree on in the past.

He warned that Israel wants to impose a fait accompli by continuing its policy of building settlements in the occupied Arab territories. This is something we cannot condone. Israel is complicating the political situation on a daily basis.

He noted that the existence of a cohesive Arab force would have stopped Israel from building a single settlement.

He went on to say that what encourages Israel to continue its policy of undermining confidence-building measures is the fact that the Arabs confront her only with rhetoric. It is the absence of Arab unity that encourages Israel to take steps against the Arabs.

According to Pope Shinudah, Egypt spares no effort to keep things moving and to prevent any freezing of the situation. He pointed out that Egypt has made good progress on the Arab level toward achieving Arab unity. It has begun to improve relations and end the tense atmosphere of the past. He added that Egypt has successfully established good relations with Jordan, and has begun to establish good relations with Iraq. It is also on good terms with the PLO.

Pope Shinudah declared that President Mubarak's best efforts are not for Egypt alone, but for the entire Arab region.

CSO: 4500/91

LIBYA

INFORMATION MEDIA SURVEYED, CRITIQUED

Tripoli AL-JAMAHIRIYAH in Arabic 1, 8, 15 Feb 85

[Article by Yunis Sha'ban al-Fanasdi: "Ministry of Information Dossier"]

[1 Feb 85 p 10]

[Text] When we put the "information" in the scale of the theoretical balance, it does not mean that we are giving the go-ahead signal for an official public trial against any of the sensitive and important agencies which influence the receivers of this information primarily and the events generally. We are only trying with all the informational and intellectual power we possess to expose some of the negative features and the big and obvious failure from which the "information" agency is suffering and to project a viewpoint which we find closer to soundness when compared with the current condition of the information media, meaning that we are trying, to put it in conventional words, to criticize the Libyan information media currently existing in the Jamahiriyah.

To start, we do not wish to review the definition of information and of its different media and means, nor do we wish to review the history of the Libyan information media and their founders. But we do want to study and discuss realistically the current position of the Libyan information media and to find out to what degree we can rely on them to penetrate the Western and reactionary information blockade besieging the Jamahiriyah, its principles and its accomplishments and, consequently, engulfing or even nesting in some weak heads, thus planting the seeds of doubt regarding the strength of the Jamahiriyah and its people, the soundness of its theory and course, the true nature of its revolutionary accomplishments and gains and its confrontation and steadfastness in the face of all the reactionary and imperialist plots hatched against it.

When we open the dossier of the Libyan information media, it does not mean that we will examine the papers of radio and television only. Rather, our hand will reach out to examine the papers of the theatre, culture, cinema and press branches and the Publishing, Distribution and Advertising Agency with all their petrified administrative, organizational and technical structures that lack the fundamental element in information, namely creativity.

The absence of good information planning, the poor quality of the technical programming and the superficial methods of appeal have caused the Libyan information media to lose their identity and, consequently, have caused the citizen to turn away from and to boycott the information media generally for the following reasons:

First, the Libyan information media's employment of elements that are not qualified ideologically, educationally or technically to manage their agencies. Thus, these information media are plotting against the masses and their authority. These elements which do not possess any of the qualities of sacrifice, giving and creativity are trying to implant their feet firmly by using a facade that does not reflect their true face and that is employed as a curtain to conceal the inartistic and unrevolutionary acts in which they engage. Most of, though not all, the elements managing the information always try to undermine, and they have actually undermined, our popular experience in the Jamahiriya by repeating the methods of the new experience in a disorganized, unscientific and inartistic manner. It is a boring repetition in an old superficial cloak that bears no signs of creativity or inventiveness. Yet these elements believe that what they are doing is the epitome of the creative revolutionary action which proves their revolutionary credential.

Second, the Libyan information media's obstruction of the channel of communication with the intellectuals and academicians outside the information circles, such as university staff and professors in the various research centers. This has led to poor and superficial methods of addressing the masses and to the creation of shallow programs whose objective is not to entrench the popular culture but to seek a mercenary livelihood with words and tunes. Even if this channel of communication is opened, it abounds with obstacles and with the burdensome red tape that kills participation at the threshold of the information apparatus.

Third, the Libyan information media do not acknowledge that human emotion has an important role in life and that [words indistinct] because it is a part of it. Therefore, instead of utilizing this emotion at the national and pan-Arab level, we find that the Libyan information media do not pay this emotion or intellectual pauses [istirahat dhuhniyah] any attention whatsoever and that they have not tried to utilize these pauses practically and in creative, artistic ways [words indistinct] the people so that the people's congresses may be prepared [words indistinct] and with the least effort.

Regrettably, the Libyan information media treat the citizen--who, by virtue of his intellectual makeup first and his physical makeup second, is a human being breathing freedom in the land of the free--as if he were an inanimate object, God forbid, drowning him in trivial romantic tales, in series about tribal conflicts and in movies that glamorize the U.S. cowboy or police.

If we peruse the dossier of the Libyan information media from the historical angle and examine the accomplishments they have achieved, we find out they have contributed to creating a new vacuum on top of the intellectual and

cultural vacuum entrenched among the citizens by the policy of the training centers, the Youth Clubs Association, the Libyan Science Society and other organizations, especially among the youth. This vacuum will lead to moral, social and political problems for society. We also find that the Libyan information media have repeated themselves over and over, that they do not have a firm identity and that they have failed to attract the Arab citizens and to gain their confidence.

1. Visual Information and Television

The television agency is absolutely the most important information agency. The purpose of the time which is allotted for television transmission and which costs enormous sums of money is to create an educated and cultured revolutionary society. Therefore, the technical programming for this important agency must not be carried out by any ordinary person or by any one person. Rather, psychologists and educators must take part in this programming so that they may divide the transmission time among children, youth and adults. The materials must then be prepared by holders of Ph.D.'s who have specialized in mathematical, medical, agricultural, musical and other sciences. Then come the technicians who set the transmission time for every program. Only thus can television programs worthy of being watched and followed and that are of interest be produced.

One of the main characteristics of information generally and of television in particular, especially if this information seeks to attract a large number of viewers and admirers and their absolute confidence, is careful programming and precise scheduling during the single transmission period. This is, of course, of prime importance to the viewer so that he may be able to organize his time in order to be able to watch his favorite program, be it political, educational or recreational. Television will thus contribute to entrenching in the citizen's mind intellectual and practical concept of organization and will contribute to society positively.

The distinguishing feature of television is, as indicated by the medium's name, the picture. Television must provide this picture in all the events it shows, beginning with pictures on the causes and then proceeding to the details and to the consequences. This requires, of course, correspondents in various parts of the world to cover as many events as possible and correspondents in all parts of the republic so that they may cover all local events.

We know that our television lacks all these and that most of its newscasts are reported without pictures which highlight the events and implant them more firmly in the mind. Even when some pictures are available, they lack the element of excitement and of arousing interest because there are no capable technicians to select the truly expressive image, to take the intelligent artistic step, even make the trick, to arouse the viewer's admiration and to encourage him to continue his viewing.

We must know that most technicians, especially producers, are artists by

instinct. It is true that some producers know nothing about production other than its name and that some of them were singers, actors or broadcasters. These people do not know production as a creative scientific specialization but rather as a job or task to be performed by them. There is a big difference between the two kinds of knowledge. Moreover, the television must rely for 50 percent of its programs on national scientific, historical and fictional works with the remaining 50 percent divided between Arab and international works so that the Libyan viewer may be able to keep in touch with the outside world and may familiarize himself with this world's technical, objective and intellectual levels and then make comparisons with the level reached by the local information media. We do not wish to dwell here on the issues of local production, recording abroad and objective preparations because these issues must be discussed separately.

[8 Feb 85 p 10]

[Text] 2. Cinema

The Arab movie industry is still generally primitive. The Egyptian movie industry, which has taken great stride and which is predominantly commercial, is considered the most developed and advanced at the Arab level, both in its products and its subject matter, even though this subject matter is most often remote from Arab political, social and moral objectives.

On the other hand, there is the Algerian movie industry which, despite its simple and limited resources, has produced numerous progressive revolutionary films that reflect the Arab Algerian struggle against the French occupation. With this progressive work, the Algerian movie industry has stood by the revolution, igniting the spirit of patriotism and struggle in the hearts of the Arab Algerian people and projecting this struggle to the entire world.

If we evaluate the Libyan movie industry from this angle, we will find nothing to evaluate because our very few films, predominantly documentary films, have not appeared or seen the light in Libyan movie houses or on television.

As for the movies "Taqrifat" and "'Umar al-Mukhtar," we stress that if we were to evaluate the movie "Taqrifat" as a start for the Libyan movie industry, we would find that this start, born with purely Libyan elements--including actors, producers and technicians--is a good and successful start and we must encourage it while evaluating it artistically. We must not stand still at this start but must carry on with it, reviving the heroic battles and sagas of the Libyan struggle and embodying them in movies so that we may give the Libyan elements and technical cadres the opportunity to create a "movie industry" with a firm and independent identity that performs its social and political role.

What is said about the movie "Taqrifat" also applies to the movie "al-Shaziyah" [shrapnel] which has been completed and will be shown in the next few months.

As for the movie "'Umar al-Mukhtar," which is an international production

created mainly by foreign elements though the subject matter is Libyan, it is a magnificent work that is important in acquainting the Arab homeland and the outside world with our struggle against the Italian colonialism. The production of such movies must continue until the Libyan movie industry reaches a level that enables it to inject such international films with Libyan artists and technicians gradually until we create a Libyan movie industry. This is our strategic aspiration insofar as the movie industry is concerned. On the other hand, we must touch on what is shown in our movie houses and on the quality and objectives of these films. In the absence of Arab Libyan films and of progressive Arab films [words indistinct] two important conflicting things are happening in the movie houses:

First, the total absence of purposeful ethical and revolutionary films, excluding the films shown during "Progressive Struggle Film Week." Because of the boycott of the Egyptian films, which had the lion's share of the imports of the Public Cinema Organization, all the films shown at present are foreign horror, karate and crime films and propaganda films for the U.S. police and others.

Second, the great demand for films shown by children and teenagers who find their object in some lewd scenes overlooked by the censor's scissors. This results in immoral acts incompatible with what we seek to achieve in terms of building the citizen and generates negative consequences and criminal behavior and ethics that are in conflict with our religion, values and revolutionary objectives which we are trying to entrench among society's members.

There is another thing that is incompatible with our ethics and objectives, namely the films [presumably video cassettes] offered for sale in our popular market by the Cinema Organization. These Arab Lebanese or Syrian films are purely commercial films devoid of all intellectual content and so superficial that it is enough to read the title covering the videotape to know what the story is from beginning to end.

3. Theatre

"Give me a theatre and I will give you a people" is a well-known and proven historical proverb. The theatre plays a vital role in civilizing and developing society, and has done so before the information media. This is why we find that societies have devoted attention and continue to devote attention to building indoor and open-air theatres, to training technicians to manage them and to offering incentives to actors, producers and writers.

We have historical summer [open-air] theatres, such as the Lubdah, Sabratah and Shahhat theatres and a number of modest modern theatres. But have we prepared and maintained these theatres and have we drawn up an artistic plan for these theatres to enable them to convey their message, perform their role and introduce themselves? Regrettably, our Libyan theatre is in a constant crisis. In the past, it was the crisis of premises for the theatre troupes, a crisis of the women elements, which still exists, then the crisis of the text [presumably meaning written plays], which still exists, and then the

crisis of a long-range plan for the theatre. In the absence of such a plan, all theatrical performances are mere passing whims or bubbles which burst rapidly and come to an end soon after they start. All these crises and this stagnation does not at all mean that there are no theatrical artistic talents. On the contrary, through the improvised theatrical festivals, excluding the "Great Artificial River Festival" which was held recently in al-Bayan al-Awwal city, there have emerged artistic talents with new ideas, with the ability to give and sacrifice and with the desire to create a purposeful revolutionary theatre, "if" they get the resources necessary for creating any theatre, including planning, technical programming and scheduling and moral encouragement before material encouragement.

Compared to other societies, few of our citizens know their way to the theatre. Few also are the citizens who understand the theatre's role and message and what the theatre means to other nations. This is because familiarization with the theatre can be achieved in two ways only:

- A. An abundance of theatrical productions dealing with a variety of topics, provided that they are distributed over all seasons of the year.
- B. A concerted advertising effort publicizing in the information media theatrical productions and their dates as well as radio programs and lectures on the various kinds of theatre and its role.

4. Radio

The fundamental elements of the radio medium which, in Libya and in most countries of the world, gets a bigger share of the transmission time than the other media--the elements of this medium are different from the elements of the television medium. The radio relies on a good voice that attracts the listener, delights his heart, sends tears into his eyes, stirs his emotions and feelings and instills the spirit of patriotism and enthusiasm in him. The radio also relies on music as a major and very important unit in its practical and scientific structure. During a rich radio program, music plays a role in stirring the listener and attracting his attention to listen to the good voice, to admire it and to continue to listen to it. Immediately behind this comes the radio material which must explain the events in greater detail so that it may give the listener a full description that does not need a picture because the picture is the missing link in the radio program. Therefore, the radio program material is supposed to be:

First, compatible with the transmission period slotted for it so that the program may not fall into the trap of recurrent musical intermissions between one program and another, which is what we get from our radio at present.

Second, a complete variety of most of the political, scientific, athletic, educational, recreational and news events, provided that the programs be distributed to meet the citizens' various cultural levels and provided that the programs are renewed so that they may not fall into the danger of repetition that loses the listener. This is what our radio programming is

suffering from at present. The radio station's art library contains invaluable old and new works which have not been broadcast yet and which, I believe will never be broadcast under the canopy of the information policy adopted currently. These are the mainstays of the radio programming that seeks to gain the confidence of the listeners and to perform its broadcasting message in the best manner. With the absence of this trust between the listener and the radio, a radio program is wasted, regardless of its subject matter and its importance. This applies to the other information media. If we evaluated the Libyan radio medium, we would assert that it lacks these mainstays because it resorts to the method of direct address in superficial radio programs. Moreover, most of the radio announcers need to be reassessed because they are enthusiastic where there is no enthusiasm, sad where there is no sadness and patriotic where there is no patriotic position. Moreover, they address the listener as if they were delivering a political speech or the communique of a military command. As for the music, you can talk about it endlessly. It is moody and played repeatedly during the same transmission period even though it adds nothing to make the program more interesting. The music is in one valley and the program in another.

[15 Feb 85 p 14]

5. Printed Information

We cannot separate the information media from one another because the nature of their activity dictates that each medium be a link in a complete chain. Television complements radio which in turn complements the press.

Even though the printed medium raises the slogan of "knowledge is the natural right of every individual," it still offers distorted knowledge to the citizens. By merely mentioning the names of some magazines, such as NADIN and RIYADAH WA FUNUN [SPORTS AND ARTS], the novel "'Abir," the Kuwaiti International Theatre series, the Kuwaiti World of Knowledge series and the Libyan People's Book series, we find out that these novels, magazines and books have conflicting concepts and objectives, thus indicating that the Libyan printed information medium is still suffering from severe schizophrenia and still remote from its natural image which must keep pace with the concepts and theories of the people's authority and of the people's thought which this medium preaches.

If we tried to categorize or divide our printed medium, then the division would be as follows:

A. Newspapers and Magazines

The professional newspapers published under the supervision of the professional production congresses and of the Revolutionary Information Administrative Committee resort to the same style in describing the news events, even though these papers carry a variety of articles and topics, depending on the professional production congress of each paper. The same words and phrases are reiterated in most of these papers for all the news reports.

It is axiomatic that the information for the same event is the same but this should not prevent a change in the style in which the news report is offered and should not prevent each paper from dealing with a certain aspect of the event with greater accuracy and detail.

This large number of professional and information publications does not mean that there is a demand among the citizens for them. On the contrary, most of these papers are not read by anybody, and you can compare the number of copies they sell with the number returned by the distribution centers to the Publishing, Distribution and Advertising Organization.

This is insofar as the newspapers are concerned. As for the Libyan magazines, we still have no comprehensive magazine. All our magazines, and how few they are, have never been published regularly and they are not fit to be the magazines of all people because they address certain, and few, educational levels. Our Libyan printed medium has not been able so far to publish a weekly magazine that combines literature, art, politics, sports, science and religion, that offers popular education to all and that satisfies all the educational levels so that we may build a broad cultural base and then proceed to issue specialized and high-level research or academic magazines in every sphere.

We must stress that we need, to start with, to publish a comprehensive artistic and technical weekly that is truly a weekly and not a "weekly published semimonthly for a time." We must do this if we want to project our informational and, consequently, political identity in the large number of societies from which we import and with whose intellectual and political line we familiarize ourselves.

B. Book Publishing

The Public Publishing, Distribution and Advertising Organization has ceaselessly published monthly books within the series of the "People's Book" and of AL-ZAHF AL-AKHDAR [Green March]. This is a good educational effort when we realize that the traditional systems of government now prevalent in the world try to keep their peoples ignorant by keeping them away from education and culture and from the means to attain them or by offering a distorted culture totally unrelated to the just immortal, human concepts.

But these monthly publications, which have been confined to literature, thought and poetry and which have not gone beyond to other kinds of books and scientific studies, were sold below cost price at the outset. But within 2-3 years, their prices have risen astronomically in comparison with where they started. It is also noticed that certain types of these books continue to accumulate in the distribution centers whereas other kinds are sold rapidly. Why? I believe that the reason is not knowing what kinds and quantities of books and publications are in demand in the market. As for translating foreign studies and books, be they scientific or literary, and for making such translations available in the bookshops, this is an effort

that will not at all harm the Jamahiriyah society. On the contrary, it will make the Jamahiriyah masses stronger intellectually and culturally and, consequently, the pioneer experience we are living will be better understood and absorbed. This unique experience is unprecedented in the history of mankind and the strength of this experience has never been felt before by the prevalent conventional systems of government. This is because the source of this strength is the masses. Our popular experience begins with the masses and its benefits go to the masses.

There is no new democratic experience that does not encounter those who cast doubt on its soundness and its sincerity, who do not undermine its importance, who do not exploit the mistakes to which any experience is exposed in order to build their assumptions and criticism and who try to obstruct and impede the experience.

Our popular experience, with its advanced dynamism, has its supporters, namely the oppressed popular masses everywhere, and its opponents, namely the bourgeois capitalists who steal the workers' efforts. There are also those who view this experience neutrally, neither supporting nor opposing it.

Naturally, each of these groups criticizes our pioneer experience with a different thought and a different style. But this should not prevent conveying the criticism to the masses so that they may discuss its credibility and objectivity. The experience is, as we have already pointed out, dynamic and developing and its ultimate objective is the freedom and happiness of the masses in all parts of the world.

For example, if we find a writer who writes against the creation of the Jamahiriyah, belittles the accomplishments of the great 1 September revolution and undermines the people's basic congresses as a final solution toward direct democracy, it is unreasonable to ban his writings and articles because we will have thus prevented the masses from knowing this writer and the level of his conflicting ideas at times. We will also have wasted an invaluable opportunity to answer his lies and fabrications and to discuss his backward thinking in order that he may reconsider and try to correct his ideas.

The ideal solution for such a writer and for those like him is to invite him to visit the Jamahiriyah so that he may see on the spot the true nature of the cultural accomplishments on its soil, may live with its masses in the sessions of the basic people's congresses while they are exercising their power and making their decisions with unprecedented democracy and may hold debates with the members of the congresses with utter freedom so that he may discover the error of his ideas and, consequently, of his writings when compared with what exists and what is applied in the Jamahiriyah. But for the Libyan information media to ban a book or to tear away some pages from a magazine, i.e., for the media to act as the masses' instructor and to monopolize information and culture and withhold it from the masses, such a thing should not happen in the Jamahiriyah society because it is in total conflict with one of the mainstays of this model society, namely that information be popular, not subservient governmental or exploitative commercial, information.

Where do we stand vis-a-vis all this?

Finally, local internal information is tantamount to a mirror reflecting the reality of the society and drawing up and defining for this society future images compatible with its political and cultural thought and course. As for external information, it is a natural ideological extension of internal information. The only difference between them is in the method of dealing with and of approaching different environments and societies that are at times in contrast with our Jamahiriyyah society. This is why we want our external information, which is still besieged by a Western and Arab blockade, to succeed. This is why local internal information media performing their role with full success must be created.

8494

CSO: 4504/278

IRAQ

CURRENT CHEMICAL INDUSTRY DEVELOPMENTS REVIEWED

Baghdad AL-THAWRAH in Arabic 28 Jan 85 p 6

[Text] The chemical industry is regarded as one of the modern industries that have entered the country under the aegis of the glorious July 17-30 revolution in that the leadership of the party and the revolution has shown its concern for this vital sector of industry by establishing and operating chemical industry plants and providing them with all the means for developing and succeeding. There is an agency for these industries that plans and carries out industrialization and production activities and works to develop them. It is the General Establishment for Chemical Industries. What are the fields to be developed in the agency's plan for 1985? Dr Ahmad Rashid Muhammad, the agency's president, answered the question by saying: "Before we talk about the development of chemical industries and the plan for 1985 it must be stressed that these industries occupy a special place among the country's industries that employ modern world technology in production to participate with other industries in creating for our beloved country a sound industrial base that is in accordance with the renaissance that it is witnessing in all fields."

[Question] What are the characteristics of this industry?

[Answer] What characterizes the chemical industries in this country and gives them importance as a strategic industry is the availability of such raw materials as natural gas, reeds, and palm leaves. These are the materials that serve as the basis of this industry and consequently its diversification.

[Question] What about the plan for 1985?

[Answer] The agency has prepared a plan that includes the achievement of a 19-percent increase in production in addition to the improvement and diversification of production such as that of melamine-coated sheets of wood and the diversification of paper products to accompany social development in the country. With regard to the fields for developing the competence of workers in the chemical industries, the agency will organize 106 courses in which 1,145 workers and technicians from all the concerned establishments will participate and 123 courses will be held abroad.

In the field of research and development, this year's plan includes the carrying-out of 24 applied industrial research projects that include a study of air pollution in industrial complexes, a study of the problem of the disintegration of rubber-lined tubing while in use, the conversion of sulphur solution into non-precipitant sulphur, a study of the effect of an increase of the salinity of the Shatt al-'Arab water on the industrial installations, the possibility of eliminating the negative effect of reeds on the production operations of the paper industries, and a study of the possibility of re-using the mud produced by the liquifying unit to make lime. This in addition to cooperation and coordination with the Iraqi universities and the Scientific Research Council to conduct research and studies aimed at developing production and participating effectively in building a strong and flourishing Iraq.

[Question] What was accomplished during the past year?

[Answer] During 1984 the agency achieved a real advance in production which reached 96 percent of the planned production and an increase of 28 percent over 1983 and that included the production of various types of paper, copy books for schools, toilet paper, automobile and bicycle tires and tubes, fiberboard, chemical fertilizers, and petrochemical products. Also achieved were the operation of new production units, the use of substitute materials, the manufacture of certain standby apparatuses and equipment required for maintaining production, and the establishing of training programs for turning out technical cadres in several fields of specialization in operation and maintenance with the aim of increasing production and improving its quality.

12541

CSO: 4404/235

IRAQ

AL-KARKH WATER COMPLEX NEARS COMPLETION

Baghdad AL-THAWRAH in Arabic 25 Jan 85 p 7

[Text] At the end of next June the capital's mayor's office will celebrate the completion of the first stage of the greatest water purification and pure water distribution complex in the Middle East.

This announcement was made by the director general of the Baghdad Water Authority. He said that the aforementioned complex, which is the al-Karkh water complex, will meet the pure water needs of 2 million citizens in the area for the next 100 years. This calculation is made on the basis of expectations of the future geographic expansion of the area and its supplying parts of the al-Rusafah area of the capital with 300 million gallons of water per day over and above the needs of the al-Karkh area.

He explained that when the second stage of the project is completed it will provide 1,365,000,000 liters of water per day. Aside from its principal reservoir the project includes four huge ground ones, the capacity of whose northern one is 215,000 cubic meters and whose southern one is 150,000 cubic meters, while the Abu Ghurayb reservoir has a capacity of 78,000 cubic meters and the al-Taji reservoir, 72,000 cubic meters. All of them are connected by a group of pumping stations and a network of transport and distribution pipes 210 km in length and with a diameter of from 60 to 160 cm.

The director general stated that the test operation capacity of the project's first stage, which cost 330 million dinars, was 910 million liters per day. He pointed out that the work of designing the project and the procedures for implementing it are regarded as one of the innovative and creative activities of our national personnel. He said that some stages of the work required non-stop operations and cooling of the concrete with ice to overcome the effects of the high air temperature. Other stages required the digging of deep wells to draw off the water to a considerable depth below the foundation of the structures that were below the water table.

He added that the size of the project and the immensity of its structures required the support of 116,000 concrete pilings to ensure that the project would remain safe and sound under all conditions.

12541

CSO: 4404/235

IRAQ

OIL INDUSTRY OFFICIAL REVIEWS ACCOMPLISHMENTS

Baghdad AL-THAWRAH in Arabic 15 Dec 84 p 7

[Interview with Mujid 'Abd-al-Zahrah al-'Ubaydi, head of General Establishment for Southern Oil, by 'Abd al-Hadi Khudayr "Five-Year Plan to Develop the Oil Fields and Build Production Installations"; on the occasion of the 9th anniversary of nationalization of the oil industry, place not specified]

[Text] During the past few days the governorate of al-Basrah has been witness to ceremonies marking the 9th anniversary of the nationalization of the remaining shares of the Basra Petroleum Company, whereby our oil resources were finally completely liberated and began to be produced and exported by Iraqi hands far removed from the machinations of monopolist companies.

In the General Establishment for Southern Oil we had an extended interview with Engineer Mujid 'Abd-al-Zahrah al-'Ubaydi, president of the organization, in which he spoke of the immortal decision to nationalize, the role of those working in the organization in making the decision a success, the great projects being undertaken by the organization, and the developments that it has seen.

The president of the organization said that after the advent of the July 17-30 revolution, through the prior planning of the party and the revolution, the national investment in oil began to steer a sound course after the national oil company had become semi-paralyzed. With the advent of the revolution it was provided with support and all of its operations were reactivated under the direct supervision of the President and Leader Saddam Husayn.

The National Oil Company made its maiden venture in direct national investment in the North al-Rumaylah field. The first stage of it was inaugurated on 7 April 1972, when the upward trend in the extraction of oil began and the national investment operation experienced a success that strengthened confidence in the nationalization decision's possibility of succeeding.

When the immortal nationalization decision was made it did not cover all the shares of the companies operating in Iraq for reasons that became known afterward. The decision began with the nationalization of the shares of the IPC, which was operating in Kirkuk. During the October war the shares of Holland and America were nationalized, and on December 8, 1975 all the remaining shares of the monopolist companies in Iraqi oil were nationalized.

At that time all the activities that the monopolist companies had been carrying on were taken over by the National Oil Company. The national cadre was able to run these activities successfully and it made a great effort to develop them and increase their efficiency. Our organization, which had consisted of a small directorate, expanded until today it has become a large organization. With it is connected a large number of offices specialized in various fields the activities of which cover the geographical area of the governorates of the southern part of the country.

The president of the establishment adds that the most important operations of the establishment are those of developing the oil fields, including drilling oil wells and constructing oil production installations, in addition to carrying out engineering projects and operations associated with exploration, drilling, and extraction.

During the past period the establishment was able to discover a number of new oil fields in the governorates of al-Basrah, Dhi Qar, and Maysan and develop many existing oil fields. A much-desired and gigantic 5-year plan was prepared for all the activities and operations of the establishment.

The establishment is working also to develop the spirit of direct implementation, with the result that it has almost entirely dispensed with contractors in the operations it carries out. It has acquired the capability to carry out all operations with the organization's cadres following the establishing of direct-implementation corps that include cadres specializing in the construction of cofferdams in lagoons and gas-separation sites, and the building of a large network of modern roads connecting the oil fields, with a specialized engineering cadre.

Concerning the nature of the organization's work in the shadow of the defensive war through which our country is going, Mr Mujid al-'Ubaydi explained that the establishment, despite the circumstances of the aggressive war thrust upon our country, continues to carry out its programs as planned and it has been able to implement a number of giant projects during the period of the war.

He emphasized that the concern and support that the establishment has found on the part of the leadership of the party and the revolution, headed by him who engineered the nationalization, the fighting leader Saddam Husayn, evokes pride and glory in one's mind and places upon our shoulders a debt that, no matter how hard we try, we cannot repay.

Every person working in this establishment has sensed that however much he may forget himself in the crush of work, our leadership will not forget the efforts of our loyal and devoted sons.

In concluding his remarks the president of the General Establishment for Southern Oil pointed out that the establishment on its part is working to provide the best means for the comfort of persons associated with it. These include the construction of housing projects, cultural centers and family clubs in addition to the holding of athletic meets, art exhibits and other recreational activities.

12541

CSO: 4404/235

IRAQ

WATER, DRAINAGE SYSTEMS CONSTRUCTION PLANS OUTLINED

Baghdad AL-THAWRAH in Arabic 26 Jan 85 p 6

[Text] The General Water and Drains Agency has prepared a large-scale plan for carrying out a number of new projects in all the country's governorates. Work on them was started at the beginning of this year, the implementation of the projects being carried out by the agency itself.

This plan includes the construction of water units along with their pumps and complex water units in housing complexes in the governorate of Dahuk, the equipping and installation of 22 complex water units with a capacity of 250,000 gallons per day apiece, and the construction of water systems in the housing complexes in the governorate of al-Sulaymaniyah. It also includes the construction of a building for the vocational training center for the operation and maintenance of water and drains projects; the construction of the main drain to take care of flood and heavy runoff water in the governorate of Ninawa; the equipping and installation of 15 complex water units with an operational capacity of 1 million gallons per day apiece; and transport pipes and their networks in the governorate of al-Basrah.

In the governorate of Maysan there will be equipped and installed 8 water complex units, each with a capacity of 1 million gallons per day, along with the water mains and their networks; and improvement of the al-Butayrah water network.

The plan includes the improvement and development of all the water networks in the governorates, in addition to installing the pipes and the associated water equipment for the water systems of the cities of al-Ramadi, Karbala', al-Samawah, al-Diwaniyah, Kirkuk, al-Mawsil, al-Basrah, al-Najaf, and al-Kufah.

There also is a plan for carrying out new water projects in each of the cities of al-'Imadiyah, al-Ba'jah, Sinjar, Shaqlawah, Rawah, Hadithah, al-Haqlaniyah, al-Nu'maniyah, al-'Aziziyah, al-Miqdadiyah, and al-'Awjah and the region of al-Hamzah, al-Mawsil, Tall Kayf, al-Hamdaniyah, Kirkuk, al-Qa'im, al-Hillah, al-Najaf, and al-Kufah and the villages of al-Khalis and al-Rashidiyah in addition to the al-Nasiriyah consolidated water project and the consolidated one of al-Basrah.

Last year the agency completed 19 central water projects in the governorates with an annual capacity of 150 million cubic meters. It also completed water networks with a length of about 800 km and with various pipe diameters. It also completed the execution of central water projects in Bayji, Hit, and Kubaysah and the villages of Sharqat, al-Sa'diyah, Qadir Karam, al-Yusufiyah, and al-Hindiyyah.

In the field of pumping-line construction and expanding and improving the water networks, the implementation of 135 projects was decided upon and work on 82 of them was started. In addition, during the past year 305 jobs in this field were completed.

At present 319 central water projects are being maintained and operated. They are distributed throughout all the country's governorates and the volume of their output comes to 1,237,000,000 cubic meters per year. There are also 931 integrated water units of various capacities with a combined capacity of 150 million cubic meters per year. With regard to the extension of the network of drains, during the past year the agency has completed drain projects for al-'Amarah, al-Basrah, al-Diwaniyah, Karbala' and al-Najaf. In addition, it has operated and maintained projects and their networks distributed throughout the governorate centers of al-Basrah, Maysan, Dhi Qar, al-Qadisiyah, Karbala' and al-Najaf.

12541

CSO: 4404/235

SAUDI ARABIA

VARIOUS PROBLEMS FACING DAIRY FARMERS DISCUSSED

Riyadh TIJARAT AL-RIYAD in Arabic Feb 85 pp 6-13

[Article by Muhammad Najib Sa'd: "Dairy Farms Caught Among Government Subsidy, Sincere Efforts and Market Problems"]

[Text] Nearly 8 years ago, there was no noteworthy milk or dairy production in the Kingdom of Saudi Arabia; the kingdom's total production met no more than 5 percent of the local needs. In 1404 of the Hegira, the kingdom approached self-sufficiency in milk and dairy byproducts and exported some of the products to neighboring countries, according to statistics cited by the Ministry of Agriculture and Water in its book "A Glimpse at Agricultural Development in the Kingdom of Saudi Arabia."

The kingdom could not attain this level if it were not for the subsidy advanced by the state to the agricultural projects. This subsidy rose in value to 1,306,000,000 riyals between 1395 and 1403 of the Hegira. The subsidy advanced by the state to the dairy projects is part of the subsidy for cattle transportation, including the costs of shipping cattle by air. This subsidy amounts to 100 percent of the costs. There is also the milk equipment subsidy which amounts to 30 percent of the cost and the fodder concentrates subsidy which amounts to 50 percent of the cost.

Despite this, dairy producers are still facing problems in marketing, foreign competition and veterinary care, in addition to numerous problems which the farmers discuss in this comprehensive investigation conducted by TIJARAT AL-RIYAD on the dairy producers' problems.

At the outset, we interviewed 'Abd-al-Latif al-'Ajjaji, general director of the Saudi Arabian Agriculture and Dairy Production Company, who asserted that there are no obstacles but rather problems that are a part of the nature of the business on the one hand and problems of production and marketing and some problems related to some administrations and agencies connected with the agricultural sector on the other hand. He asserted that the state has overcome all the obstacles impeding development of the agricultural sector and that the state agencies concerned are prepared to study and solve any problem.

'Abd-al-Latif al-'Ajjaji said: The number-one marketing problem is the

problem of shipping to the remote areas which is a result of the short fit-for-consumption period set by the Saudi Arab Standards and Measurements Authority, that is, 3 days for milk and 5 days for yogurt. This period was set on the basis of past conditions when there were no distribution outlets prepared to keep dairy products fresh, when the consumer did not have adequate means to store such products and when there was no refrigerated transport similar to what we have today.

This is why the fitness period was set for such a short time. But now the conditions have changed and all the resources to store such products have become available. Therefore, we hope that the fitness period will be reconsidered, especially since most of the dairy production centers are located in Riyadh and its vicinity because the largest number of financially capable consumers live in this area and because the elements of production are not available in many other areas. Consequently, we have to transport the products to nearby and remote distribution centers, some of which take 14 hours to reach, with a short time left before the product is considered unfit for consumption. All these are reasons that justify reconsidering the set fitness period. The price of the product sold in areas remote from the production centers must also be reconsidered. The government has set the milk and yogurt sale price at 5 riyals per liter in all parts of the kingdom. The price in the production areas cannot be the same as in Wadi al-Dawasir, for example, because of the enormous costs of refrigerated transport. If oil products are sold at different prices in the production areas and in the remote areas, then the least that can be done is to accord dairy products the same treatment, with either the consumer shouldering the transportation costs or the government advancing a transportation subsidy to the remote areas.

Consumer's Perplexity

Regarding the marketing problems connected with the consumer, 'Abd-al-Latif al-'Ajaji said: The number-one problem is that the Saudi consumer doubts that the fresh products on the market are 100 percent fresh and suspects that they are mixed with either water or powdered milk. The reason for this is that the market abounds with products processed from powdered milk and carrying labels in fine print saying that they have been processed from powdered milk. The consumer cannot understand these labels and suspects that they are not fresh products.

Therefore, a distinction must be made between fresh products and products processed from powdered milk by requiring that the latter carry clear labels written in language understandable to the Saudi citizen. The government has laws which prohibit adulteration.

Change of Consumption Patterns

The second marketing problem connected with the consumer is the change in the Saudi citizen's consumption patterns and his turning to yogurt instead of milk as a basic food commodity.

We are now going through, according to 'Abd-al-Latif al-'Ajjaji, the phase of returning the citizen to the past habit of milk consumption. The government must exert efforts to get the new generation accustomed to milk consumption by supplying fresh milk to school children and to pediatric hospitals. The producer must also exert efforts to familiarize people with the importance of milk.

Specimen Analysis

The collecting of specimens is one of the problems about which the dairy farmers complain. Some agencies in charge of testing the specimens do not according to al-'Ajjaji, have technically and scientifically qualified personnel. These elements collect the specimens from the sales outlets and not from the production sites, which they are supposed to do. The seller may store the products improperly, causing them to perish, while the producer shoulders the responsibility. Therefore, we would like to see the specimens collected correctly and by experts and technicians who are qualified to do the job and are up to the level of the highly qualified laboratory analysts who work in the dairy companies and on the farms.

Foreign Competition

Regarding foreign competition as one of the most significant marketing problems, 'Abd-al-Latif al-'Ajjaji said: Competition is strong and the main reason why is the fact that our country pursues a free economic policy. This does not bother me. What bothers the dairy farmers is that these foreign products are subsidized and receive from the exporting governments an export subsidy of more than 60 percent. Consequently, their prices are lower than those of our fresh products. I am not demanding a monopoly of the market and a ban on imports but I do demand that the competition be fair, especially since the standard of what is exported to us is different from the standards of what they consume in the exporting countries. Moreover, we have no internal control over what is imported. Also insofar as imported powdered milk is concerned, it is 60 percent in Europe and 30 percent in the kingdom. Thus, its actual cost is only 10 percent. Yet, the consumer believes that the price of fresh milk is high.

Problem of Fodder

Another problem concerns the fodder allotment the farms get from the grain silos for each head of cattle. 'Abd-al-Latif al-'Ajjaji said that the quantity allocated by the Ministry of Agriculture for each head of cattle was set by experts according to their own ideas and according to data at their disposal. A cow producing 5 kg of milk a day is considered a high producer and the fodder quantity has been estimated on this basis. But the fact is that the kingdom's cows produce more than 20 kg per cow a day. Therefore, the fodder allotment is not enough and it must be increased. Moreover, the fodder concentrates are not of a good enough quality for the production of greater quantities of milk. We have proven to the Ministry

of Agriculture that the fodders currently available are not up to the required standard. The ministry has taken our opinion into consideration and will soon produce other, and better, fodders in Khamis Mushayt.

Regarding the problems of veterinary care, 'Abd-al-Latif al-'Ajjaji said: The Ministry of Agriculture's veterinary agency is not capable of meeting the farmers' needs for vaccines. At times, the vaccines are not available in the needed quantities at the right time. This is why I hope the ministry will get highly qualified veterinarians to meet the farmers' needs, especially since animal diseases spread rapidly and, if not treated immediately, lead to enormous dangers and losses.

Subsidy Concept

Speaking of the subsidy advanced by the state to dairy farmers and producers, al-'Ajjaji said: There is no doubt that the state's subsidy for the agricultural projects is necessary. But I expect the subsidy concept to change. The subsidy is currently given indirectly, either for transportation or for fodder concentrates. I believe that this subsidy must be advanced directly, meaning that it must be given for production and not for incomes. The subsidy must be given to the truly qualified producer who employs successful management and not to whoever owns a farm. Somebody may collect the subsidy and not use it for its intended purpose or may use it in a haphazard manner, with this subsidy thus lost to him and to the state. If the subsidy is paid directly for production, then only the real producer will remain. As for those who survive on the subsidy, they will not stay in the market for long.

Utility Problems

'Ali 'Abd-al-Rahman al-Qadi, the general director of Sanabil Company for Agroindustry and Commerce (Sanabil), said: One of the most significant problems facing the farmer is the unavailability of adequate data on underground water and of enough data to determine the lifespan of the wells that are drilled. A well may dry up shortly after it is dug, thus costing us a lot of money and exposing the farms to danger. At times, wells are exposed to pollution and we are forced to close them and drill new wells. Therefore, we hope that the authorities concerned will help us solve the problems of utilities. Previously, we suffered from the problem of electricity until it was conveyed to us. Today, we are suffering from the problems of sewers and of asphalt roads. If asphalt roads are to be extended to some farms in al-Nuzhah, then it behooves us to pave the roads to the dairy production farms.

Regarding the marketing problems, 'Abd-al-Rahman al-Qadi said: The first of these problems are the radical habits which the citizen has begun to develop. In the past, the consumer was interested in obtaining milk in any form and at any price. He used to get it "ladled" into a plastic bag at a price of 8 riyals per liter. But now that he can obtain clean milk at a cheaper price, he holds the milk container as if he is buying an explosive charge that will go off as soon as its fit-for-consumption date begins. The consumer is now determined

to purchase the same day's production, keeping in mind that milk is still fit for consumption 5 days after its consumption date passes. We discussed this issue with the Saudi Arabian Standards and Measurements Authority and this authority decided to provide the consumer with correct information concerning the consumability period so that the consumer may realize that milk can be consumed throughout the fit-for-consumption period set for it.

Unifying Trademarks

The multiplicity of trademarks is one of the problems of the dairy producers. 'Abd-al-Rahman al-Qadi said: This leads to the difficulty of marketing. The normal situation which we hope to attain one day is to unify all these trademarks under one or two names. This solution can be realized through coordination with the other producers. We have met and discussed the matter. But we need time and the encouragement of project owners to achieve this.

Al-Qadi added: The rising operation costs, the increased prices of services and of spare parts and the rising wages and social security costs are also among the problems we are facing at a time when the government set milk prices at 5 riyals per liter more than 5 years ago and when the consumer thinks that the current price is high when compared with the price of powdered or dehydrated milk. In this regard, we must keep in mind the fact that the costs of these products never reach the level of the costs of fresh products and that they don't face the problems of unsold returns, sale dates and refrigerated transportation.

Silo Fodders

On the problems producers are having with the grain silos, the general director of Sanabil said: We met as dairy producers and sent our opinions to the officials in charge of these silos. Some problems have been partially solved. But the quality of the fodder produced by the silos is still below the desired level and this has forced some farmers to import their needs from abroad. Even though the grain silos offer fodder subsidized by the state, the losses which the dairy farms incurred because of this fodder have motivated many farmers to produce their own fodder or to import it from abroad. As for quantity, there is no problem because some farmers have discontinued using the silos' fodders.

Vaccine Problems

Regarding the problems of veterinary care, 'Abd-al-Rahman al-Qadi said: We are still suffering from the diseases that are brought in via livestock imported from abroad for slaughtering. Greater precautionary steps must be taken to protect the environment from incoming diseases. As for vaccines, we suffer from the mishandling of vaccines, especially the vaccines brought in from abroad by the Ministry of Agriculture. At times, the vaccines are delivered frozen and this causes them to lose some of their effectiveness. As for drugs, we buy them at high prices, thus causing a rise in the production costs.

Difference of Objectives

One of the most important problems facing the farmers is, according to the general director of Sanabil, the absence of coordination between the agencies concerned with the agricultural sector, namely the ministries of agriculture, commerce and finance, the Agricultural Bank and the Standards and Measurements Authority. The farmer feels that there is conflict even in the objectives formulated by these agencies. The objectives formulated by the Ministry of Agriculture may be different from those formulated by the other agencies. Full coordination between all the agencies is required to enhance the agricultural sector.

Regarding the subsidy, 'Abd-al-Rahman al-Qadi said: If it were not for the subsidy advanced by the government, many of the agricultural projects would not exist. But the actual cost shouldered by the farmer requires greater care from the state. What the Saudi farmer pays is much greater than what any other farmer in the world pays. We pay the cost of the cattle, the commission of the middleman and the cost of transporting the cattle in the country where the purchase is made and of transporting it in the kingdom. Thus, the Saudi farmer pays 30 percent more than any other farmer. Therefore, the subsidy is essential for the farms to continue their production and growth, as they are doing in Europe. There, the loans are very soft-term loans, with the loan repaid over a period of 25 years at a 2 percent interest rate. Here, a loan is repaid over a period of only 10 years, which is a short period in the life of agricultural projects. Even though the Agricultural Bank has a policy for long-term loans extending over a period of 25 years, this policy has not been put into operation yet.

Concluding, 'Abd-al-Rahman al-Qadi said: We must note that none of the kingdom's farms is more than 8 years old. Consequently, all these problems are part of the nature of the business and of the rapid development the farms are undergoing. I believe that all these problems will be solved shortly, God willing.

Labor

'Abd-al-Rahman al-Muhanna, the official in charge of the Pastures Firm, began his discussion with the labor problem and with the unavailability of Saudi labor by saying: It is the number-one problem facing us on the farms. There isn't so far any Saudi who accepts work on the farms. All Saudis prefer administrative work and this compels us to import foreign labor even though this labor is not permanent because the foreigner works for a certain period of time after which he goes back home.

'Abd-al-Rahman al-Muhanna suggests that the Civil Service Commission appoint graduates of universities and of technical institutes to the companies in the same way it appoints them to the government agencies. He also suggests that summer courses be held for students to work in the farms so that they may change their ideas regarding farm work.

'Abd-al-Rahman al-Muhanna then talked about the marketing problem: Competition is one of the most important problems facing marketing even though our products are better than the imports. This is why we demand that the government intervene to protect the national products from foreign competition by levying high customs fees on the imports. I believe that the national plants producing powdered milk can meet the local market's needs.

Plant To Absorb Unsold Returns

Al-Muhanna went on to say: The problem of returns is one of the problems that we face in the winter when the returns amount to 3 percent of the production. It is a problem that all of the kingdom's dairy producers face because of the drop in demand for dairy products among the citizens in the winter at a time when the cow's yield increases. The Ministry of Agriculture must intervene to help us solve this problem by setting up plants to absorb the surplus and process it into dairy products that can be stored for a long period and exported to the outside world, as is currently happening with dates. The government has set up numerous plants to package dates and sell them either locally or abroad. We need such an important and vital project.

High Temperatures

The high temperature on the farms is another problem facing the farmers. Al-Muhanna said: The high temperatures create numerous problems for us, causing a drop in production and the spread of diseases. Every farm tries to find its own solution and the state cannot interfere in this regard. We are now engaged in an experiment to air-condition one of our farms and we have an economic feasibility study on this experiment. Should the experiment succeed, we will apply it to the other eight farms we supervise and manage.

'Abd-al-Rahman al-Muhanna also raised the issue of dairy product advertising: One of our problems is the lack of television or radio commercials selling dairy products. We hope that the government will advertise these products adequately, since they are a basic part of a nutritional diet. We also hope that the information media will launch campaigns to enlighten and encourage the citizens to drink milk and yogurt by virtue of their importance to public health.

Red Tape

Concluding his review of the problems, 'Abd-al-RAhman al-Muhanna spoke of the problem of red tape: The bureaucratic procedures in some government agencies cause a delay in the importation of drugs and this causes us to lose cattle which require immediate care. These procedures also delay the importation of the cartons used for dairy product containers. Even though there are plants in the kingdom producing such cartons, their production is not up to the desired level. Therefore, we are compelled to import from abroad.

Finally, we interviewed Muhammad Anwar Jan, general director of al-'Aziziyah Agricultural Products Company, Ltd. Jan began his statements by talking about the marketing problems: Insofar as marketing is concerned, the dairy farms face direct and indirect problems which can be summed up in several fundamental points:

The fit-for-consumption period set for fresh pasteurized dairy products: the period set by the Saudi Arabian Standards and Measurements Authority is very short for dairy products, not only in comparison with similar periods set in other parts of the world but also in comparison with the period during which pasteurized milk and yogurt remain fit for consumption as long as they are kept properly refrigerated. In addition, there is also the problem of consumers having a faulty idea regarding the consumability period. The consumption expiration date affixed to the package does not at all mean that the product is no longer fit for consumption. It simply denotes the last day on which the consumer may buy it from the shop. The period up to that time is known as the shelf life. The consumer can then keep this product in a refrigerator in his home for a period of no less than 3 days if the container is not opened, and a period of 24-48 hours in case the container is opened, without affecting the suitability of the product.

As a result of this short period and faulty idea, the dairy farms take back what is not sold and dispose of it. This is a waste that leads to indirectly increasing the production costs. Moreover, the set consumption period limits the area in which dairy products may be distributed by car and forces us to confine our distribution with refrigerated vehicles. As for remote areas, dairy products are shipped to them by plane to insure that they reach the consumer on the same day. This also increases the marketing costs.

There is a lack of coordination among the producers of fresh dairy products in the marketing efforts, which must be founded on sound scientific efforts. This creates, of course, a marketing burden.

There is competition from imported dairy products which are sold at low prices when compared with local products, especially fresh products. These low prices are due, of course, to the low production cost of these products at their sources of origin. Consequently, they pose strong competition to local dairy products, especially fresh dairy products.

Unawareness on the part of the owners of small shops of the importance of keeping fresh dairy products under special storage conditions creates problems for farm owners and results in harming the reputation of a project and, consequently, affects the sales volume of such a project.

The drop in demand for dairy products in the winter causes marketing problems, since there is a direct relationship between dairy consumption and temperature and an inverse relationship between this temperature and the productivity of cows.

There are the high cost of producing milk derivatives, such as cheese, cream and other byproducts, and the competition posed by the imported byproducts.

Regarding the veterinary care problems, the general director said: It is well known that the kingdom is new to the production of fresh dairy products by way of large-scale projects. This has, of course, led to the unavailability of complete data and information to make it possible to avoid the problems that result from livestock diseases even though our wise government, represented in the Ministry of Agriculture, always tries to provide the necessary resources and information to the farmer. Generally, the farms try to secure their own specialized veterinarians. The Ministry of Agriculture supplies numerous kinds of drugs and resources. But it is my belief that there is failure on the part of the dairy farms because there is incomplete scientific cooperation between them to use these resources and laboratories to serve them in the right manner. Moreover, some of these farms have failed to use the experiences they have gone through and the methods used to solve such veterinary problems.

[Question] What about the subsidy advanced by the Ministry of Agriculture, the Agricultural Bank and the Ministry of Trade? Can this subsidy be dispensed with?

[Jan] Our wise government, represented in all the sectors directly or indirectly connected with the agricultural projects, advances material and technical support and facilities for these projects. I don't at all believe that this subsidy, whether advanced by the Ministry of Agriculture, the Ministry of Commerce, the Agricultural Bank or other government institutions and agencies, can be dispensed with.

[Question] Can the farms' current production meet the kingdom's needs for dairy products?

[Jan] The situation is different in the summer from that in the winter. In the summer, dairy products are insufficient and in the winter the situation is the opposite because consumption varies considerably in these two seasons. It rises in summer and drops in winter. Regrettably, this is in inverse proportion with the propagation of cows. On the other hand, distribution is not equal in all parts of the kingdom and this distribution has not been studied soundly yet. In some areas, there is a surplus that exceeds the needs whereas shortages have been experienced in other areas. This leads, naturally, to the absence of a balance between supply and demand insofar as fresh dairy products in the various parts of the kingdom are concerned.

I would like to add that if we take into account all the natural liquid dairy products produced by the farms and the liquefied dairy products produced by the powdered milk plants, it can be said that both varieties of liquid dairy products are enough to meet the kingdom's needs, if distributed soundly and in a well-studied manner and if the milk producers generally cooperate with each other.

As for milk derivatives such as cheese, cream, butter and other byproducts, local production is not enough to meet the kingdom's needs, not to mention the high cost of producing such byproducts and the competition from imported byproducts.

[Question] How strong is the impact of foreign competition on marketing national products and what are your suggestions for protecting dairy products from foreign competition?

[Jan] Foreign dairy products pose strong competition to local production because of their low prices, which emanate fundamentally from their low production costs, in contrast with local production. The low production costs in the countries exporting these dairy products and their byproducts emanate from the natural environment of these countries--conditions which help supply fodder for cattle at very low costs. Moreover, the system of small farms, of unified farms and of specialized marketing firms helps reduce their production costs.

In fact, all of the kingdom's industries enjoy protection, with the exception of the dairy industry. Therefore, we hope that protection will be accorded locally produced dairy products, especially fresh products put out by the farms, and we hope that the protection will be established in a manner that is not harmful to the consumers and that is beneficial for the local producers. This can be achieved through:

- Imposing high taxes on imported dairy products and their byproducts so that their prices may not be competitive against the price of products produced locally.
- Setting the subsidy for raw milk produced by the farms to as to encourage this production, provided that a certain control system is established for these farms.
- Launching successive propaganda campaigns with various methods and through television, radio and the press to familiarize people with the dairy farms existing in the country, with the quantities they produce and with their high quality production which is equal to the quality of imported dairy products in all aspects.
- Having the Ministry of Education instruct the schools and the Ministry of Health instruct the hospitals and other government facilities to use fresh dairy products produced by the dairy farms.

Cheese Factory

Shaykh Muhammad ibn Sa'ud al-'Ali, the owner of al-Nakhil farm, which is the most modern farm in Riyadh, has a different opinion on the problems of dairy producers. Speaking of the plan to merge the dairy plants, he said: There is no doubt that merging the dairy plants may be economically beneficial to

the farmer because it will reduce the actual cost of a liter of milk. But this suggestion will lead to eliminating competition, which is considered one of the most important characteristics of the Saudi market. Honest competition is necessary in order to offer the best service to the consumer. Ultimately, only the best and the fittest and those who have a good management that works to please the consumer in accordance with the instructions of the authorities concerned will survive in the market.

Instead of a milk plant, Shaykh al-'Ali suggested that a cheese plant be set up. Speaking of this suggestion, al-'Ali said: It is well known that all of the kingdom's milk plants suffer from a big surplus in the winter. Most of these plants have tried to solve their problem individually. But if we, as businessmen and dairy producers, unite, we will be able to find a solution to this problem by setting up a cheese plant that absorbs all the surplus of the milk plants, both in the winter and the summer, and uses this surplus to produce a variety of cheeses that can meet the Saudi market's needs and find their way to the outside markets.

Role of Chambers of Commerce

Regarding the farmer's problems, Shaykh Muhammad al-'Ali said: The biggest problem facing businessmen generally is the problem of their not fully knowing the firms with which they conclude contracts to set up or manage their projects. This causes them to encounter numerous problems and to incur heavy losses. As a solution to this problem, I suggest that the chambers of commerce conduct comprehensive studies on any project and that they investigate and examine the companies that will take part in such a project in return for 1 percent of the project's value upon conclusion of the contract. In this way, the businessmen are reassured of the soundness of their legal position and the strength of the firms with which they will conclude their contracts and which will save the businessmen the millions of riyals collected by imaginary firms.

Gulf Market

Turning to the marketing problems, Shaykh al-'Ali said: There is no doubt that marketing is one of the biggest problems faced by the dairy producers because of the abundance of trademarks found in the market. But we can overcome this problem by studying the neighboring markets properly in an endeavor to market in the Gulf states. This requires the production of dairy products that do not perish quickly so that we can avoid some marketing problems. Moreover, we hope that the Saudi Arabian Standards and Measurements Authority will extend the fit-for-consumption period currently set for milk and yogurt. There is no doubt that we are concerned with the consumer and that we abide by all that is decided by the authorities concerned. However, we hope that these authorities will reconsider some decisions concerning dairy producers, including extension of the fit-for-consumption period.

Regarding foreign competition, Shaykh Muhammad al-'Ali said: We consider foreign competition one of our problems because of the low price of the imported products. We hope that the Ministry of Commerce will encourage us to compete in the future by studying all the means capable of protecting our national products, especially since these products are fresh and cannot withstand competition from powdered or dehydrated milk products. The prices of fresh and processed products must be reconsidered so that the competition may be fair. Ultimately, the consumer is the beneficiary.

To conclude, TIJARAT AL-RIYAD has perhaps been able to shed light on the kingdom's dairy farms and to dot the i's and cross the t's insofar as the problems of production, marketing, labor and veterinary care and of citizen awareness of dairy products are concerned.

8494

CSO: 4404/272

8 May 1985

INDIA

PAPERS REPORT CHANGES IN STATE GOVERNMENTS

New Ministers in Karnataka, Bihar

New Delhi PATRIOT in English 16 Mar 85 p 6

[Text]

Bangalore, March 15 — Chief Minister Ramakrishna Hegde today expanded his eight-day-old ministry by inducting 12 Cabinet and 14 Ministers of State at an impressive function held on the steps of majestic Vidhana Soubha in the presence of a huge crowd. The Governor administered the oath of office and secrecy to the ministers.

With today's expansion the strength of the Ministry went up to 29 including the Chief Minister and two of his Cabinet colleagues who were sworn in on 8 March.

The expansion not only did not throw up any surprises but created a sense of disappointment among many who had expected meaningful changes in the composition of the Ministry.

Among the 12 Cabinet rank Ministers State Janata president H D Deve Gowda and secretary general J H Patel are back in the Ministry. They had resigned last year from the Ministry to do party work. There is only one new face C Byre Gowda who had figured in the infamous "Moily tape affair". The other nine are former Finance Minister S R Bommai, Industry Minister V L Patil, Law and Parliamentary Affairs Minister A Lakshmisagar, Cooperation Minister R L Jalappa, Planning Minister D Manjunath, Health Minister H L Thimme Gowda, Power Minister K S Deshmukh, Food Minister G Basavannappa and Education Minister M Raghupathy.

Significant omissions are Public Works Minister M Chandrashekhar, Agriculture Minister B L Gowda and V S Krishnaiyer who has been elected to Parliament.

There are five new entrants among the Ministers of State including former Deputy Speaker of Assembly Veeranna. The only woman to be inducted in the Ministry is Dr Pushpavathi who is a Minister of State. She was elected to the Assembly from Deodurg in Raichur district. Five Ministers of State in the former Ministry did not find berth. Two of them were defeated in the election.

The Ministers of State are: B A Jivijaya, Mr M P Prakash, Mr P G R Scindhia, Dr Jeevaraj Alva, Mr Ramesh Jigajinigi, Dr A Pushpavathi, Basavaraj Patil, Mr Veeranna, Mr B R Yavagal, Mr B Siddaramaiah, Mr D B Inamdar, Mr B Somasekhar, Mr Y K Ramaiah and H G Govinda Gowda.

Another Minister of State, Mr B V Deshpande, who could not reach here in time, will be sworn in tomorrow.

PATNA: The Bihar Ministry, headed by Mr Bindeshwari Dube was expanded tonight with the induction of 25 ministers including 11 Cabinet Ministers. The new entrants include two non-legislators.

Mr P Venkatsubbaiah, who was sworn in as the Governor in the afternoon, administered the oath of office and secrecy to the new ministers at a function held in Raj Bhavan.

The two non-legislator Cabinet Ministers are Prof Siddheshwar Prasad Singh and Mr Ramashray Prasad Singh, a former Parliamentary Affairs Minister, who was denied a ticket.

Other Cabinet Ministers are Mr Lahtan Chaudhary, Mr Ramjaipal Singh Yadav, Mr

Dinesh Kumar Singh, Mr Saryu Mishra, Mrs Uma Pandey, Mr Mahabir Choudhary, Mr Indernath Bhagat, Mohammad Hidayatullah Khan and Mr Harihar Mahato.

The Ministers of State are: Dr Vijay Singh, Mr Madan Prasad Singh, Mr Amarendra Mishra, Dr Khalid Rashid Saba, Mr Bandi Shankar Singh, Mr Mahavir Paswan, Dr Isa, Mr Jaitan Manjhi, Mr Awadh Behari Singh, Mr Arjun Vikram Shah, Mrs Sushila Karkatta, Mr Saryu Upadhaya, Mr O P Lal and Mr Thomas Hansdah.

Among the newly inducted ministers, Mr Indernath Bhagat and Mr Hidayatullah Khan, both of Cabinet rank, and Mr Jaitan Manjhi,

Minister of State, did not take the oath of office and secrecy today.

Mr Dube, former Chief Minister Jagannath Mishra, a large number of former ministers, legislators and high court judges were present at the swearing-in ceremony.

Of the Cabinet Ministers, Mr Lahtan Choudhary, Mr Ramajapal Singh Yadav, Mr Ramashray Prasad Singh and Mr Dinesh Kumar Singh were members of the outgoing Ministry headed by Mr Chandra Shekhar Singh.

Mr Manjhi, who was a Deputy Minister in the outgoing Ministry has been promoted to the rank of Minister of State.

Territory of Pondicherry

Madras THE HINDU in English 17 Mar 85 p 12

[Text]

PONDICHERRY, March 16.

A five-member Congress (I) Ministry, headed by Mr. M. O. H. Farook Maricar, was installed in office in the Union Territory of Pondicherry today, replacing the 20-months and 22-day old President's rule.

The Lieutenant Governor of Pondicherry, Mr. T. P. Tewari, administered the oath of office and secrecy to Mr. Farook, Chief Minister and four other Ministers, Messrs. V. Vaithalingam, P. Kannan, V. Govindarajan and L. Joseph Maradoss. All the Ministers took the oath in name of God and in Tamil, while the Lt. Governor read out the oath in English.

Earlier, before the swearing-in began, the Chief Secretary, Mr. F. Pahunluna, read out the Presidential notification rescinding the Central rule.

DMK boycotts function: The five-member DMK Opposition in the 30-member Assembly boycotted the swearing-in ceremony.

The ruling Congress (I) member, Mr. V. Sabapathy alias Kothandaraman was among the notable absentees at the function. His non-inclusion in the Ministry has been strongly resented by the rank and file of the party in the Modelarpeth constituency, where the closed Anglo-French Textiles Mills is located.

Among those present at the swearing-in included the AIADMK, Congress (I) and Janata legislators and the two Independents, Mr. S. Ramassamy and Mr. A. Soundararajan, besides high-ranking officers. A large number of people too witnessed the function held at the Raj Nivas.

Shot in the arm for Youth Cong. (I): The Youth Congress (I), all along neglected in the Union Territory, has now gained prominence and recognition at the hands of the Pradesh Congress (I) Committee. The inclusion of the Youth Congress (I) leader, Mr. P. Kannan, a bachelor, in the Cabinet comes as a shot in the arm for the Youth wing. Previously, there

used to be bickerings and open quarrels between the PCC (I) chief and the office-bearers of the Youth wing for party ticket.

Party position: The election to the Pondicherry Assembly was held simultaneously in Pondicherry, Karaikal, Mahe and Yanam regions on March 5 last. The Congress (I) emerged the single largest party with 15 members in the 30-member House. The AIADMK, the Congress (I) ally which has won six seats, has pledged unconditional support to the Congress (I). The DMK has five seats, the Janata Party two and Independents two.

Third time CM: The 47-year-old Mr. Farook has staged a comeback as the Chief Minister after a gap of 13 years. Hailing from Karaikal (an enclave of Pondicherry in Thanjavur district of Tamil Nadu), he got his B.A. degree from the Madras University. He was the Chief Minister of Pondicherry twice, first in 1967-68 (Congress (I) set-up) and then in 1969-73 (after he defected to the DMK following a split in the then Congress organisation).

He was elected first in 1964 from his home town of Karaikal (North), and it was also the first poll to be held to the 30-member Assembly of Pondicherry after the *de jure* merger of the erstwhile French establishments with the Indian

Union. Mr. Farook became the Speaker following this election, but in the wake of a serious crisis in the Venkatasubba Reddiar Ministry, he became the Chief Minister and remained so for a year from 1967.

Mr. Farook joined the DMK in 1968 and later set up a DMK-CPI coalition ministry. When his own colleagues Mr. S. Ramassamy (now president of the Makkal Munnar), Mr. D. Ramachandran (presently convener of the DMK) and M. Thangavelu, defected to then ADMK in 1973, the DMK was reduced to a minority and Mr. Farook resigned the Chief Ministership, necessitating dissolution of the House in 1973 and imposition of President's rule.

Mr. Farook quit the DMK in 1967 and rejoined the Congress. He, however, quit the Congress again and, along with Venkatasubba Reddiar, formed the Pondicherry unit of the Congress (I). A few months before the 1980 Assembly poll, he once again rejoined the Congress (I) and was returned to the Assembly from Lawspeth. He was elected Speaker of the Assembly, which post he occupied till recently. The Assembly was dissolved in June, 1983 following a crisis in the DMK-Congress (I) alliance ministry. In the latest election also, Mr. Farook has been elected from Lawspeth.

CSO: 4600/1450

INDIA

ANALYST WRITES ON CHANGES IN GOVERNORSHIPS

Madras THE HINDU in English 13 Mar 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 12.

The Prime Minister, Mr. Rajiv Gandhi, has decided to appoint the Chief Minister of Madhya Pradesh, Mr. Arjun Singh, as Governor of Punjab in place of Mr. K. T. Satarawala who was appointed only eight months back following Mr. B. D. Pande's removal in the wake of the military action.

A communique from Rashtrapathi Bhavan, announcing the appointment of Mr. Arjun Singh, also said that the former Minister of State for Home Affairs, Mr. P. Venkatasubbiah, and Mr. Mohammed Usman Arif, a former Deputy Minister for Works and Housing, have been appointed Governors of Bihar and Uttar Pradesh respectively, in place of Mr. A. R. Kidwai and Mr. C. P. N. Singh who had completed their five-year terms.

It appears that Mr. Rajiv Gandhi wanted Mr. Singh, elected leader of the Congress (I) Legislature Party and sworn-in as Chief Minister to avoid the impression that he was being eased out from the politics of his home State.

But the impression would continue to prevail since the Prime Minister could not have decided to appoint him as Governor of Punjab within a few days of his being inducted as Chief Minister for a second term, without some premeditation.

It clearly implies that all other Congress (I) Chief Ministers who have been re-elected leaders of their legislature parties and inducted as Chief Minister are not automatically assured of another full five-year term in each case. A few of them may be changed to make way for more promising men or to utilise their services in more challenging positions at the Centre.

CSO: 4600/1449

INDIA

CPI ASKS GANDHI TO RELEASE AKALI LEADERS

Calcutta THE TELEGRAPH in English 28 Mar 85 p 4

[Text]

New Delhi, March 27: In an open letter to the Prime Minister, Mr Rajiv Gandhi, the Communist Party of India CPI has urged the government to release Akali leaders like Mr Prakash Singh Badal and Mr Gurcharan Singh Tohra.

Expressing concern at the fast deteriorating situation in the state the CPI general secretary, Mr Rajeshwar Rao and Mr Inderjit Gupta, member of the National Council, stressed that no time should be lost in proposing a "package solution" to the Punjab problem.

The CPI welcomed the recent moves made by the government, but warned that these had to be followed up by more substantial measures if their positive impact was not to be eroded. The party, therefore, offered its own proposals for the consideration of the Prime Minister.

These included an enquiry into the anti-Sikh riots and the killings of extremists in Punjab over the last two years. The enquiry was to be conducted by

a competent judicial committee.

The party also called for a judicial committee to be set up to expeditiously screen all those arrested in Punjab under the name of extremists. Those not charged with serious crimes or terrorist actions, should be released immediately. Effective steps should also be taken to stop arbitrary arrests by security forces.

The process of withdrawing the Army from the state and replacing it with the BSF and the CRP should be expedited, they felt.

The Prime Minister should also make a categorical declaration that the government of India was opposed to the merger of Punjab, Haryana and Himachal Pradesh as proposed by the Haryana chief minister, Mr Bhan Lal.

Chandigarh should go to Punjab and Haryana should be compensated by the transfer of some areas. Other territorial disputes should be referred to a commission, the letter declared.

CSO: 4600/1471

INDIA

PRESS REPORTS, REACTS TO SOVIET DIPLOMAT'S DEFECTION

HINDU Analyst's Report

Madras THE HINDU in English 25 Mar 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 24.

The missing Soviet diplomat, Mr. Igor Guezha, who disappeared mysteriously last Sunday when he went out for his morning walk in Lodhi Gardens, had sought political asylum from the American embassy and been secretly flown out to the U.S.

The Soviet Ambassador, Mr. Vassily Rykov, informed the Foreign Secretary, Mr. Romesh Bhandari, last night that Mr. Guezha had taken refuge in the U.S. embassy and that he had been flown out of the country, according to his information.

The U.S. *Charge d'affaires*, Mr. Gordon Streeb, thereafter met Mr. Bhandari and confirmed that the Soviet diplomat, a Third Secretary in the Information Department, had sought political asylum which had been granted by his Government.

The Government of India has been taken aback by this development, since it has belied the police theories that the missing Soviet diplomat was probably kidnapped by some Afghan refugees and that this incident was linked to the subsequent shooting four days later of another Soviet embassy official, Mr. V. Khitzchenko in a daring attack on his car at midday in Delhi's diplomatic enclave. The External Affairs Ministry has taken a serious view of the failure of the U.S. embassy to inform it immediately after Mr. Guezha had sought political asylum.

Svetlana episode

The Government will be making a detailed statement on this episode in Parliament after examining the legal position whether the U.S. embassy had exceeded its diplomatic privileges and violated the Vienna Convention by granting political asylum to this Soviet diplomat and

getting him out of the country without its prior knowledge. But the U.S. authorities are apparently relying on the earlier precedent when Stalin's daughter, Svetlana, sought asylum from the American embassy in Delhi in 1967 in similar circumstances and was flown out to the U.S.

The legal position is that a foreign diplomat stationed in India can leave the country at any time of his choice for any destination without any let or hindrance, since there is no exit visa system in this country. But it is a clear violation of the laws of the host country, according to legal experts, for any foreign diplomat to leave the country clandestinely under any false pretences.

At the time of Svetlana's defection, the then U.S. Ambassador, Mr. Chester Bowles, took the stand that she came to the U.S. embassy with a valid Soviet passport and an American visa was issued to enable her to go to the U.S. without violating any Indian laws, since it was open to her to seek asylum after reaching there. As she was an important personality, a U.S. diplomat was assigned to accompany her on the flight from Delhi to Washington.

Embarrassment

It is not known what stand the U.S. embassy is going to take into the present case. But whatever the legal position, the Government of India has been greatly embarrassed by this episode, since it has occurred only a few days before the Defence Minister, Mr. P. V. Narasimha Rao, is due to go to Moscow for talks on increased Indo-Soviet defence cooperation.

The Soviet embassy is very incensed over the manner in which Mr. Guezha had been gran-

ted political asylum and spirited out of the country, especially in the light of the subsequent shooting incident. It does not speak well of the alertness of Indian intelligence agencies which were completely in the dark until the Soviet Ambassador himself gave this information to the Government.

Abandoned car

The Soviet diplomat who used to go daily for his morning walk in Lodhi Gardens, before playing a game of tennis at the National Sports Club, normally parked his car at the outer gate. But on the day of his defection, his car was found abandoned near the India International Centre gate where the U.N. offices are located and which has been the scene of frequent demonstrations by the Afghan refugees in Delhi.

The Soviet embassy informed the police of Mr. Guezha's disappearance on March 18 at 7 p.m. which was more than 12 hours after his defection. The police immediately alerted the airport and kept a close watch on all outgoing planes, but he had apparently left by one of the early morning flights.

It would have been difficult for the U.S. embassy to get him out of the country after the police alert, irrespective of with what travel documents he was boarding a plane. It meant that he had approached the U.S. embassy much earlier and by prior arrangement he was picked up from the new place where he left his car and presumably sent out of the country

before the Soviet embassy had informed the police about his disappearance.

The Immigration authorities at Palam airport have no record of anyone with the name of Mr. Guezha leaving Delhi. The Government is, therefore, proceeding on the assumption that he had travelled with another passport bearing a different name.

The U.S. embassy would not have gone out of its way to oblige a mere Third Secretary in the Information Department of the Soviet embassy unless he was an under-cover operative of some importance and in a position to disclose vital information. This aspect also is being looked into in establishing why the U.S. embassy had obtained political asylum for him with such great haste and got him out of the country before the Government of India came to know of it.

The Delhi police have still not been able to make any breakthrough in their investigation of the subsequent shooting case. Though many Afghan refugees have been questioned and their houses searched, no arrests have so far been made.

PTI reports:

There was speculation in western diplomatic circles that Mr. Guezha could have taken a flight to Kathmandu on Sunday and flown from there to the U.S.

The Delhi Police Commissioner, Mr. S. S. Jog, said Mr. Guezha might have flown to Kathmandu from Lucknow

Government Protest Approved

Bombay THE TIMES OF INDIA in English 26 Mar 85 p 8

[Text]

It is only appropriate that the Indian government should have conveyed to the U.S. administration its "serious concern" over the circumstances of the defection to the U.S. by the third secretary in the information department of the Soviet embassy in New Delhi, Mr. Ivor Guejo. For what has happened is a very serious matter and cannot be brushed aside. Full details of the sordid incident are still lacking. The Indian ambassador in Washington has been asked to elicit them from the somewhat coy American administration—but whatever is known or can be deduced is enough to cause deep misgivings. These have got to be cleared up. The bland statement by the U.S. charge d'affaires, only in response to the government's urgent queries following the Soviet ambassador's representation simply will not wash. What is meant by the claim that Mr. Guejo "had sought and was granted political asylum at a point outside India"? Which is that place and how on earth did he get there? Wearing only a pair of shorts and a sweat-shirt at the time of his disappearance, Mr. Guejo could not possibly have travelled in those clothes. Nor could he have used his Soviet passport to cross the Indian border or to secure any foreign visa, without which a Russian would find it impossible to land anywhere outside the Eastern Bloc. Obviously,

there was collusion between him and some at least of those authorised to act on behalf of the U.S. government that enabled him to leave India almost certainly on a fake passport. In other words, the U.S. mission here has allowed itself to act in an utterly improper manner. Unlike many other countries, India does not require departing diplomats or foreign travellers to obtain exit visas. Any diplomat is free to leave when he likes and for whatever destination he likes on his own travel papers. But this is one thing. For a foreign embassy to misuse its diplomatic immunities to spirit away a third country's representative to a point out of India quite another. It is this calculated slight to the host country's sovereignty that invests the incident with the utmost gravity.

The brutal murder of a Soviet embassy engineer, Mr. Khitzchenko four days after Mr. Guejo's disappearance has made the messy situation messier. The U.S. embassy may be quite right in claiming that the defection and the daylight killing are not linked. But it has only itself to blame if its statements are greeted with suspicion and disbelief. Whatever Mr. Guejo's importance as a "catch" for U.S. intelligence, those who have engineered or at least connived at the objectionable developments relating to his defection have done serious harm to the recent welcome efforts to improve Indo-U.S. relations. This harm cannot be undone until sufficient amends have been made for the offence caused and credible assurances given that things of this kind would never again be repeated.

Possible Effect on U.S. Relations

Calcutta THE STATESMAN in English 27 Mar 85 p 8

[Text]

Two incidents involving Soviet diplomats in New Delhi have understandably caused considerable embarrassment to the Government especially because they took place in such rapid succession. It is still unclear who killed V. Khitzchenko on March 21 and with what motive. The circumstances of Mr Igor Gueja's disappearance and subsequent flight to the USA remain equally mysterious. Responsibility for Khitzchenko's murder has been claimed by an Ukrainian terrorist group, but investigating agencies suggest that this is probably a red herring thrown across the trail of their inquiries. Although more than 20 Afghans were arrested and interrogated, no hard evidence of their involvement has apparently yet been found.

The police and other investigating agencies will have little to say in their defence if the murder remains unsolved for too long. The killers of the British Deputy High Commissioner in Bombay on November 27 last year are widely believed to have fled the country. All this may suggest that India has now become an arena of operation for various terrorist groups and the security provided to diplomats is inadequate. Over the years Delhi has become an Asian counterpart of London or Amsterdam with political refugees from neighbouring countries arriving here in large numbers. The activities of such groups — especially Afghans and Iranians — need to be kept under close scrutiny. Considering that the Government can

hardly be accused of niggardliness in funding various intelligence organizations, more can be expected of them to ensure that foreigners do not misuse the asylum they have been granted.

The case of Mr Igor Gueja is even more disturbing as it has obvious implications for New Delhi's relations with Moscow and Washington. While it is virtually impossible to prevent a diplomat from defecting — his position itself affords ample opportunities for the necessary contacts — embassies in New Delhi may have to be cautioned against encouraging such defections from here. The facts regarding Mr Gueja's disappearance are still obscure and Mr Khurshid Alam Khan's statement in Parliament on Monday did little to clear up the mystery. From his account, however, it is clear that South Block was completely in the dark till the Russians gave a tip-off about Mr Gueja defecting to the USA. Instead of informing India voluntarily about his

whereabouts, the U.S. embassy in New Delhi appears to have owned up only on being asked. The U.S. State Department cannot have been unaware of the massive manhunt launched by the police to trace Mr Gueja; that it chose to remain silent might suggest a measure of disregard for New Delhi's sensitivities. If it is established that the defecting diplomat was indeed provided by his prospective hosts with a false passport to enable him to leave India undetected, it would amount to a violation of international norms. India's likely embarrassment may not have weighed too heavily with U.S. officials eager to pull off a diplomatic coup, but such an attitude is hardly conducive to the desired improvement in Indo-U.S. relations. Mr Gueja's decision to renege on his country may have been entirely voluntary, but the circumstances and manner of his defection raise questions on which New Delhi has rightly asked Washington to shed more light.

CSO: 4600/1468

INDIA

REPORTAGE ON GANDHI ATTENDANCE AT CHERNENKO RITES

Arrival in Moscow

Madras THE HINDU in English 13 Mar 85 p 1

[Text]

MOSCOW, March 12.

The Prime Minister, Mr. Rajiv Gandhi, arrived here today to attend the funeral of the late Soviet President, Konstantin Chernenko.

From the airport Mr. Gandhi and his party proceeded to the VIP villa situated at the Lenin Hills in the capital overlooking the Moscow river. He will lay a wreath at the body of Chernenko tomorrow morning.

Defence Minister in team

Our Political Correspondent reports from New Delhi:

The two Houses of Parliament which meet tomorrow for the budget session will be adjourned for the day in memory of late Chernenko, after paying eloquent tributes to him.

The decision was taken before Mr. Rajiv Gandhi left for Moscow this afternoon to attend the State funeral, following the precedents set for this rare gesture when former Soviet leaders like Josef Stalin, Leonid Brezhnev and Yuri Andropov died.

The Indian delegation to the funeral included the Defence Minister, Mr. P. V. Narasimha Rao, the Chairman of the Policy Planning Committee, Mr. G. Parthasarathi, the Minister of State for Steel, Mr. K. Natwar Singh, the Foreign Secretary, Mr. Romesh Bhandari, the Additional Secretary in the Prime Minister's office, Mr. C. R. Gharekhan, and the Joint Secretary in charge of Eastern Europe in the Ministry of External Affairs, Mr. K. Raghunath, besides the President and Secretary respectively of the Indo-Soviet Friendship Society, Mr. P. Shiv Shankar and Mr. K. R. Ganesh.

The Prime Minister is due to get back to

Delhi on Thursday morning to address the customary general body meeting of the Congress (I) parliamentary party, before the presentation of the Railway Budget.

The Soviet practice hitherto has been to have the State funeral on the fifth day after the death of a high dignitary of State, but this time the funeral is being held on the fourth day for some special reason. So Mr. Rajiv Gandhi had to advance his departure for Moscow by a day, but he will be returning a day earlier.

Apart from attending to the finalisation of the Central budget which is due to be presented to Parliament on Saturday, the Prime Minister will have to attend to other important matters like the selection of a new Chief Minister for Madhya Pradesh, following the appointment of Mr. Arjun Singh as Governor of Punjab, besides a possible expansion of the Central Cabinet.

During his brief stay in Moscow, Mr. Rajiv Gandhi will have an opportunity to meet the new Soviet leader, Mr. Mikhail Gorbachev, and others in the emerging new hierarchy in the Kremlin. According to Soviet sources in Delhi, Mr. Gorbachev and his colleagues would very much want him to pay his official visit to the Soviet Union in May despite their other preoccupations in view of the great importance Moscow continues to attach to Indo-Soviet relations.

The Pakistan President, Gen. Zia-ul-Haq, for instance, will not let go the opportunity to have even a few fleeting moments with Mr. Rajiv Gandhi, if he can manage it. He also left for Moscow this afternoon.

'Unprecedented Welcome'

Calcutta THE TELEGRAPH in English 14 Mar 85 p 1

[Text]

Moscow, March 13 (UNI, PTI): The Prime Minister, Mr Rajiv Gandhi, and the new leader of the Soviet Communist Party, Mr Mikhail Gorbachev, today reaffirmed their desire to enlarge and strengthen political, economic and cultural relations between the two countries.

The two leaders expressed "deep satisfaction" over the growing friendship between India and the Soviet Union and their "firm desire" to enlarge mutual cooperation. Mr Gandhi's meeting with Mr Gorbachev, his first with a CPSU general secretary as Prime Minister, lasted more than 40 minutes.

Mr Gorbachev and Mr Gandhi met after the funeral of Konstantin Chernenko in an extraordinary protocol event that will perhaps be long remembered in the halls of the Kremlin. "The great leap forward" was how the Moscow foreign press corps immediately called it.

The new CPSU general secretary's reception line at the Georgievsky Hall for foreign dignitaries attending the funeral was virtually stopped, and Soviet foreign office protocol officers brought up Mr Gandhi for a warm handshake by Mr Gorbachev and a hearty exchange that took all of five minutes.

Mr Gorbachev also renewed an invitation to Mr Gandhi to visit the Soviet Union "soon." Mr Gandhi accepted the invitation. The Prime Minister in turn, extended an official invitation to Mr Gorbachev to visit India. The dates of the visit will be decided according to mutual convenience.

Mr Gandhi also had talks with the US Vice-President, Mr George Bush, on bilateral matters, the south Asia situation and nuclear disarmament.

Mr Bush, who drove to the Indian embassy for the meeting, was with Mr Gandhi for about half-an-hour. The defence minister, Mr P.V. Narasimha Rao was also present during the discussions.

Mr Bush informed Mr Gandhi that the US President, Mr Ronald Reagan, and the people of the US were "eagerly looking forward to his coming visit to that country." A warm welcome awaits you," Mr Bush told Mr Gandhi.

Mr Bush apprised Mr Gandhi on his country's stand on the US-Soviet arms limitation talks which opened in Geneva yesterday.

The US President, Mr Ronald Reagan, has issued a personal invitation to Mr Gorbachev, to attend a summit meeting.

Mr Gandhi met the Pakistan President, Gen. Zia-ul Haq, for 35 minutes at the Pakistan embassy. It was the second meeting between the two leaders since Mr Gandhi took over as Prime Minister.

The Nicaragua President, Mr Daniel Ortega, called on the Prime Minister, at the Indian embassy. Mr Ortega apprised Mr Gandhi of the situation in his country and also spoke of the tense relations with the US.

Mr Ortega told Mr Gandhi that his country would soon appoint a full fledged ambassador in New Delhi and hoped India would also reciprocate.

Mr Gandhi assured that India as chairperson of the nonaligned movement, would try its best to lessen the tension in the Caribbean region.

In the afternoon Mr Gandhi met the West German Chancellor, Mr Helmut Kohl, and the Japanese Prime Minister, Mr T. Nakasone.

Meetings With World Leaders

Bombay THE TIMES OF INDIA in English 14 Mar 85 p 1

[Text] Moscow, March 13 (UNI)--The Prime Minister, Mr Rajiv Gandhi, had talks with the United States vice-president, Mr George Bush, here today on bilateral matters, the South Asian situation and nuclear disarmament.

Mr Bush, who drove to the Indian embassy for the meeting, was with Mr Gandhi for about half an hour. The defence minister, Mr P.V. Narasimha Rao, was also present during the discussions.

Mr Gandhi, who came here to attend the funeral of the Soviet President, Mr Konstantin Chernenko, took the opportunity of the presence of the other world leaders to have discussions with President Zia-ul-Haq of Pakistan and Nicaraguan President Daniel Ortega on matters of mutual interest.

U.S. Visit

The U.S. vice-president informed Mr Gandhi that President Ronald Reagan and the people of the U.S. were "eagerly looking forward" to his forthcoming visit to that country. "A warm welcome awaits you," Mr Bush told Gandhi, who is scheduled to visit the U.S. in June.

Mr Bush appraised Mr Gandhi of his country's stand on the U.S.-Soviet arms limitation talks which opened in Geneva yesterday.

Mr Gandhi's 35-minute discussions with Gen Zia were held at the Pakistan embassy. It was the second meeting between the two leaders since Mr Gandhi took over as Prime Minister.

Indo-Pakistan talks on the proposals for a no-war pact and a treaty of friendship have not been resumed since the hijacking of an Indian airliner to Pakistan last year.

Mr Ortega called on Mr Gandhi earlier in the day and apprised him of the situation in his troubled Central American nation.

Mr Gandhi assured Mr Ortega that India as chairman of the non-aligned movement would try its best to lessen tensions in the Caribbean region.

The Prime Minister had proposed in New Delhi yesterday that a group of representatives of non-aligned countries visit Nicaragua to study the situation in that country.

Mr Ortega is believed to have told Mr Gandhi that his country would soon appoint an ambassador to New Delhi and hoped India would reciprocate.

In the afternoon Mr Gandhi met the West German Chancellor, Mr Helmut Kohl, and the Japanese Prime Minister, Mr Nakasone.

Soon after the burial of Mr Chernenko, Mr Gandhi visited the Georgiev hall in the Kremlin and offered condolences to the Soviet leaders.

Among the Soviet leaders present were Mr Gorbachov, the Prime Minister, Mr Nikolai Tikhonov, the foreign minister, Mr Andrei Gromyko, and the acting president, Mr Kuznetsov.

Earlier, Mr Gandhi laid wreaths on the body of Mr Chernenko at the House of Unions.

He was accompanied by the defence minister, Mr P.V. Narasimha Rao, the minister of state for steel, Mr Natwar Singh, and other members of the Indian delegation for Mr Chernenko's funeral.

Remarks to Parliamentarians

Calcutta THE TELEGRAPH in English 15 Mar 85 p 1

[Text]

New Delhi, March 14: The Prime Minister, Mr Rajiv Gandhi, today said his visit to the Soviet Union had further strengthened the ties between the two countries.

Addressing a meeting of the Congress(I) party in Parliament, Mr Gandhi said both governments were hopeful that the friendship between the two nations would progress and strengthen. He said he met the new Soviet leader, Mr Mikhail Gorbachev, who spoke of increasing friendship with India and invited him to visit the Soviet Union later. He also extended an invitation to Mr Gorbachev to visit India which was accepted.

The Prime Minister said the Soviet Union under Mr Gorbachev's leadership would be stronger.

Referring to his meeting with the Pakistan President, Gen. Zia-ul Haq, Mr Rajiv Gandhi said the latter had assured him of a fair trial of the hijackers of the Indian plane. At the same time, Mr Gandhi told his party MPs that he had been shown a cutting of an interview given by Gen. Zia to a Japanese magazine in "which he said a lot of wrong things." The Prime Minister did not elaborate.

The Sri Lankan problem, he said, had to be solved politically and not militarily. He said he had received a note from the Sri Lankan government and "we are

trying to work out some solution." He pointed out that over 60,000 people had come into India from Sri Lanka and "this must stop, and stop only when violence stops on a group of people there."

Over 500 party MPs attended the meeting today which Mr Rajiv Gandhi addressed for about 35 minutes.

Message to Gorbachev: Mr Gandhi has in a message to Mr Gorbachev said he is confident that the traditional relations of sincere friendship and cooperation, which he said are a matter of great satisfaction to India and the Soviet Union, will continue to develop further, reports PTI from Moscow.

In a message last night from the aircraft which took him homeward, Mr Gandhi told the new Soviet leader that he looked forward to a greater exchange of views when they met again later this year.

He once again conveyed to Mr Gorbachev and to the Soviet people the sincere and heartfelt condolences of the Indian government and the people on the sad demise of President Chernenko.

Mr Gandhi and the high-level delegation accompanying him were seen off at the Sharemeteyev airport by Mr Nikolai Martynov, a Soviet deputy Premier, and Prof S. Nurul Hasan, India's ambassador to the USSR.

8 May 1985

Remarks to Newsmen

Calcutta THE TELEGRAPH in English 15 Mar 85 p 4

[Text]

New Delhi, March 14 (UNI): The Prime Minister, Mr Rajiv Gandhi, today expressed satisfaction at the "cordial and constructive talks" he had at Moscow with the new general secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev.

On his return here after attending the funeral of the late Soviet President, Konstantin U. Chernenko, Mr Gandhi told newsmen at the airport that he had "frank discussions" with Mr Gorbachev on bilateral and international issues and on disarmament.

Mr Gandhi appreciated the approach of the Soviet Union on the "cause of disarmament" and hoped that its efforts in that direction would succeed. He also referred to the "very good cooperation" between India and the Soviet Union.

Mr Gandhi said the invitation to visit the Soviet Union was

renewed to him. The date was yet to be finalised. He said that he had also discussed bilateral matters with the Pakistan President, Gen. Zia-ul Haq.

The Prime Minister said he had had discussions with the United States vice-president, Mr George Bush, on the situation in South Asia. His proposed visit to the US also came up during the talks, he added.

The foreign secretary, Mr Romesh Bhandari, would be visiting the South Asian countries as part of government's plan to further improve relations and cooperation with these countries, Mr Gandhi said.

The eight-member delegation which the Prime Minister led to the funeral also returned with him. It included the defence minister, Mr P.V. Narasimha Rao, the chairman of the policy planning committee in the external affairs ministry, Mr G. Parth-

asarathi, the minister of state for steel and mines, Mr K. Natwar Singh, the Friends of the Soviet Union president, Mr P. Shiv Shankar, the general secretary of the society, Mr K.R. Ganesh, and the foreign secretary, Mr Bhandari.

Mr Gandhi, who returned by a special Air-India flight, was received at the airport by the Parliamentary affairs minister, Mr H.K.L. Bhagat, the agriculture and rural development minister, Mr Buta Singh, and others.

PTI adds from Moscow: Mr Gandhi had a meeting last evening with the British Prime Minister, Mrs Margaret Thatcher, at the British embassy here. The Indian proposal for the United Nations 40th anniversary celebrations figured in the talks.

Premier Lamrani of Morocco called on Mr Gandhi and conveyed a message from his King.

HINDU Analyst's Report

Madras THE HINDU in English 15 Mar 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 14

The Prime Minister, Mr Rajiv Gandhi, returned to Delhi today immensely satisfied with the good rapport he was able to establish with the new Soviet leader, Mr Mikhail Gorbachev, at his very first meeting with him.

The meeting which lasted 40 minutes was the longest one Mr Gorbachev had with any of the foreign dignitaries that came to attend Chernenko's funeral was not intended to be a wide-ranging discussion covering many issues. As half the time would have been taken by the interpreter to translate what was being said by the two Heads of Government, the meeting was primarily intended to enable them to assure each other about the continued desire of their countries for close and mutually beneficial relations.

Intimate exchanges

Apart from Mr. Rajiv Gandhi and Mr. Gorbachev, the only others present at this meeting were Mr. P. V. Narasimha Rao and Mr. Andrei Gromyko, enabling the four to have more intimate exchanges in an informal atmosphere. A subtle reference was made to the attempts of some other powers to sour or strain Indo-Soviet relations, giving both Mr. Rajiv Gandhi and Mr. Gorbachev an opportunity to reaffirm their firm commitment to continue the policies of friendship and cooperation of their distinguished predecessors in mutual interest.

The young Prime Minister hit off equally well with the U.S. Vice President, Mr. George Bush, with whom he had a general exchange of views on Pakistan, Afghanistan and Sri Lanka, which would be figuring during his talks with the U.S. President Mr. Reagan in June when he goes to Washington. An interesting feature of this meeting was Mr. Rajiv Gandhi's acceptance of an invitation by Mr. Bush to spend a day with him at his home in Texas, the only other place he would be going to outside Washington during his forthcoming U.S. visit.

But those in the Government dealing with Indo-American relations are apprehensive that some of the top personalities in the Reagan administration might make the big mistake of imagining that they can charm Mr. Rajiv Gandhi into moving closer to the U.S. by assuming that his own Western orientation would make him much more responsive than his late mother

to such overtures. As a hard-headed politician he is not going to allow himself to be taken for a ride in the absence of some meaningful gestures aimed at making due amends for the past affronts followed by some positive steps both in the political and economic spheres to assure India of a genuine U.S. desire for better relations.

The Prime Minister's meeting with Gen. Zia-ul-Haq also went off reasonably well, according to senior officials who accompanied him on this Moscow visit. He welcomed Mr. Rajiv Gandhi's decision to send the Foreign Secretary to Islamabad shortly as part of his new diplomatic efforts to strengthen relations with all neighbouring nations.

Mr. Rajiv Gandhi also met the British Prime Minister, Mrs. Thatcher, the West German Chancellor, Mr. Kohl and the Japanese Prime Minister, Mr. Nakasone. The meeting with Mrs. Thatcher was important since it represented the start of a thaw after the recent freeze in Indo-British relations. The West German Chancellor invited him to pay a visit to Bonn, while Mr. Nakasone spoke of the Japanese desire for closer economic cooperation.

The Moroccan Prime Minister, Mr. Mohammed Karim Lamrani, also met Mr. Rajiv Gandhi, presumably to stress the incongruity of his visiting Algeria on his way to Washington, without paying a trip to his country. In view of the strained relations between the two North African States, Algeria has been supporting the Polisario in its struggle against Morocco.

INDIA

CPI GENERAL SECRETARY TALKS TO PRESS IN BHUBANESWAR

New Delhi PATRIOT in English 4 Apr 85 p 8

[Text]

Bhubaneswar, April 3 (UNI, PTI) — Communist Party of India general secretary C Rajewarsara Rao today ruled out any unification between his party and the CPI-M, saying it was a "far cry" in view of the latter's attitude.

He told newsmen here that it was because of his attitude that there could not be any electoral understanding between the two parties in Bihar and Andhra Pradesh during the recent assembly elections.

Describing this as "unfortunate", Mr Rao alleged that while in Andhra Pradesh the CPI-M has used the Telugu Desam against the CPI, in Bihar it had come to an understanding with the DMKP in the name of wider unity.

"They are harming the cause of left unity in the country", he said, adding that since the CPI-M was rushing to the press with all sorts of statements, "we have to defend ourselves".

Mr Rao was particularly sore over the fact that CPI-M leader B T Ranadive wrote an article just before the Lok Sabha elections holding the CPI responsible for left disunity, and assuming for the CPI-M the role of a truly revolutionary Marxist-Leninist group. "We will reply to this calumny".

He also charged the CPI-M with omitting any mention of unity in their resolutions, and claimed that it was his party that was more for such unity. He also denied that his party had not replied to two letters sent by the CPI-M.

Stressing the importance of projecting left unity not only in Bihar and Andhra Pradesh but also in Tamilnadu, Uttar Pradesh, Maharashtra and Punjab, Mr Rao said the CPI-M's stance was hampering such a possibility.

India has hardly any option other than pursuing its policy of non-alignment and friendly relations with the socialist countries, Mr Rao, said.

"Liberal concessions and incentives" provided to the multi nationals and monopoly

houses in the current year's union budget should not create any misunderstanding in that regard.

"Pulls and pressures" on India to change her foreign policy, Mr Rao said, were not likely to have any effect in view of the situation resulting from "hostile attitude" of the US towards the country.

Mr Rao said the US had been continuously adopting a hostile approach to India "by supplying arms to our neighbouring countries who have taken up aggressive postures towards us".

In the context of such a situation, he said, India had nowhere to go but to follow its path of non-alignment despite pulls and pressures.

It will be difficult for Prime Minister Rajiv Gandhi to go in for any other policy, he said.

He cited instances of several countries pursuing progressive foreign policies but reactionary domestic policies including suppression of Leftist forces.

Even late Prime Minister Indira Gandhi, Mr Rao said, had consistently followed a policy of peace and non-alignment in external affairs bestowing at the same time concessions to the multi-nationals and monopoly houses and also suppressing the leftist forces at home.

Mr Rao described the budget as "pro-monopolistic, pro-affluent, anti-people and inflationary."

It has thrown the country into a deep crisis by eroding self-reliance and increased the misery of the people, he said adding that the budget was meant to provide enormous aid to the monopolists and a good life to the affluent minority.

The CPI, he said would oppose tooth and nail the "retrograde" and anti-people policies and proposals contained in the budget and work for building up a powerful broad based mass movement along with other Left and democratic parties for reversal of such policies.

INDIA

ACTIVITIES OF VIETNAMESE DEFENSE MINISTER REPORTED

Madras THE HINDU in English 27 Mar 85 p 9

[Article by G.K. Reddy]

[Text] New Delhi, March 26--The Vietnamese Defence Minister, Senior Genral Van Tien Dung, who is also Chief of the General Staff of his country's armed forces, arrived today on a week-long official visit to India, accompanied by a high-power delegation.

The delegation included the Deputy Defence Minister, Lt-Gen Tran Van Quang, the Navy Chief, Vice-Admiral Giap Van Cuong, the Air Force Chief, Lt-Gen Dao Dinh Luyen, and the Deputy Chief of the Army Staff, Gen Phung The Tai, besides some officials of the Foreign Ministry of the Vietnamese Government.

This is the first time that the Vietnamese Defence Minister is visiting a country outside the Soviet bloc, but then India has very close and cordial relations with it. As the Vietnamese army does not have the rank of Marshal, its Defence Minister has been designated "Senior General" (the highest military status accorded to anybody in that country) which is equivalent to that of a Marshal in China or the Soviet Union.

First round of talks: The Defence Ministers of India and Vietnam, Mr P.V. Narasimha Rao, and Gen Van Tien Dung, had their first round of official talks this afternoon, assisted by senior Army, Navy and Air Force officers of the two sides. They shared their perceptions of the security environment in the South and South-East Asian regions. Gen Dung later called on the President, Mr Zail Singh, at Rashtrapati Bhavan. He will also be meeting the Vice-President, Mr R. Venkataraman, and the Prime Minister, Mr Rajiv Gandhi, during his stay in Delhi.

He is expected to visit a number of Indian defence establishments in Jodhpur, Bombay, Dehra Dun, Kanpur and Agra to get an idea of India's capabilities and potentialities in defending the country and acquiring greater self-reliance in the manufacture of sophisticated equipment for its Army, Navy and Air Force.

Indo-Vietnamese ties: At a dinner he hosted tonight in honour of the Vietnamese Defence Minister and his delegation, Mr Narasimha Rao spoke eloquently of Indo-Vietnamese friendship and cooperation, while reiterating India's readiness to offer all possible assistance to Vietnam in its massive task of national reconstruction. He said India was prepared to help "in whatever way we can, to be partners in your future."

He added: "Bitter memories of alien rule and the traumatic imprint of imposed wars could well have scarred our national personalities. Instead, they have infused these with a vigour and resilience which may not seem so evident on the surface."

Ten years ago, Mr Rao continued, the people of India had responded to the emergence of your freedom with the call "Apka nam hamara nam Vietnam" (your name and our name is Vietnam). The same spirit continued to reflect the relationship between the two countries today.

High esteem for India: The Vietnamese Defence Minister spoke in equally eloquent terms about his country's high esteem for India and its many achievements since independence. He hoped that Vietnam could benefit from India's varied experience in the agricultural and industrial spheres, while expressing his country's gratitude for the help it was receiving from India for its national reconstruction.

After the legendary General Giap, the visiting Vietnamese Defence Minister, Gen Dung, is known to be the most highly rated military strategist of his country who had fought the French, American and Chinese armies with extraordinary skill and an unfailing intuition in utilising the element of surprise to his advantage in outwitting them.

CSO: 4600/1478

INDIA

CORRESPONDENT REPORTS ON SIKHS IN UNITED STATES

Calcutta THE STATESMAN in English 1 Apr 85 pp 1, 5

[Article by Warren Unna]

[Text] Canada may have the more radical and volatile overseas Sikh population in North America, but the most prominent individual leaders appear to be in the U.S. Three are longtime U.S. residents and citizens: Ganga Singh Dhillon, Didar Singh Bains and Narinder Singh Kapany.

Many overseas Sikhs may be coy about openly advocating the separation of India's Punjab into an independent State called Khalistan. Not Ganga Singh Dhillon.

"He has placed his life and all his resources at the disposal of the nation to accomplish this objective," Dhillon writes of himself in a Press release issued by his Sri Nankana Sahib Foundation which is dedicated to the cause. Dhillon, now an American citizen living in a prosperous Virginia suburb close to the home of America's own founding father, George Washington, also is president of the Sikh Commonwealth Foundation which has offices in Nairobi and London. And Chairman of the World Sikh Organization's foreign affairs committee.

In his combined capacities, he has developed a special affinity with Pakistan. He began visiting that country nine years ago to help maintain the Sikh shrines; took a leading part in last November's "pilgrimage" to Nankana Sahib in which he also managed to be garlanded and granted a lengthy audience with President Zia; and sees Pakistan and Khalistan as a bulwark against further Soviet and Indian mucking about in the subcontinent.

British Annexation

"As a 14-year-old student in Lahore, I was out in the streets carrying a placard at the time of partition," he recalled. "After the Golden Temple massacre, I said it now was up to the Hindus to prove to the Sikhs that they can live in India. On November 1, the Hindus gave their answer. Khalistan dates back to 1849 when the British annexed Punjab. Today it is the Indian Punjab where the Sikhs are mainly populated and, of course, those portions of Rajasthan, Haryana, Himachal Pradesh and Jammu and Kashmir which are Sikh-populated."

Not Pakistan? "No, it's a sovereign State and there are no Sikhs living there. Now people from all over the world can go to Pakistan without any hindrance to visit the Sikh shrines."

He also has some thoughts on Indo-Pakistani relations: "Next, India will attack Pakistan. It has five objectives: to destroy Pakistan's nuclear facilities, just like Israel did in Iraq; to advance Indian forces in Kashmir, leaving Amritsar and the Golden Temple to attack, and then retreating to burn and destroy every village and say it was done by the Pakistanis; to allow Afghan and Soviet forces to penetrate into Baluchistan with a portion going to Afghanistan so the Soviets can have access to warm water; to allow the Sindhis to have an independent Sind; to bring Pakistan to the point where it becomes just another Nepal, or Bhutan, or Sri Lanka."

"Our objective is to alert the world to wake up," Dhillon declared. "As an American citizen (for the past 10 years, as a Sikh-American Washington area resident for the past 22 years), I feel I have the right to convince the lawmakers of this land that the small two percent minority of India can only survive if they become masters of their own destiny, and not just Mr Gandhi's." He already has convinced U.S. Senator Jesse Helms of North Carolina, the U.S. Congress' leading conservative gadfly who, a few years ago, bullied the U.S. State Department into granting a visitor's visa to Jagjit Singh Chauhan, the London-based "president of the Republic of Khalistan Government in exile." Last year, the U.S. State Department stiffened its spine and turned down Senator Helms when he pressured again.

Disarmament Talks

Ganga Singh Dhillon isn't too high on the U.S. State Department anyway: "The young Prime Minister will come here (this June) and the State Department, to make India closer, will say, "Don't interfere: It will effect disarmament talks with the Soviet Union."

For all his bold statements, the greying, stocky, medium-height Dhillon is soft-spoken, even mild. He postponed an interview at this reporter's house three times, finally confiding over a discreet cafeteria table in the library of Congress that he was afraid someone might have taken a pot shot at him where he to have alighted from his car at my front door. His Mount Vernon, Virginia, home happily is protected by a hefty guard in residence; India's javelin champion Gurtej Singh Dhaliwal, who decided to remain in the U.S. after last summer's Los Angeles Olympic Games.

As for money, Dhillon says his income comes from helping minorities form companies and gain contacts. He has no intention of returning to settle in an independent Khalistan: "My job is here." But, "if need be, we will send them financial help." As for shipping arms to help establish a Khalistan, he has not been so involved, and knows of no guns being dispatched.

Telephone Talk

Dhillon saw Sant Jarnail Singh Bhindranwale during his last visit to India in March 1981. (Indian authorities turned him back at the airport a year later); and he had a telephone talk with Bhindranwale last May 22, just before his death in the Golden Temple. As for the cassettes of Bhindranwale's speeches, the badges and the photos of him distributed at last November's pilgrimage in Nankana Sahib, that was none of his doing: "People from England brought them."

Last month, when the Rand McNally map publishing house had the temerity to list Yuba City, California, as the least desirable habitat in the United States, the local chamber of commerce immediately trotted out Didar Singh Bains to say a few contrary words before the CBS television network camera.

Bains, president of the World Sikh Organization, umbrella group for the overseas Sikh communities, not only is Yuba City's leading citizen and entrepreneur, he is a global success story.

Sacramento Valley

His grandfather was among the first Sikh farmers settling in that lush Sacramento river valley delta land when he emigrated from Punjab's Hoshiarpur district in 1905. His father was sent to join the grandfather in 1948. And when Didar Singh Bains, in his turn, was sent to join them at the age of 19, in 1958, the family farmed a respectable 10 acres. Today, Didar Singh Bains has expanded that a bit. He has 1,500 acres of prune trees, 1,200 acres of walnut trees, more than 1,000 acres of peach trees, additional acres of almond trees, alfalfa and wheat, berry fields and surrounding Vancouver airport up north in Canada's British Columbia (to which he commutes by private jet plane); and was under the modest assumption that he is America's biggest grower of cling peaches, the kind used for canning. "Now they tell me I am the world's biggest grower," he said.

Bains, who is tall, ample-bellied, unfancy and grayly-grizzled, acknowledged that he shaved his hair and beard when he came to America and put on the turban and let them grow again only four years ago: "I was reading the Bible and praying and decided whatever the Sikhs should do I should do. That is why we think this is a full, complete life. People can't be half-pregnant. I got baptized and my wife will one day, too."

His country farmland near California's capital of Sacramento perhaps represents the biggest Sikh cluster in the U.S., an estimated 8,000 to 10,000, and new immigrants keep finding their way there for ready work in the fields. Bains got them together to build a new gurdwara complex, complete with playing fields (he donated the land), health clinic, entertainment space and a large kitchen.

First Gathering

"Jhetmalani, the Bombay Opposition leader, was here last year. George Fernandes was here a few weeks ago," he said. And, when interviewed at his tiny farm office at the end of February, he was about to host the first gathering of DSO leaders from East and West.

Maj-Gen (Retd) Jaswant Singh Bhullar, as WSO secretary general, undoubtedly is the group's guiding spirit. But Bains is the titular head and, as an American citizen, he is allowed to be the chief spokesman when the WSO sits down with Senators and Congressmen in Washington to gain sympathetic American ears for the Sikh cause.

"All the Sikhs want Khalistan. Well, most. There are some black sheep--Government-paid people," Bains recounted. "Before, people living abroad were not much serious. But since the attack on the shrine, people are against the Indian Government. After Mrs Gandhi's assassination (and the attack on the Sikhs) people just made up their mind that the Government has no feeling for the Sikhs. This Prime Minister, he doesn't know what he is doing. I think he was the main cause to give his mother wrong advice. He plays the English divide-and-rule. I think the time will come when he will make a mistake up in that area, maybe in two, two and a half years. Some 50,000 Sikhs have been killed all over Delhi and Amritsar. They are somebody's relatives."

Do he and the WSO then believe in "extremist" tactics to send arms and money through Pakistan to help the cause, as the Government of India believes? "Total lie. We don't have any extremism over here," Bains retorted angrily. "India wants some kind of excuse to attack Pakistan. They need help. We try to send them some money, clothes. But the Indian Government doesn't want it. I am a U.S. citizen, but I can't go there now. I last was there in January, 1984."

"Third Agency"

He cited the Indian magazine Surya, as documentation that the Indian Government employs a "third agency" to manipulate matters against the Sikhs: "They go on the Pakistan border and (it is they who) sell all the weapons to the Sikhs."

"Rajiv thinks he is the one who owns the country. But our great grand-fathers had a lot of money to develop it and Punjab people abroad sent money. Punjab is not built by the Indian Government. We are not fighting the Indian Government. They have all the shots. The ball is in their court. We just like to tell the people the Government is not interested in doing anything for the Sikhs," Bains explained.

As Narinder Singh Kapany tells it, Prime Minister Nehru was in such agreement he should become first, science adviser to India's Defence Ministry, and then move on to integrating Indian business into a defence industrial complex, that Nehru initiated the file and instructed the reviewing committee approval must be granted in 30 days.

Instead, it came two years later after Kapany had moved on from heading a team of scientists at America's University of Chicago to settling in northern California. It was too late.

Not that Kapany, a native of Dehra Dun and the recipient of a doctorate in physics in England, is unhappy. He went on to invent fibre optics, now the latest word in communications technology. And, as head of his own Kaptron Inc., computer plant in Palo Alto, below San Francisco, he has become known as the millionaire Sikh of Silicon Valley, the hub of America's computer industry.

Sikh Culture

But Kapany, a turbaned and sentimental Sikh who founded his own Sikh Foundation to promote Sikh culture, is definitely not happy with what has been happening to his people back home in India.

"I am a scientist-entrepreneur type, not a politician. But I am convinced the attack on the Golden Temple was avoidable, unnecessary; that they killed five or ten times more people than admitted; that the plot on Mrs Gandhi was not by the KGB or the CIA, or any organized Sikh movement; that the assassination of Sikhs which followed was premeditated, pre-planned; that the Government of India embarked on a campaign to malign the Sikhs living abroad as extremists and terrorists long before the Golden Temple," this 55-year-old U.S. citizen said in measured, firm tones over a sandwich in his modest office.

Why? "Hindu fundamentalism in northern India, and only northern India; and the desire for decentralization of power from Delhi to the various States in India. The Sikhs have been the most vocal group. And, contrary to Rajiv Gandhi's statement that he will give Punjab the highest priority, he has not done so. He has shaken up some segments of the Government. But the people who represented the anti-Sikh sentiment to Mrs Gandhi are still there. Both Gandhi's insisted that the problem is the Sikhs living abroad. Then why do they have to kill tens of thousands of Sikhs living at home? Why are they being persecuted?" Kapany asked.

Sikh Cause

He denounced as "fabrications" the Indian Government charges that overseas Sikhs are sending arms and money to fight the Sikh cause. He also said that, while he holds no office in the World Sikh Organization, its secretary general, Maj Gen (Retd) Jaswant Singh Bhullar, is "trying only to unite the Sikhs and get them focused on their demands."

"I think the alienation is permanent and complete. I think the Sikhs are in for a very tough time. The U.S. State Department wants to give Rajiv two years before making a judgment. I am sorry. The Sikhs don't have two years. I led my entire class at the Doon School when Mahatma Gandhi called for a national movement in 1982. In 1984, I felt totally betrayed. India is undergoing a crisis of national character. In the name of 'secularism'

they even have reduced the number of Sikhs from their old world champion hockey team. Is that not national suicide? And if I were Rajiv Gandhi, one of the first steps I would take would be to remove all the Indian diplomats in the U.S., Canada and the U.K. They have embarked on such a vicious campaign against the Sikhs," Kapany declared.

Last summer Kapany denounced India's Ambassador to the U.S., K. Shankar Bajpai for refusing to issue visas to a fact-finding team he had organized to visit Punjab to investigate the late Prime Minister's "genocide" tactics.

(To be continued)

CSO: 4600/1475

INDIA

REPORT ON RAO MEETINGS WITH SOVIET LEADERS IN MOSCOW

New Delhi PATRIOT in English 2 Apr 85 p 1

[Text]

Moscow, April 1 (PTI) — Indian External Affairs Minister P V Narasimha Rao and Soviet Foreign Minister Andrei Gromyko expressed satisfaction today that friendly Indo-Soviet relations and many-sided ties are developing on the basis of the treaty of peace, friendship and cooperation, says a Kremlin communique.

The two leaders exchanged views on bilateral relations and key international issues in an atmosphere of friendship and mutual understanding.

Mr Rao is currently on an official visit to the Soviet Union.

Mr Gromyko spoke highly of the Delhi Declaration call of the six-nation summit for an end to the arms race, reduction and scrap nuclear arsenals and eliminate the threat of nuclear war.

Mr Rao said preservation and strengthening of universal peace received the attention of the Rajiv Gandhi government, and affirmed that India has a stake in the success of the Soviet-American talks in Geneva.

Mr Gromyko also expressed the Soviet people's understanding and sympathy for the efforts made by the Indian people "for strengthening their country's national independence and unity and her economic and defence potential".

Earlier in the day, Mr Narasimha Rao had talks with Soviet Defence Minister Sergei Sokolov and expressed concern at the induction of sophisticated arms into India's neighbourhood.

"We would be naive not to draw our lessons from past experience", he observed, "almost as naive as those who would have us believe that lethal sea-based missiles are intended for protection from land-locked countries".

Speaking at a luncheon hosted by Soviet Defence Minister Marshal Sergei Sokolov in his honour, Mr Rao affirmed: "Let no one doubt our resolve and our capacity to preserve our freedom and protect our integrity".

Mr Narasimha Rao said that India would, however, continue efforts to bring about greater understanding in its region even as it builds up defence to meet its legitimate needs.

India's aim was to reduce tension and promote positive cooperation, he said expressing appreciation of the Soviet understanding of India's efforts.

The two Defence Ministers earlier led their national delegations at the Indo-Soviet defence talks that got underway today after two postponements forced by the assassination of Indian Prime Minister Mrs Indira Gandhi and the death of Soviet President Chernenko.

The last round of defence talks between the two countries was held in Delhi in March 1984 between delegations led by Mr R Venkataraman and late Marshal Dmitry Ustinov.

Mr Rao said the continued militarisation of the Indian Ocean could not but cause concern to India and other States in the region.

CSO: 4600/1476

INDIA

INDIA IN TOUCH WITH IRAN OVER PEACE INITIATIVE

Madras THE HINDU in English 28 Mar 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 27.

The Governments of India and Iran are trying to work out mutually convenient dates for an early visit to Teheran by the Minister of State for External Affairs, Mr. Khurshed Alam Khan, and the Foreign Secretary, Mr. Romesh Bhandari, to carry forward the latest Indian peace initiative for ending the tragic Gulf war.

It appears that the visit will take place after the Naoroz holidays in Iran which end on April 4, since most of the senior Ministers who are in a position to speak on behalf of the Iranian Government are at present on the war front during this Shia festival which is of special importance to Iran.

The two Indian emissaries who have had detailed discussions in Baghdad would like to elicit the Iranian reaction to various ideas emerging from these talks, before formulating any specific proposals for a limited or comprehensive ceasefire.

Saddam's posers: The Iraqi President, Mr. Saddam Hussein, who has all along been responding favourably to the non-aligned pleas for a ceasefire, posed some questions during his talks with Mr. Khurshed Alam Khan and Mr. Bhandari in Baghdad last week. They were in no position to offer any instant elucidations without first consulting the Prime Minister, Mr. Rajiv Gandhi, and ascertaining the Iranian views on them.

The two Indian emissaries, therefore, flew back to Delhi without going to Teheran, since they felt that the Government of India would have to consider carefully the implications of the Iraqi posers before putting them across to the Iranian Government. The External Affairs Ministry has been giving serious thought to the modalities of first bringing about a cessation of hostilities and then ensuring the observance of the ceasefire pending a negotiated settlement of the border dispute.

The Iraqi President wanted to know what steps Mr. Rajiv Gandhi had in mind for ensuring strict observance of the ceasefire, if it was agreed upon by both sides, whether he had

given thought to the need for inducting a peace-keeping force or at least stationing international observers to report on violations. He also inquired whether what India was envisaging to be an entirely non-aligned effort or whether it was thinking of associating the United Nations to give a wider international character to it.

Rigid postures: Unfortunately, feeling have hardened considerably in both Iraq and Iran in the last three weeks following the latest escalation of the conflict. The two warring nations which sounded a little more reasonable to the Indian appeals to refrain from attacks on civilian targets started adopting more rigid postures with the intensification of the fighting on the battle fronts.

Interim steps: The main Indian effort now is directed at some interim steps to bring about a de-escalation of the fighting, so that the suggestions for a comprehensive ceasefire and its supervision could be considered more dispassionately in a calmer atmosphere. So the two Indian emissaries will try to explore in Teheran the possibilities of disengaging the two armies first before discussing the prospects of a comprehensive or limited ceasefire.

As the current flare-up on the ground is confined by and large to the southern sector, the idea of a sectoral ceasefire was also considered at one stage, before the mediators were overtaken by other events. The Minister of State and the Foreign Secretary had taken with them a senior officer from the Indian Directorate of Military Operations in Delhi to provide professional advice on matters pertaining to the demarcation of sectors and enforcement of ceasefire if the Iraqi response offered enough opportunity for discussing these procedural issues before going to Teheran.

Situation fluid: At the moment the whole situation is so very fluid that it is difficult to visualise whether India would be able to succeed in disengaging the two armies for de-escalating the conflict as a prelude to a ceasefire if it is at all possible in the present circumstances.

INDIA

REPORTAGE ON EFFORTS TO SOLVE SRI LANKA TAMIL PROBLEM

Analyst on Bhandari Colombo Visit

Madras THE HINDU in English 15 Mar 85 p 1

[Article by G.K. Reddy]

[Text]

Colombo, March 27 (UNI)—India and Sri Lanka tonight agreed that as a first step it was necessary to bring about a "cessation of all acts of violence" to create a conducive atmosphere for resumption of a political dialogue to resolve the ethnic problem facing the island nation.

A communique, issued at the end of Foreign Secretary Romesh Bhandari's visit here, said the solution should be within the framework of the "unity, sovereignty and integrity" of Sri Lanka.

"It was agreed that cessation of all acts of violence is necessary in order to create an atmosphere conducive to the resumption of a political dialogue," the communique said.

"The discussions with Mr Bhandari were quite frank and useful and the exchange of views between the two sides covered a wide range of issues."

Specifying the issues discussed, the Sri Lankan Foreign Ministry said "they related to international, regional, bilateral and other matters of mutual interest and concern. "Among these were several aspects of ethnic problem facing Sri Lanka and the Indo-Ceylon agreement of 1964.

The communique said Mr Bhandari had assured Sri Lankan leaders that India was opposed to all forms of violence and it was her desire to see a united, stable and prosperous Sri Lanka.

"It was also agreed that steps be taken to improve communications and travel facilities between the two countries and maintain practice of regulations consultation at official level on bilateral and regional matters."

Earlier, Sri Lankan Rural Industries Minister S S Thondaman also said that the only way out of the ethnic crisis in Sri Lanka was a summit between President J R Jayewardene and Prime Minister Rajiv Gandhi.

Mr Thondaman, who had a meeting with India's Foreign Secretary Romesh Bhandari, said negotiations between political parties in Sri Lanka would be futile. "The Indian and Sri Lankan Governments should sit together and work out a solution."

Mr Bhandari today lunched with Mr Jayewardene at which they had their final round of talks.

Mr Bhandari feels the Jayewardene Government is "very receptive" to proposals to solve the ethnic issue and that his talks with the island's leaders have gone much better than expected.

Mr Bhandari is reported to have conveyed his impressions to former Sri Lankan Prime Minister Sirimavo Bandaranaike, the leader of the opposition Freedom Party, and her son Anura, leader of the opposition in the National Assembly, during his meeting with them today.

8 May 1985

Efforts to Diffuse Crisis

Madras THE HINDU in English 16 Mar 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 15.

The Minister of State for External Affairs, Mr. Khurshed Alam Khan, told Parliament today that the Government of India was in touch with the Sri Lankan Government exploring "all possibilities that would defuse the situation and facilitate an enduring settlement" of the Tamil problem.

"As the nature of our on-going discussions is confidential", the Minister said, "I cannot divulge any details at this moment." He, however, assured that at the appropriate time Parliament would be taken into confidence about the outcome of these efforts.

Several suggestions: In a carefully-worded statement he made in both the Houses, Mr. Khan disclosed that during the recent visit to Delhi by the Sri Lankan Minister for National Security, Mr. Lalith Athulathmudali, "a number of suggestions" had been made by both sides which, he stressed, had to be viewed in the "totality of the situation prevailing in Sri Lanka and its fall out on us." In conveying to the Sri Lankan Government India's readiness to help in any appropriate way if it so desired, the Prime Minister, Mr. Rajiv Gandhi, had emphasised during his talks with Mr. Athulathmudali that ultimately the Sri Lankan Government itself would have to find a political solution to the island's ethnic problem.

Recriminations will not help: The Minister said: "While the situation in Sri Lanka continues to be unstable, it would be unwise to enter into an exchange of recriminations. All parties need to consider the problem in a constructive and sympathetic spirit. We continue to believe that only a political solution within the framework of Sri Lanka's unity, sovereignty and territorial integrity, acceptable to all concerned, can resolve the ethnic problem".

The statement came very close to deploring the insurgency of the Tamil Tigers in saying that "violence, from whatever sources, is not the answer" to the present tragic situation, while condemning the Sri Lankan Army excesses that were leading to the exodus of refugees by creating a tense situation. A very large number of refugees had left Sri Lanka over the last

month and more than 15,000 arrived in India over the 50,000 who had fled to this country after the July, 1983 carnage.

Strain on India: This influx of refugees had placed a severe strain on the Tamil Nadu and Central Governments which had to provide temporary shelter and food to them. The Government of India had, therefore, been asking the Sri Lankan Government to stop Army excesses, and create appropriate conditions not to only dissuade the Tamils from leaving the island but also enable those who have already left to return to their homes in honour and safety to resume their peaceful.

The Minister referred to the incidents in the Palk Strait in the last few months in which Indian fishermen had been killed, injured or arrested by Sri Lankan naval patrol boats. In conveying its concern to Sri Lanka in the "strongest possible terms," India had also sought compensation for the loss of lives and property.

Full protection to fishermen: He said: "Full protection is being provided to our fishermen inside our own maritime zone and Coast Guard and naval patrolling has been intensified. Since last month, additional air surveillance has been introduced."

The Minister made this statement suo motu on the Sri Lankan situation, since many members in both the Lok Sabha and the Rajya Sabha have been pressing for a discussion through calling attention motions or regular debates to voice their grave concern over the plight of the Tamil population. The Government did not want to say anything more on the subject while diplomatic efforts were in progress to bring about a resumption of negotiations.

DMK members walk out: The two DMK members in the Lok Sabha, Dr. A. Kalanidhi and Mr. N. V. N. Somu, walked out in protest expressing their disappointment over the statement. But in the Rajya Sabha the rules of procedure entitled members to voice their strong feelings over what was happening in Sri Lanka in the form of questions seeking clarifications of what had been said in the statement by the Government.

Report on Visit Communiqué

New Delhi PATRIOT in English 28 Mar 85 p 1

[Text]

NEW DELHI, March 14.

The Prime Minister, Mr. Rajiv Gandhi, today told the Congress (I) Parliamentary Party that he had received recently a "note" from the Sri Lanka Government on the Tamil problem and "we are trying to work out some solution."

But Mr. Rajiv Gandhi has had no fresh communication as such from the President of Sri Lanka, Mr. J. R. Jayewardene, other than some routine messages that were exchanged following the invitation to him to pay a visit to Delhi for talks on the ethnic question.

The Prime Minister was presumably referring to the *aide-memoire* that the High Commissioner of Sri Lanka, Mr. Bernard Tilakratne, gave the Foreign Secretary, Mr. Romesh Bhandari, containing the points he had made in the course of their discussion on March 2 after his return from consultations in Colombo.

Apart from what Mr. Bhandari told Mr. Tilakratne in the course of their discussions, the Indian desire for exploring every possible avenue to find a lasting political solution was adequately reflected in the last sentence of the statement on the Sri Lankan situation made by the leader of the Indian delegation, Mr. G. S. Dhillon, before the Human Rights Commission in Geneva last week. He said: "I would not like to say more because consultations are under way between our Governments for defusing the situation, so that a climate conducive to a political settlement is created."

It is in this context the *aide-memoire* has come to assume some importance. The Prime

Minister's reference to the "note" from the Sri Lankan Government has created the impression that some secret diplomatic exchanges are in progress on how best to prevent further bloodshed and create a climate of conciliation before a fresh attempt is made to settle the Tamil problem.

So during his talks with the Foreign Secretary, the Sri Lankan High Commissioner stressed that if India was not agreeable to a joint surveillance to prevent the clandestine movements of Eelam Tigers across the Palk Strait, the Government of India should direct the Navy and Coast Guard to stop these movements, besides exerting its political influence to make the extremist groups give up their campaign of violence.

No commitment on demand: But there is no matching commitment by the Jayewardene Government to concede at least the substance of the Tamils demand for regional autonomy to enable the minority community to live with honour and security in areas where the Tamils are in a majority as part of a united State. The *aide-memoire* talks of a negotiated political solution without spelling out the scope of a possible settlement.

There is no likelihood of an early meeting between the Prime Minister and Mr. Jayewardene but the Foreign Secretary will be going to Colombo shortly in the course of his bilateral visits to all neighbouring countries, including Pakistan. It will enable the two Governments to have further exchanges on what could be done to end the bloodshed in the Jaffna area and restore normal conditions to enable the 60,000 Tamil refugees to return to their homes.

CSO: 4600/1472

INDIA

GANDHI EFFORTS TO IMPROVE RELATIONS WITH NEIGHBORS

Madras THE HINDU in English 24 Mar 85 p 2

[Article by G.K. Reddy]

[Text]

AFTER the budget, the Prime Minister, Mr. Rajiv Gandhi, is concentrating his attention on improving relations with neighbouring countries, especially Sri Lanka and Pakistan. One of the first things he did on assuming office was to impress on senior officials of the Prime Minister's Secretariat and the External Affairs Ministry the need for a more imaginative approach to neighbourhood diplomacy consistent with India's national interests. He enlarged the scope of neighbours to include China, Burma and Afghanistan among them for geopolitical reasons.

The impending visits of the Foreign Secretary, Mr. Romesh Bhandari, to Colombo, Kathmandu, Kabul and Islamabad, and in due course to Dhaka, Thimpu, Male and possibly Rangoon, represent the pursuit of this neighbourhood diplomacy with renewed vigour to dispel misunderstandings and strive for better relations with all of them. The recurring frictions with some of these countries cannot be eliminated overnight, but a more meaningful beginning can be made to concentrate on the positive aspects of bilateral relationships.

Unusual feature

A rather unusual feature of the South Asian scene is that, though India has common land or maritime borders with Pakistan, Nepal, Bhutan, Bangladesh, Burma, Sri Lanka and Maldives, these countries with the exception of Bangladesh and Burma do not share any contiguous frontiers between themselves. The only other country that has borders with India's northern neighbours is China, which by virtue of its presence in Sinkiang and Tibet has common frontiers with Afghanistan and Pakistan, Nepal and Bhutan, besides Burma that shares a frontier with the Chinese mainland along the Yunnan Province.

There can be no lasting improvement in India's relations with Pakistan and Nepal, for instance, so long as the border dispute with China remains unsettled, since these two neighbouring countries tend to over-play the China card in the hope of exerting pressures on India or at least enhancing their negotiating positions. It is not the only complicating factor in India's relationship with some of its neighbours, since the superpower rivalries in the region have also been emboldening them to adopt unduly rigid attitudes at times of sharpening tensions. Internal developments like the Punjab and Assam problems, have enabled Pakistan and Bangladesh to interfere in one form or the other, adding to the country's domestic embarrassments.

It is in realisation of the inter-action of all these complex cross-influence and counter-pressures at work that Mr. Rajiv Gandhi decided that India's new neighbourhood diplomacy should be extended beyond the country's geographical borders to be able to tackle problems of bilateral relationships in the totality of the regional situation. He wants to adopt an integral and not compartmental approach to this whole effort, with the result that in the current Indian thinking a border settlement with China has acquired additional importance, because of the feeling that it would help to eliminate a complicating element from the country's relationship with its more immediate neighbours.

But the idea can be firmed up into a policy only if China also is prepared to play its part in giving a new depth and dimension to this new concept of good neighbourly relations in the whole of South Asia based on a mutuality of interests. It is not necessary to wait for a settlement of the border dispute, if China also

comprehends the advantages of such an imaginative approach to regional problems. The very logic of a shared interest in the promotion of better understanding and preservation of peace in this vast area would oblige India to adopt a less equivocal stand on Afghanistan to allay the fears of Pakistan and reassure China in the process that it is not blindly toeing the Soviet line unmindful of the feelings of other South Asian nations.

The coming visits of Mr. Bhandari to Kabul and Islamabad offer India a chance to play a helpful role by exploring the prospects of a direct dialogue between Afghanistan and Pakistan. There is no need for India to continue to be somewhat apologetic about the Soviet presence, since Moscow has now stopped even talking of an eventual withdrawal from Afghanistan. As the largest country in the region, India can contribute to some new thinking on the Afghan problem by encouraging both Kabul and Islamabad to explore other ways of resolving the tangle. Instead of acting as helpless proxies of the Soviet Union and the U.S.

Litmus test

The litmus test for India's new neighbourhood diplomacy is to what extent it helps or hinders the current efforts under way for improving relations with Pakistan. It can, no doubt, be argued that India cannot succeed in establishing a better understanding with Pakistan, until a real breakthrough has been achieved in Indo-American relations, that the U.S. will not trust India until it moves away from the Soviet Union, that this is too high a price which no Indian Government worth its salt would pay for the dubious distinction of qualifying for American support. In practising the art of the possible, India cannot also afford to foreclose the option of striving for a more equitable relationship with the two superpowers to disengage itself from the ruinous arms race triggered by the renewed U.S. military assistance to Pakistan after the Soviet intervention in Afghanistan.

In the last two decades since the Sino-Indian border conflict, followed by the 1965 and 1971 wars with Pakistan, India's defence expenditure has multiplied 14 times, while Pakistan's outlay has increased 28 times. The budget allocations for defence in the last three financial years were Rs. 4,651 crores, Rs. 5,350 crores and Rs. 6,850 crores, while the provision made for 1985-86 is Rs. 7,686 crores. The defence expenditure during the Seventh Plan period, at this rate, might go up to a total of Rs. 50,000 crores. It is little consolation that Pakistan spends over Rs. 3,000 crores a year on its defence, despite the assistance it receives from the U.S. If this conventional arms race leads to a nuclear one at some stage, the defence expenditure of the two countries will get completely out of control crippling their economic development.

It was, therefore, bold and imaginative on the part of Mr. Rajiv Gandhi to have taken the initiative for improving relations with Pakistan, despite its involvement in the Punjab situation. His advisers no longer depend unduly on leftist advice for adhering rigidly to the previous postures on Afghanistan and Kampuchea, without voicing even privately their disappointment over the lack of progress in resolving the two problems. At the same time he has made it clear to the U.S. that it was mistaken in imagining that he could be charmed and placated into adopting a pro-western stance with some overtures and platitudes, without substantial gestures accepting unreservedly the primacy of India in this vast region.

Complex situation

The ethnic situation in Sri Lanka is too complex to be resolved with mere expressions of goodwill and reaffirmation of support by the unity and integrity of this island nation. The Indian policy has to be designed to secure the legitimate rights of the Tamil community within the framework of a single State. There is every danger of India's new neighbourhood policy being mistaken in Colombo for a quiet and unceremonious abandonment of the tougher stand taken in Indira Gandhi's time. The Foreign Secretary has to be adequately forewarned before he goes to Colombo that even wellmeaning exuberance beyond a point is bound to be misconstrued and wrong conclusions drawn from it.

There is little scope for expanding Mr. J. R. Jayewardene's offer of limited devolution to provide even a semblance of regional autonomy to the Tamils through district and provincial councils as envisaged in his proposals for so-called participatory democracy presented to the all-party conference. The ethnic issue will have to be examined *de novo* for evolving an entirely different framework for settling the Tamil problem. The alternative is going to be a tragic drift followed by further bloodshed and paralysis of life in this paradise island which will be faced with a much bigger convulsion as it gets caught up in the savage cycle of blind hatred and indiscriminate violence.

The distressing situation in Sri Lanka calls for some plain speaking followed by candid advice, with the main accent on helping Sri Lanka to help itself, to avail itself of the Indian good offices and seek an early settlement before it becomes too late for averting the tragedy of a Cyprus-type confrontation. The problem has to be tackled at the highest political level between the two heads of Government to sustain the traditional filial bonds between the Indian and Sri Lankan peoples.

The relations with Bangladesh have been marked by recurring strains with those in Dhaka exaggerating the river waters problem

and taking almost a paranoid view of the fence construction. But the Indian policy has been not to yield to pressures but avoid provocations as far as possible. It is not without significance that the Farakka issue has been left in abeyance and the construction of the fence quietly put off for the present. A major irritant in Indo-Bangla relations is the maritime boundary issue which is no less complex than the river waters question. The Indian policy is to display utmost patience while persevering with its efforts to reach an amicable settlement of all outstanding issues.

Isolation

The relationship with Nepal will fall back into its traditional pattern once the China factor is isolated from it. Similarly, there are no disputes with Bhutan, but friendship like love has to be kept in a state of constant good repair by adjusting the relationship to changing times. The Maldives poses no problems and the relation-

ship with it has been more than cordial, but there is still considerable scope for increased cooperation. Though Burma is being regarded as a neighbouring country in a geopolitical sense, it continues to revel in its glorious isolation, taking no interest in improving trade with India or allowing travel even for pilgrimage.

The South Asian mosaic thus represents a strange combination of countries that are united but divided by shared traditions: The largest country in the area, India is obliged to bear the cross and get blamed for not pandering to the whims and fancies of the neighbouring countries. An agonising dilemma that has haunted successive governments in Delhi is whether India can endear itself to them by bending backwards and making concessions to placate them, or displaying firmness over more fundamental issues while adopting flexible attitudes in the conduct of day-to-day relations.

CSO: 4600/1467

INDIA

JAMMU, KASHMIR POLITICS REPORTED IN STATE OF FLUX

Bombay THE TIMES OF INDIA in English 16 Mar 85 p 9

[Text] Jammu, March 14--The political situation in Jammu and Kashmir is in a state of flux, with a guessing game going on whether some sort of compromise could be hammered out to enable the two rival factions of the National Conference to reunite.

So far, the ousted chief minister, Dr Farooq Abdullah, has firmly rejected the olive branch held out by the chief minister and his brother-in-law, Mr G.M. Shah, to bring about a rapprochement between the two factions.

The offer was made last month by Mr Shah in the course of an interview to a national daily. Two of the conditions that Mr Shah laid down were that no one from the Sheikh family should be in the council of ministers and that the present team of ministers minus himself should be retained.

Dr Abdullah's only response so far has been a virulent attack on some of the state's ministers. In a renewed tirade, Dr Abdullah yesterday levelled serious charges in a speech in his home constituency of Ganderbal against some of his former ministerial colleagues, who deserted him on July 2.

However, the former chief minister has moderated his attacks on the Centre following his recent meeting with the Prime Minister, Mr Rajiv Gandhi. Apparently Mr Gandhi has been able to give some sort of assurance to Dr Abdullah and this has led to a change of heart on the latter's part.

Though Dr Abdullah has so far declined to reach a compromise with the Shah faction, he has initiated a bid to heal the wounds in the Sheikh family squabbles which led to his ouster. Yesterday he met his younger brother Mr Tariq Abdullah and reports say they two were closeted for half-an-hour. This meeting is significant as Mr Tariq Abdullah has been one of the bitterest critics of his brother.

All these moves and countermoves within the National Conference are taking place against a background of the efforts of some of the rank and file to save and preserve the party which has dominated the political life of this state for the past five decades. Feelers from both sides at a lower level have been sent to this effect.

Meetings have been held and though they do not have the blessings of the leadership of the factions, it is possible that they may yet bear fruit in the light of the general disillusionment with the manner of functioning of the top leadership of the two groups.

A sizable section of the Farooq group, including some MLAs, is disillusioned by his performance and the quality of leadership provided by him. The same is the case in the Shah camp with some of his cabinet colleagues expressing in private their resentment against his style of functioning. There is, however, one difference. Even those disillusioned by Dr Abdullah recognise and admit that he has the people's support.

Missed Opportunity

Dr Abdullah had an excellent opportunity during the recently-concluded brief session of the assembly to embarrass the government, but he frittered away this opportunity. For one, he did not attend the entire session. When he did, he maintained a complete silence which he broke only on one occasion to defend himself and to level charges against a senior minister.

The strategy adopted by the Farooq group in the assembly also proved to be counter-productive after its MLAs decided to withdraw all the questions they had tabled. This enabled the treasury benches to get away scot free, to its great relief, as it had expected a hammering at the hands of the opposition.

Thus, a sort of political impasse has been created in the state. The opposition has failed to do its duty. The other major party, the Congress, has to keep its mouth shut to enable the Shah government, which is dependent on its support, to function. At the same time, the government has been unable to win either the confidence or the loyalty of the people because of its lack of performance.

CSO: 4600/1452

INDIA

PRESS REPORTS, COMMENTS ON BUDGET, ECONOMIC SURVEY

Report on Economic Survey

Bombay THE TIMES OF INDIA in English 16 Mar 85 pp 1, 9

[Text] New Delhi, March 15--The pre-budget economic survey for 1984-85 presented to Parliament today describes as "highly satisfactory" the performance of the economy but warns that the increasing stringency of the resource position, both at the Centre and in the states, could severely constrain the seventh plan.

It points out that with continued pressure on the Centre's budget for 1984-85 due to dearness allowance payments and higher subsidies, non-plan expenditure is likely to be higher than anticipated. The states have also experienced severe pressures on their budgetary positions.

Marked improvement in the resource position would therefore be required if the increases in development expenditure necessary in the seventh plan are to be achieved without jeopardising price stability.

Farm Output

The survey, presented by the finance minister, Mr V.P. Singh, calls for "stringent review" of expenditure priorities in the seventh plan in view of the increasing scarcity of public sector resources. It also calls for much greater fiscal discipline than in the past, in the form of better programming and monitoring of public expenditure, more circumspection in providing subsidies and avoidance of recourse to overdrafts by the states.

Agricultural production during the 1984-85 financial year is expected to show a modest increase of one percent over the record crop in 1983-84. The anticipated decline in kharif foodgrains output is expected to be made up by the rabi crop which may exceed last year's level of 62.4 million tonnes.

The survey sees a need for continued improvement in the agricultural sector's performance for achieving a growth rate of five percent in GNP during the seventh plan period. Paddy yields in the eastern and southern regions have to be increased through potential, coupled with improvements in the delivery systems of necessary inputs. There will also have to be sustained improve-

ments in the delivery systems of necessary inputs. There will also have to be sustained improvements in yields and production of pulses and oilseeds.

As for industry, the survey draws attention to the need for a fresh look at the structure of industrial and trade policies to encourage growth. Given the large domestic market for industrial products, the diversified base of industry and the ready availability of entrepreneurship and skilled manpower, Indian industry should be able to grow at the rate of eight to nine percent per year.

According to the survey, industrial performance has improved and the growth rate during 1984-85 may rise to about seven percent compared with 5.5 percent in the previous year. GNP growth is likely to be about four percent, following the increase of 7.4 percent in the previous year.

With this, the economy will have achieved the target of an average growth rate of about 5.2 percent in the sixth plan period. Per capita income during the five-year period would have registered an annual growth rate of three percent.

The major infrastructure sectors, comprising energy and transport, performed well in 1984-85. Crude oil production is expected to touch a new high of 29 million tonnes as against 26 million tonnes in 1983-84. Power generation recorded an increase of 13.5 percent during April-December 1984 compared to the same period in the previous year.

However, the survey cautions that the pace of addition to generation capacity has come down. Coal production has also shown acceleration though the growth rate attained in the current year is expected to fall short of the target of ten percent. The current year has also seen some improvements in the performance of the railways and ports in moving freight traffic.

Turning to the behaviour of prices, the survey says inflationary pressures were a cause of concern in the first half of the current financial year, but there was a marked improvement in the second half. As on February 9, 1985, the annual rate of inflation was only 4.6 percent compared to 10.8 percent at the same time last year.

The major factor accounting for the moderation in inflationary pressure is the maintenance of the high levels of foodgrains production in 1984-85, which by the end of December rose to 22.5 million tonnes compared with only 16 million tonnes in the previous year. Imports of sugar and edible oils were arranged to augment domestic supplies and sugar releases were increased to 8.2 million tonnes which was 16 percent higher than in the previous year. Edible oils releases were also 33 percent higher in 1984-85.

However, despite the moderation in the rate of inflation, the survey cautions that there is severe pressure on resources which may have implications for the price situation.

Customs Duties

The survey estimates the rate of gross domestic capital formation in 1983-84 to be about 24 percent (provisional) of the GDP as compared with 24.4 percent in 1982-83. The net inflow of capital from abroad in 1983-84 fell by 0.3 percent to reach 1.3 percent of GDP.

The rate of gross domestic savings is estimated at 22.6 percent of the GDP in 1983-84 which is slightly lower than the 22.8 percent in the previous year. The survey, however, points out that in estimating savings, the large surpluses generated in 1983-84 in the oil sector have not been taken into account. When full account is taken of these surpluses, the rate of gross domestic savings may be somewhat higher than in 1982-83.

The fiscal policy during 1984-85 strove to maintain the difficult balance between the need for large provisions for plan expenditure and the need to contain total demand in the face of inflationary pressures. While customs duties were raised, substantial relief was provided to income-tax payers. Incentives for savings and investment were further strengthened, while special relief in indirect taxation was given to paper and textile industries.

The survey notes the high rate of growth of both money supply (M3) and reserve money and says that despite various measures it was not possible to reduce the rate of growth of M3 to below the level in the previous year. M3 growth in 1984-85 up to January 25 was 15.4 percent compared with 14.6 percent in the corresponding period of the previous year.

Similarly, reserve money growth was higher at 12.2 percent compared with 9.6 percent in the same period of the previous year.

The high rate of monetary expansion in the current financial year was partly due to the larger than expected expansion in net bank credit to the government.

Another contributing factor was the improvement in the external payments position, with net foreign assets of the banking system showing an increase of Rs 422 crores up to January 25, 1985 compared with a decline of about Rs 500 crores in the same period of the previous year.

As regards improvement in the balance of payments position, the survey concedes that a part of the increase of Rs 547 crores in foreign exchange reserves up to the end of January 1985 was due to the strengthening of the U.S. dollar and consequent increase in the rupee value of dollar holdings.

The export performance which was relatively weak in 1983-84 improved during the current year. The trade deficit in the first eight months of 1984-85 is estimated at Rs 3,017 crores, which is slightly lower than the deficit of Rs 3,080 crores in the same period of the previous year.

As percentage of the GDP, the deficit declined from 4.6 percent in 1980-81 to three percent in 1983-84 and is expected to decline further in 1984-85.

The survey draws satisfaction from the fact that the balance of payments position continues to be strengthened by net inflows on other accounts. However, it also notes with caution that there are a number of uncertainties affecting these flows.

Partial data available indicate that the growth in remittances from Indian workers abroad has decelerated considerably and prospects for the future are uncertain.

Inflows from non-resident Indians in the form of deposits with Indian banks which had increased to Rs 961 crores in 1983-84 declined in 1984-85 because of higher interest rates abroad. Up to December 1984 the acceleration was to the tune of Rs 619 crores as against Rs 750 crores during the same period in the previous year.

The survey points out that the country's debt service obligations have gone up due to increased commercial borrowings in the past few years.

Future recourse to commercial borrowings will, therefore, have to be kept under strict control. The medium-term outlook for the balance of payments, therefore, underscores the need for efficient import substitution along with substantial acceleration in export performance.

Discussing the problems and prospects of the economy, the survey calls for a judicious balance among the different objectives of industrial policy as in the long run, industry's ability to grow would depend crucially on its success in efficiently developing and generating resources.

This, it says, calls for a fresh look at the structure of industrial and trade policies and careful evaluation of the trade-offs that may be involved between different objectives and alternative methods of pursuing them.

To accelerate growth, the emphasis in the next few years must shift to promoting a pattern of investment which would encourage productivity and efficiency.

Instruments of regulation devised in the early stages of development may not be appropriate now. At the same time, it is important that import substitution should take greater account of the domestic costs of saving foreign exchange. Similarly, protection and subsidisation of inefficient sectors and units should be based on a careful evaluation of the long-term social costs and benefits, the survey notes.

It also discusses the severe strain on the resource position of the public sector, not too encouraging balance of payments prospects for the next few years and the need for keeping future commercial borrowings within strict limits. "All this means that the import capacity of the economy in the seventh plan period will depend crucially upon export performance."

8 May 1985

It is important to realise, the survey concludes, that efforts to step up exports are not simply a matter of designing appropriate incentives for exporters while leaving the industrial sector to suffer from high costs and low quality.

It is necessary to act on the broader front of industrial policy to achieve a general upgradation of cost effectiveness and product quality in Indian industry. This must be combined with appropriate incentives if exports are to expand rapidly in the seventh plan.

The medium-term outlook for the India economy depends crucially on the country's ability to improve productivity all round--in agriculture, infrastructure and industry.

Budget Text

Calcutta THE TELEGRAPH in English 17 Mar 85 pp 8-10

[Text]

Following is the text of part A speech of the Union finance minister:

Sir,

I deem it a great privilege to present the first budget of the new government.

I am conscious of the fact that the tremendous responsibility that has devolved on us at this critical juncture arises not only from the office that we hold but more so from the immense trust that the people have reposed in us. We pledge all our endeavour to justify this trust of the common man.

I am reminded of the words of our beloved departed leader, the late Prime Minister, Mrs Indira Gandhi:

"No section of our vast and diverse population should feel forgotten. Their neglect is our collective loss."

We can no longer hear her voice, but her words will live with us. In the task of nation-building, she spared herself no pain--not even the pain of death. She has left us a legacy signed in her blood, a legacy to preserve this country and keep it moving ahead. To this cause of hers we rededicate ourselves.

The economic survey, which has been presented to the House, deals with economic developments in the current year in detail. I shall, therefore, touch upon only a few salient features of the current economic situation.

4% growth rate

The overall growth in national income in 1984-85 is anticipated to be of the order of 4 per cent on top of the 7.4 per cent recorded in the previous year. Food production in 1983-84 turned out to be even better than what was anticipated at this time last year. Output of foodgrains reached 151.5 million tonnes from the level of about 130 million tonnes in 1982-83. Agricultural growth in 1983-84 was 13.6 per cent. In 1984-85, food production is likely to be around the record level achieved in the previous year. Industrial production also recovered during the year and, according to present indications, it may show a growth rate of about 7 per cent in 1984-85. For the sixth plan as a whole, however, the growth rate in industry is likely to average about 6 per cent, which is below the plan target.

The major infrastructure sectors performed reasonably well in 1984-85. Power generation during the period April-December, 1984, was 13.5 per cent higher than in the same period of the previous year, as compared with an increased of 7.6 per cent in 1983-84. Coal production increased by 6.9 per cent during, April-December, 1984, compared with 5.8 per cent in 1983-84. Freight movement by rail, which had stagnated in 1983-84, picked up in the current

year with a modest growth of 3.2 per cent in the first nine months.

Our balance of payments situation during the year was comfortable with a net accretion in reserves of about Rs 547 crore upto end-January, 1985. Although a part of the increase in rupee terms is because of the strengthening of the US dollar, it is heartening that the improvement in the balance of payments situation witnessed in 1983-84 was sustained during the current year. Trade data, available upto November, 1984, show an increase in exports by 23 per cent and that in imports by 14 per cent over the corresponding period of the previous year. The trade deficit, on a provisional basis, is estimated at Rs 3,016 crore in the current year up to November as compared with Rs 3,080 crore in the previous year. It will be recalled that the government had voluntarily terminated the International Monetary Fund arrangement with effect from May 1, 1984, after drawing only SDR 3.9 billion out of the SDR 5 billion available under the loan arrangement. That we have been able to do so is a testimony to our sound financial management during a period when the external environment has been highly unfavourable.

Inflation

The rate of inflation, which was causing concern towards the end of the last year, could be effectively contained by the implementation of various anti-inflationary measures, including curbs on expenditure, coupled with imaginative supply management and timely imports. We also, of course, had the benefit of two successive good crops. Thus, the annual rate of inflation in wholesale prices on February 23, 1985, was 5.2 per cent as compared with 10 per cent at the same time last year. The consumer price index has also shown an increase of only 4.4 per cent in January, 1985, over the level 12 months ago as compared with an increase of 13.7 per cent in the corresponding period of the previous year.

On the whole, therefore, the economy is functioning well. That the country has been able to make all this progress within a democratic framework is no mean achievement. In a country where a large proportion of the population is below the poverty line, to have raised the necessary resources for its development without material external help and yet preserve the ballot-box is a tribute to the sagacity of the political leadership of the country.

However, we should not be lulled into a false sense of complacency as the task ahead is arduous. I would now like to share with the Hon'ble members my perception of the challenges that we face and the government's response to meeting them.

As we enter the seventh plan, the resource constraint has become acute, both at the centre, and the states. The basic problem is that our non-plan expenditure has been increasing at a rate substantially faster than the growth of current revenues. As a result, budgetary resources for the plan have been severely eroded. Defence, interest payments, and food and fertiliser subsidies now account for nearly 70 per cent of the non-plan revenue expenditure of the centre. A sizeable part of the remaining 30 per cent of such expenditure is accounted for by essential maintenance, social and community services, and grants to states. Further, the increase in non-plan expenditures of the states has meant larger transfers to states on this account.

In the past few years, we have been able to finance large increases in the annual plan largely through borrowings, both external and internal. However, this cannot go on indefinitely. The process of pruning budgetary expenditure at the centre and at the states, however painful, must begin so that the necessary adjustment can take place over a period of time.

The public sector is vital for faster industrialisation, balanced regional development, and prevention of concentration

of wealth and economic power. Over the years, the public sector has grown rapidly, and an important priority now is to ensure that there is sufficient internal generation of resources for its future growth. Given our resource constraint, increasing levels of investments in the public sector are feasible only through better utilisation of existing capacity and higher return on past investments. The seventh plan will give particular attention to this aspect.

BOP

The recent improvement in the balance of payments is gratifying. However, this is an area where there can be no room for complacency. Some of the factors that have worked in our favour in the sixth plan will not operate with the same vigour in the seventh plan. Oil production, which had increased by about 18 million tonnes during the last five years, may not increase at the same rate in the future. Repayments of the International Monetary Fund loan and external commercial borrowings would also increase sharply.

Recent developments in the world economy have not only reduced the availability of external resources for development, but have also made their terms distinctly harder. The alternative source of external commercial borrowing is expensive. The room for manoeuvre in terms of increasing the surplus on account of invisibles is also limited. There can be little doubt that if we have to reconcile a manageable balance of payments situation with a tolerable debt profile, export earnings would have to finance a larger and larger proportion of our imports so that the deficit in our balance of payments is reduced. In the context of the need to conserve scarce foreign exchange, it would be desirable to increase the domestic production of importables wherever we have underutilised capacities. It is necessary also to stress efficient import substitution, in an economic sense rather than the

physical sense, so that considerations relating to cost and efficiency are incorporated in the frame-work of policies.

Agricultural and rural development is at the centre of our planning. Control of inflation, reduction in poverty levels, promotion of employment, and improvement in our balance of payments are goals which are linked with our success in agriculture. Our past record has been good, which under-scores the soundness of our agricultural strategy involving structural changes in rural economic relations, greater application of new technology and fertilisers, and increase in the irrigated area. But, much more remains to be done on each count. We have to tackle the problem of increasing yields in different regions, particularly in respect of paddy. We also have to pay special attention to increasing domestic output of oilseeds through more intensive cultivation of existing varieties and development of new ones. Import of edible oils is a major drain on our foreign exchange resources, and higher domestic production will benefit the economy in several ways.

It is the policy of the government to provide remunerative prices to our farmers. The price support operations are already functioning well in respect of certain major agricultural commodities, like wheat and rice. The government will, over a period of time, extend effective price support operations to other important crops also, particularly oilseeds and pulses.

A crop failure, in the event of a drought or flood, can have disastrous effect on the livelihood of our farmers and their families. The government has, therefore, decided to introduce a comprehensive scheme of crop insurance. Henceforth, there will be a built-in insurance cover for all crop loans. The insurance cover will be provided up to 150 per cent of the crop loan. To begin with, the scheme will be extended to wheat, paddy, oilseeds and pulses. The insurance charges will be low. The marginal and small farmers will be subsidised to the extent of two-thirds of the insurance charges by central and state governments on a matching basis. Details of the scheme, which are being worked out, will be announced separately.

The integrated rural development programme, the national rural employment programme, the rural landless employment guarantee programme, and the programme for providing self-employment opportunities to the educated unemployed, have helped to reduce the incidence of poverty and have contributed to increasing the employment opportunities. Government is committed to further strengthen and improve the performance of these special programmes. The generation of adequate employment opportunities is at the heart of our development efforts. Measures being taken now to stimulate the economy will have an important beneficial impact on the employment situation.

Government proposes to introduce a social security scheme to cover the risk of death by accident in respect of earning members of poor families comprising landless labourers, small and marginal farmers, traditional craftsmen and others not covered by any insurance scheme or workmen's compensation arrangements. Under this scheme, a sum of Rs 3000 will be paid to the dependent of the deceased who dies as a result of an accident. The scheme will, to begin with, be introduced in 100 districts in the country, selected in consultation with the states. I hope all sections of the House will welcome this measure which will cover the needs of the poorest families in their moment of utter deprivation.

I am glad to inform the House that the target of priority sector advances, including advances for agriculture and small scale industry, which was fixed at 40 per cent by the end of 1984-85, has already been exceeded by public sector banks. This is a major achievement in view of the fact that advances to the priority sectors were less than 15 per cent in 1969, when the banks were nationalised. A problem that we now face is the slow pace of recovery of past loans. Hon-ble members will appreciate that it is not possible for the credit system to fulfil the task assigned to it unless performance in repayment of past loans improves.

An important task for the future is to accelerate industrial growth. At the same time, we must ensure that the pattern of

industrial growth conforms to our socio-economic priorities. Our domestic market is large, the structure of industry is already diversified, and the base of entrepreneurship has grown. These are important strengths. We must now aim at reducing costs and prices and improve the competitiveness of our industry. This process calls for structural changes in the economy and will entail some costs which we should be prepared to pay. Unproductive investments of the past should not stifle the productive forces of the future. Indian industry must also become more self-reliant in financing investment. Regulations must facilitate growth and respond to the changing external and technological environment. In particular, it is necessary to bring about closer coordination among fiscal, industrial and trade policies.

A multipronged programme of action is necessary to meet the challenges of the future. As our Prime Minister, Mr Rajiv Gandhi, observed recently, in the Parliament:

"The challenges before our country are many. We have to modernise India. We have to change the thinking of the people of India to look ahead into the future and not to keep on dwelling on the past. We have to make India self-reliant in every important sphere. We have to create a dynamic country that is equal to any other country in the world."

In this task, our greatest asset is the human resource, and crucial to the success of all our policies is the development of an effective programme for best utilisation of this resource through renewed emphasis on education, environment and the application of science and technology.

Delicensing

I now propose to announce a few decisions which are designed to reduce rigidities and improve the environment for industrial growth. It is proposed to notify a list of industries for delicensing so that procedural delays are cut to a minimum in areas where we want additional capacity. In order to reflect the considerable increase in the cost and the economic size of projects that has taken place since the asset limit for MRTP com-

panies was fixed in 1969, this limit is being revised to Rs 100 crores.

The small scale sector has played a vital role in our economy and the government proposes to take further steps to promote its growth. The ceiling of investment in plant and machinery, which was fixed in 1980, is being raised from Rs 20 lakh to Rs 35 lakh. The ceiling in respect of ancillaries is being raised from the present level of Rs 25 lakh to Rs 45 lakh. Later in my speech, I shall be announcing certain fiscal measures to facilitate the development of this sector.

On the financial side, I propose to facilitate the mobilisation of resources from the market by the corporate sector and to reduce its dependence on public financial institutions. With a view to improving the marketability of convertible debentures of non-MRTP and non-FERA companies, the maximum interest payable by them on such issues is being raised from 13.5 per cent to 15 per cent. The Securities Contracts (Regulation) Act, 1956, is being amended to ensure free transfer of securities of listed public limited companies. This measure will particularly benefit small investors spread all over the country.

In order to offer wide choice to investors, certain changes are being made in respect of listing requirements of closely-held companies. Such companies will be permitted to enlist by offering 40 per cent of their equity capital in two stages over a period of three years and capitalise a larger portion of their free reserves before going to the public. In order to diversify the market, a few instrument, namely convertible cumulative preference share is being introduced. Several measures to reduce the prevailing high cost of public issues are being announced separately.

The corporate sector should also be permitted to play a legitimate role within defined norms in the functioning of our democracy. It is proposed to introduce the necessary legislation during this session to allow companies to make a contribution to political parties from out of their profits.

The government proposes to introduce a special legislation for sick units. It is proposed to set up a board for financial and industrial reconstruction, which will provide a speedy mechanism for amalgamation, mergers and devise such other solutions as may be necessary to deal with the problem of sick units in the large and medium sector. The onus for reporting sickness will be laid on the management of the units themselves, who will be required to seek a fresh mandate from their shareholders after 50 per cent of the net worth of the company has been eroded. When the company loses its entire net worth, the existing management and the owners will not have any further role to play in running the affairs of the unit. It is also proposed that those who are deemed to be responsible for mismanaging the unit will not have access to assistance from financial institutions even in new ventures. But managers, like bad currency, have to be kept out of circulation.

Workers are the worst victims of industrial sickness. Under the present law, however, when companies are wound up, workers' dues rank low in priority compared to secured creditors. To my mind, labour is as much a factor of production as any other and it is unjust that the workers' dues should have a lower priority. In order to rectify this situation, we have taken a decision to introduce the necessary legislation so that the legitimate dues of workers rank pari passu with secured creditors such as banks in the event of closure of the company. Such dues will rank above even the dues to government. The government is also considering the introduction of a scheme of stock options to the employees and workers of companies to encourage their participation in management.

At present, under the Payment of Bonus Act, 1965, where the salary or wage of an employee exceeds Rs 750 per month, the bonus payable to such employee is calculated as if his salary or wage was Rs 750 per month. It is now proposed to raise this limit to Rs 1600 per month. The eligibility criteria would remain the same.

In addition to the changes being made in the overall policy framework, the government is also undertaking a review of certain specific industries with a view to correcting structural imbalances. Textile industry has a vital place in our economy in terms of its contribution to output, exports and employment. This industry is, however, passing through a very difficult period and the need for structural change is pressing. I shall be proposing certain changes in the fiscal structure of cotton textile industry. The preparation of a new textile policy is well under way.

Electronics

The electronics industry is truly the industry of our times. In order to accelerate the growth of this industry, in November 1984, the government announced a new package of measures for computers. Rates of duty on imports of components and raw materials were reduced drastically and, in order to protect the interests of end-users, the import policy for computers was also liberalised. It has now been decided to extend this approach to other items of manufacture in electronics. Details of the new policy will be announced separately by the department of electronics.

I shall now turn to the revised estimates for 1984-85 and the budget estimates for 1985-86.

There were several unanticipated developments on the budgetary front during the year. On the plan side, higher budgetary provisions had to be provided for the central and state plans. On the non-plan side, there was substantial increase in expenditure on defence, food and fertiliser subsidies, and payment of dearness allowance to government employees. Larger assistance was given to states affected by floods and cyclones, and medium-term loan has been provided to certain states facing acute financial problems. On the receipts side, there was some increase in tax revenues and a significant step-up in small savings collections.

The budgetary support for the central plan is now estimated to

be higher at Rs 11,751 crore as against the original outlay of Rs 11,420 crore. The revised central plan outlay is estimated to be Rs 17,495 crore as against the budget estimate of Rs 17,351 crore. Within this overall amount, there were certain changes in the sectoral outlays. The provision for self-employment scheme for educated unemployed youth was increased by Rs 124 crore and the National Bank for Agriculture and Rural Development was provided an additional amount of Rs 152 crore against disbursements under external aid programmes. Additional provisions were also made for Visakhapatnam Steel Plant, mines, non-conventional energy sources, atomic energy, electronics, food storage godowns, and certain other sectors. The revised estimates of the central plan outlay in some areas, notably petroleum, coal, and fertilisers were, however, lower. The provision made in the budget for central assistance for state plans has also been stepped up by Rs 153 crore.

On the non-plan side, during the year, nine instalments of additional dearness allowance including relief to pensioners, were sanctioned to central government employees. These are estimates to cost about Rs 715 crore in the current year against the lump sum provision of Rs 300 crore made in the budget. Ad hoc bonus sanctioned to government employees in the current year would cost Rs 61 crore.

Food subsidy in the current year will increase from Rs 850 crore to Rs 1100 crore. This is mainly due to the increase in procurement price of paddy, lower realisation from sale of wheat and sharp increase in stocks of foodgrains. The subsidy on domestic fertilisers will go up from Rs 930 crore to Rs 1200 crore. The subsidy on imported fertilisers will increase from Rs 150 crore to Rs 632 crore owing to the increase in the cost and volume of imports.

Assistance to states affected by floods and cyclones was stepped up by Rs 130 crore. Consequently on larger small savings collections, the share payable to states was also increased by Rs 440 crore. The provision for loans to states for purchase of

agricultural inputs was stepped up by Rs 60 crore. In addition, special medium-term loan of Rs 440 crore has also been provided to states which faced serious financial difficulties during the year.

Defence expenditure in the current year is estimated at Rs. 7175 crore against the budget estimates of Rs. 6800 crore. Interest payments are expected to be Rs. 390 crore higher than the original estimate of Rs. 5,600 crore.

Certain public sector enterprises have suffered large cash losses and additional budgetary support had to be provided to them. Taking into account these and other variations, including notional provisions for conversion of equity in certain public undertakings into loans, assistance towards their interest dues to government and additional subscription to the International Monetary Fund, the total non-plan expenditure is estimated at Rs. 29,740 crore against the budget estimates of Rs. 26,066 crore.

Under non-tax revenue, the dividend from railways is likely to be less by Rs. 211 crore. The profit from sale of edible oil will also be less due to high international prices. Mainly due to additional budgetary support provided to certain public undertakings and improvements in the finances of some others, interest receipts from public sector undertakings and others are, however, estimated to be Rs. 439 crore higher than the budget estimates.

Small savings

Under capital receipts, I am glad to report that small savings collections during the year are now expected to reach Rs. 3,300 crore against the budget estimate of Rs. 2,400 crore. Receipts from special deposits of non-government provident funds are estimated to be higher by Rs. 75 crore and deposits by public sector undertakings of their surplus funds by Rs. 200 crore. Corresponding to the increase in expenditure, receipts from special securities to the International Monetary Fund will also go up by Rs. 149 crore. Taking into account the additional recover-

ies from state governments and other variations, capital receipts in the current year are estimated at Rs. 17,778 crore compared with the budget estimate of Rs. 16,757 crore.

Total receipts are thus estimated to go up from Rs. 40,763 crore to Rs. 42,710 crore. Total expenditure is estimated to go up from Rs. 42,536 crore to Rs. 46,695 crore. This will leave a budgetary deficit of Rs. 3,985 crore as compared with Rs. 1,773 crore in the budget estimates.

The deficit is higher than what I would have ideally liked. I am glad that this deficit has been absorbed by the economy without any adverse effects on prices, thanks to the favourable agricultural situation. However, as a necessary caution, in the coming year we would need to curtail the size of the deficit, though it has been said that "anyone who lives within his means suffers from lack of imagination". Not that I lack imagination, but I do not propose to let it run riot.

The current year marks the end of the sixth plan. It is estimated that public sector plan expenditure during the sixth plan period will be of the order of Rs. 1,10,000 crore as against the originally envisaged outlay of Rs. 97,500 crore. In view of the price rise during the period, outlays in real terms will, however, be lower than in the original plan. Nevertheless, it is gratifying that the target of 5.2 per cent for the annual growth rate of the economy would have been met. Foodgrains output will be close to the plan target, and crude oil production will significantly exceed it. In power, additional installed capacity has been below plan target, nevertheless, we would have added nearly 50 per cent to the existing installed capacity at the beginning of the plan. In irrigation, additions to potential would be around 11.5 million hectares as against the plan, target of 13.7 million hectares.

As we enter seventh plan, the main task is to consolidate the gains of the past and give a new thrust to the movement for increasing productivity, while at the same time ensuring financial and monetary stability. After taking into account higher devolution and grants to states

arising out of the implementation of the recommendations of the finance commission, and essential non-plan expenditure on account of defence and subsidies, the budgetary resources available for the plan in 1985-86 are short of our overall requirements.

In allocating these resources, I was particularly guided by the need to provide greater central assistance for state plans as otherwise many states would not be in a position even to protect their on going projects in crucial sectors. When the states' plans for 1984-85 were approved, it was expected that the states' own budgetary resources as also contributions from their public sector undertakings would be Rs. 5,740 crore. The latest assessment indicates deterioration of the order of Rs. 2,300 crore in the transactions of the current year.

Central assistance to state plans in 1985-86 is being increased to about Rs. 6,000 crore as compared with Rs. 4,313 crore in 1984-85, which is an increase of 39 per cent as compared with an increase of 13 per cent provided last year. The states have also been authorised to go in for higher market borrowings to the tune of Rs. 1,600 crore, which is an increase of 20 per cent over 1984-85. This order of increase in central assistance and market borrowings, on top of other transfers, has made a heavy draft on the centre's own resources for the plan.

In view of the elections in several states, the annual plans of the states have not yet been finalised. It is expected that the process of finalising the state plans will be completed in the next few weeks. In view of the sharp increase in central transfers on account of the plan as well as the finance commission's recommendations, the centre's resources are already overstretched, and it will not be possible for the centre to bear the additional burden of overdrafts by the states. For, ultimately, it is the common man who pays. Despite a large step-up in central assistance, market borrowings and negotiated loans, a reasonable plan outlay for the states would be possible only if they make an earnest effort at mobilising a higher

level of resources and improving the working of state enterprises.

The plan outlays of the Union territories have been fixed at Rs.640 crore as against Rs.558 crore in 1984-85. The central budget provides Rs.578 crore and the balance of Rs.62 crore will be met through additional resource mobilisation measures of the Union territories during the course of the year.

The central plan for 1985-86 has been fixed at Rs.18,500 crore as compared with Rs.17,351 crore in 1984-85. In view of the resource constraint, while determining sectoral priorities, I have considered it prudent to complete projects already under implementation rather than taking on new starts. It is also my endeavour to provide more for projects which are in an advanced stage of execution and which can be commissioned more speedily so that the benefits can start flowing to the economy as early as possible. Earlier in my speech, I referred to the excellent performance of the agricultural sector. In order to augment the efforts of the state governments in accelerating investment in agriculture, in the central plan an outlay of Rs.790 crore has been provided for the department of agriculture and cooperation and department of agricultural research and education. A provision of Rs.165 crore has been made for the new fertiliser factories at Guna and Aonla which are to be set up based on Bombay High gas to be transported through the Hazira-Bijapur-Jagdishpur pipeline.

A total provision of Rs.932 crore has been made for rural development in the central plan. Pending finalisation of the state plans, the provisions for the integrated rural development programme and the national rural employment programme have been kept at more or less the same level as in the current year and will be enhanced later, if required. Honourable members should be glad to know that projects worth more than Rs.800 crore have been sanctioned for implementation under the rural landless employment guarantee programme. This programme will have an outlay of Rs.400 crore in 1985-86.

Honourable members are well aware of the government's emphasis on the restructuring of the educational system. We are in the process of evolving a new national policy on education. The government is committed to making the education of girls free all over the country upto the higher secondary level. A total provision of Rs.221 crore has been made for education in the central sector, including provisions for these new initiatives.

Consistent with our goal to achieve a new reproduction rate of unity by the year 2000 a.d., the government would go in for an imaginative family planning programme on voluntary basis. Combined with effective immunization programme to reduce the mortality and morbidity rate among children, family welfare programmes are of great significance in the context of overall development. An outlay of Rs.500 crore has been provided for family welfare programmes. In order to effectively use the results of medical research, outlay for the Indian Council of Medical Research has been increased to Rs.30 crore.

During the sixth plan, the government launched the accelerated rural water supply programme to assist the states and the Union territories in providing drinking water supply to the villages. Members would be happy to know that the allocation during the sixth plan period on this programme would exceed Rs 925 crore against the original outlay of Rs 600 crore and that this has enabled the states to cover about two lakh problem villages during the plan period.

The potential of Indian science and technology for contributing to modernisation and development is immense. An outlay of Rs 1,068 crore is being provided for ministries of science and technology and environment and electronics.

On the energy front, the government attaches great importance to the need for a gradual transition from the present dependence on oil to coal and electricity in the medium term. Honourable members would be happy to note that additional power generating capacity to the extent of 14000 mw would have been added by the end of the sixth plan period. This would

mean a near 50 per cent increase over the capacity of 28,448 mw at the commencement of the plan. In the central sector alone, additional capacity to the extent of 3,350 mw has been added during the sixth plan. For 1985-86, the department of power has been provided an outlay of Rs 2090 crore against Rs 1446 crore during 1984-85.

Coal production of 147.5 million tonnes is expected to be achieved in 1984-85. This is to be stepped up to 158.50 million tonnes in 1985-86. For the department of coal, an outlay of Rs 1102 crore has been provided.

Honourable members are well aware of the quantum jump in the field of crude production, which would be 29.4 million tonnes by the end of this year compared to 11.4 million tonnes at the beginning of the sixth plan. This has become possible due to the accelerated production programme initiated in 1982-83, which has raised the annual production from Bombay High to 20.3 million tonnes from a level of 4.2 million tonnes in 1979-80. For the department of petroleum, an outlay of Rs 3261 crore is being provided. A provision of Rs 100 crore has been made for the Gas Authority of India, a newly created organisation for the construction of gas pipe-lines.

The government's concern for preservation of our forests is reflected in the creation of a separate department of forest and wild life. This department will have an outlay of around Rs 54 crore, including Rs 26 crore for social forestry and creation of rural fuel wood plantation.

The outlay for the department of environment is about Rs 36 crore, which includes Rs 10 crore for initiating action on the project of prevention of pollution of the Ganga. The other major environmental programmes aim at conserving biological diversity, pollution monitoring, eco-development in critically degraded or fragile areas and research and development, besides creation of advanced centres for priority environmental studies.

Though a substantial portion has been transferred to the states as committed non-plan liability, the central plan provides for Rs 207 crore for the

various programmes benefiting the scheduled castes and scheduled tribes. Centre's contribution to the special component plan for scheduled castes has been stepped up to Rs 165 crore. In order to rehabilitate the refugees from Sri Lanka, a provision of about Rs 9 crore is being made.

The government approved a scheme for expansion of TV network in the country in July, 1983. This plan envisaged setting up of large number of high power and low power transmitters in the country so as to make the TV programmes available to 70 per cent of the country's population. The number of transmitters would go up to 180 by 31st March, 1985, outlay for 1985-86 has been fixed at Rs 110 crore for information and broadcasting.

The priorities outlined in annual plan for 1985-86 will further accelerate the implementation of the 20 point programme. The total amount allocated to the programme in the central plan is Rs 4900 crore for the next year as against Rs 4,141 crore provided for in the current year, representing an increase of 18.3 per cent.

I must, however, emphasise that proper implementation of the plan requires not only financial allocations but also better project formulation and efficient management. It is proposed to make certain changes in the administrative procedures to facilitate quicker plan implementation. Before an investment decision is taken, administrative ministries will be required to ensure that projects have been fully worked out and the executive authorities have taken the necessary preparatory action for implementation. It has, therefore, been decided to provide sufficient funding for preparation of detailed feasibility reports before budgetary allocations are made for projects. Steps are also being considered to advance the finalisation of the annual plan and vote on account to facilitate communication of funds well before the commencement of the new financial year. These measures would result in even implementation of projects throughout the year and avoid the rush of expenditure towards the close of the year.

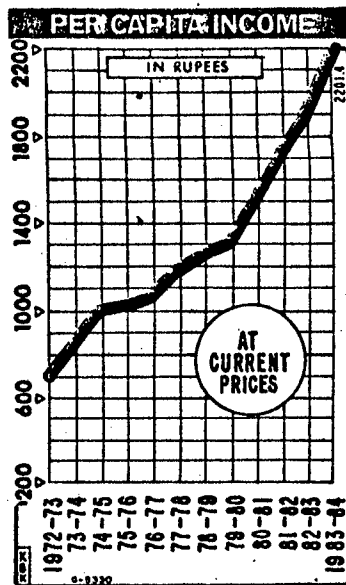
Non-plan expenditure has been kept to the minimum. Next year's budget provides larger transfers to states in terms of the recommendations of the eighth finance commission. Grants to states covered by the finance commission's recommendations will go up from Rs 518 crore in the budget estimates for 1984-85 to Rs 1,215 crore in the budget estimates for the next year.

Defence expenditure next year is placed at Rs 7686 crore (excluding defence pensions). Interest payments are estimated at Rs 7075 crore taking into account the increase in the volume of borrowing and the cost of borrowing. A provision of Rs 1100 crore has been made for food subsidy, Rs 1200 crore for subsidy on domestic fertilisers and Rs 601 crore for subsidy on imported fertiliser. Export promotion and market development has been allocated Rs 530 crore. Consequent on the separation of postal services from the telecommunications services, the deficit of postal services estimated at Rs 187 crore will be borne by the civil estimates in the budget of next year. Following larger small savings collections, loans to states against these collections are placed at Rs 2375 crore.

A lump sum of Rs 300 crore has been provided in 1985-86 for payment of additional instalments of dearness allowance, pensionary relief, etc., to central government employees. Provision has also been made for committed expenditure on plan schemes completed in sixth plan period. Including these and other provisions, total non-plan expenditure in 1985-86 is estimated at Rs 32,786 crore against Rs 29,740 crore in revised estimates for the current year.

At this point, I would like to refer to a matter concerning the central government employees. In the budget for 1983-84, my distinguished predecessor had announced the appointment of the fourth central pay commission. The commission which was appointed in July 1983 is still at work. Meanwhile, a very large number of government employees have been retiring without the benefit of a higher pen-

sion which was anticipated as a result of the recommendations of the commission. At present, pension is calculated on the pay and a part of dearness allowance



sanctioned upto the average consumer price index level of 320. The last instalment of dearness allowance has been sanctioned with reference to the average consumer price index level of 568. I now propose, as a measure of relief to the central government employees retiring on or after 31st March, 1985, to treat the entire dearness allowance sanctioned upto the average consumer price index level of 568 as pay for the purpose of retirement benefit. Simultaneously, I also propose to remove the present ceiling of Rs 1,500 per month on pension and increased the ceiling of death-cum-retirement gratuity from Rs 36,000 to Rs 50,000. The House will agree with me that those who have devoted the best years of their lives to the service of the country are deserving of whatever support we can give them.

Coming to receipts, the gross tax revenue at existing levels of taxation is estimated at Rs 25,514 crore compared with Rs 23,702 crore in the current year. The states' share of taxes is estimated at Rs 6592 crore against Rs 5777 crore in the current year. Out of this increase, Rs 487 crore are due to

stepping up of states' share of basic excise duties from 40 per cent to 45 per cent from next year as recommended by the eighth finance commission. The dividend from railways will be Rs 303 crore higher than in the current year.

Receipts from market loans are placed at Rs 5100 crore against Rs 4100 crore in the current year. Small savings collections are estimated at Rs 3900 crore against Rs 3300 crore in the current year. External assistance net of repayments is estimated at Rs 2510 crore compared with Rs 2146 crore in the current year. Taking into account these and other variations in the receipts, the total receipts in 1985-86 are estimated at Rs 47,635 crore. These receipts take into account the effect of revision of railway fares and freights. Total expenditure is placed at Rs 51,295 crore. The overall budgetary gap at existing rates of taxation will thus be Rs 3,660 crore.

Following is the text of part B speech of the Union finance minister:

The formulation of the budget is an annual exercise but, to be meaningful, it has to be set in a longer time frame. Our fiscal system has served us well. However, over the years, objective conditions have changed calling for new responses. I am quite aware that it is not possible to usher in all the changes at one stroke, yet we have to initiate a process of reform which can be completed in a phased manner in a time bound frame. We will be moving towards the formulation of a long-term fiscal policy co-terminous with the plan. I hope to initiate a debate on this after the budget session is over.

In the area of direct taxes, an important priority is to create an environment for growth, productivity and savings. The system of direct taxation which can help in achieving these objectives will also secure better tax compliance, and will be more equitable.

Personal I-T

Our approach to the reform of the personal income-tax is as follows. First, the rates of personal income-tax should be recast and rationalised with a view to making the structure simple and reasonable. While maintaining the progressivity of the tax structure, it needs to be ensured that the combined effect of the rates of taxes on personal income and wealth are not counter-productive. Second, the exemption limit should be so fixed as to eliminate a large number of small assessments and to provide relief to low and middle income groups. Third, the tax structure should be stable. Fourth, in order to make more effective use of the administrative machinery in reducing tax evasion, the emphasis in tax assessments should shift from routine examination of a very large number of returns to a thorough scrutiny of a sample of cases. Fifth, it must be ensured that when tax evasion is detected, the penalties are swift and severe. Sixth, a tax, however laudable in intent, should have no place in the statute book if it has outlived its utility.

The statutory rate of corporate tax in India is high, but because of various exemptions, the effective rate is significantly lower. While each exemption has a rationale, the combined effect of all these exemptions, taken together, is to erode the tax base. The present system also affects different tax payers very differently. This cumbersome system has led to unending litigation, and has given wide discretion to those who make the accounts and those who scrutinise them.

My proposals for the current year in the area of corporate taxation are designed to introduce a directional change by discontinuing certain exemptions and rationalising the rates. For the present, I am not going all the way partly because of revenue considerations and partly because I would like to watch the response to the changes being proposed now. In order to have the benefit of the views of the honourable members, I shall also put forward a

set of proposals regarding corporation tax which could be introduced in a phased manner in the next two years. I believe that an open debate on these issues is necessary so that the decisions that we take are the right ones. I propose to announce the government's decisions in this regard in my reply to the debate on the finance bill so that there is no uncertainty in the matter.

Indirect taxes

In respect of indirect taxes, my immediate task is to bring about changes which would help in reducing costs of investment in priority sectors, encourage the growth of the small-scale sector and remove certain other distortions. During the course of the year, I shall be giving consideration to other changes that might be required for the indirect tax system to make its full contribution to the further development of our economy.

I should make it clear that the government is determined to pursue its socio-economic goals without fear or favour, and those who continue to indulge in tax evasion or other economic offences will do so at their peril.

Let me now come to my specific proposals. I shall first deal with the proposals in the field of direct taxes.

I propose to raise the exemption limit for personal income taxation from Rs 15,000 to Rs 18,000. As a result, out of about 40 lakh assesseees, around 10 lakh will not have to pay any income-tax.

I also propose to restructure the rate schedule for personal incomes. After the nil rate slab of Rs 18,000, the rate of income-tax on the slab of Rs 18,001 to Rs 25,000 will be 25 per cent, on the slab of Rs 25,001 to Rs 50,000, the rate will be 30 per cent, on the slab of Rs 50,001 to Rs 1 lakh, the rate will be 40 per cent, and on the income in excess of Rs 1 lakh, the rate will be 50 per cent. The new rate schedule will result in a reduction in tax at all levels of income. On a taxable income of Rs 20,000, the tax relief under the new rate schedule will be 50 per cent of the income-tax at current rates, on a taxable income of Rs 25,000, the

relief will be 22 per cent, on a taxable income of Rs 50,000 the relief will be 18 per cent and on an income of Rs 1 lakh, the relief will be 17 per cent. With the reduction in the tax rate slabs from eight to four, the rate schedule will also stand simplified. The rate schedule applicable to Hindu undivided families having one or more members with separate incomes exceeding the exemption limit is also proposed to be consequently restructured.

I also propose to discontinue the surcharge on income-tax in the case of all categories of non-corporate tax payers.

With the proposed modifications, the maximum marginal rate of income-tax on personal incomes will stand reduced from 61.87 per cent to 50 per cent. In fact, the average rate of tax would be even lower.

The calculated loss of revenue, during the financial year 1985-86, due to the proposed rationalisation of the tax structures is Rs 200 crore on account of income-tax and Rs 197 crore on account of surcharge. However, taking into account the better compliance as a result of reduction of tax rates, the actual loss is estimated at Rs 197 crore and that too in respect of surcharge. This entries loss will be to the account of the centre.

In fulfilment of the promise made in election manifesto, the scheme of compulsory deposits by income-tax payers is being abolished with effect from April 1, 1985. However, keeping in view the overall ways and means position, I propose to provide that repayments on instalments in respect of earlier deposits and payment of interest due in the financial year 1985-86 would be postponed by one year. The unpaid amount will continue to earn interest and shall be repaid in the financial year 1986-87 along with instalments due for repayment in that year. I propose to introduce a separate Bill for this purpose this evening.

Wealth tax

The structure of wealth-tax has been examined by a number of high-powered bodies, including the estimates committee and the public accounts committee of Parliament. A number of sug-

gestions have been made by them for making the system of wealth-tax more conducive to the promotion of savings and investment in the economy. The present basic exemption limit of Rs 1,50,000 has also been considered to be inadequate in view of the rise in prices. It may be recalled that a limit of Rs 1 lakh had been set as early as 1964. Taking these considerations into account, I propose to raise the wealth-tax exemption limit to Rs 2,50,000 and to provide a nil rate slab in respect of net wealth up to Rs 2,50,000. I also propose to restructure the wealth tax rate scheduled. Under the new rate schedule, the rate of wealth-tax on the slab of Rs 2,50,001 to Rs 10,00,000 will be 1/2 per cent. On the slab from Rs 10,00,001 to Rs 20,00,000, the rate will be 1 per cent, and on the slab over Rs 20,00,000, the rate will be 2 per cent. The maximum marginal rate will, therefore, stand reduced from 5 per cent to 2 per cent. I also propose to restructure the rate schedule applicable to Hindu undivided families having one or more members with independent wealth exceeding the exemption limit.

The value of one house is exempt from wealth-tax upto Rs 2 lakh. A taxpayer is also entitled to exemption from wealth-tax in respect of specified assets upto an aggregate value of Rs 2,65,000. An additional exemption of Rs 35,000 is allowed in respect of units of the Unit Trust of India and deposits under the National Deposit Scheme. I propose to replace the spare exemption limits, aggregating Rs 5 lakh, by a consolidated exemption limit of Rs 5 lakh in respect of all these assets.

My proposals relating to wealth-tax would not result in any loss during the financial year 1985-86. Although the estimated loss during the financial year 1986-87 is Rs 70 crore, I expect that, due to improved compliance, there would be no loss of revenue over a period.

As both wealth-tax and estate duty laws apply to the property of two separate laws with reference to the same property amounts to procedural harassment to the taxpayers and the heirs of the deceased who have to comply with the provisions of

two different laws. Having considered the relative merits of the two taxes, I am of the view that estate duty has not achieved the twin objectives with which it was introduced, namely, to reduce unequal distribution of wealth and assist the states in financing their development schemes. While the yield from estate duty is only about Rs 20 crore, its cost of administration is relatively high. I, therefore, propose to abolish the levy of estate duty in respect of estates passing on deaths occurring on or after 16th March, 1985. I will come forward in due course with suitable legislation for this purpose.

Earlier in my speech, I referred to certain measures that the government proposes to take for the benefit of industrial and other workers. These include the proposals to give workers' dues the same priority as secured creditors in the event of closure of companies, the proposed increase in the bonus limit, and the introduction of stock option scheme for employees and workers. With the raising of the exemption limit for personal taxation most of the industrial workers will not be required to pay any income-tax. As a measure of further relief to them, I propose to raise the monetary ceiling on the exempt amount of retrenchment compensation received by them from Rs 20,000 to Rs 50,000. I also propose to provide that retrenchment compensation paid under schemes approved by the central government will be exempt from tax in full. I may also inform honourable members that the government is giving consideration to the formulation of a scheme for encouraging industry to involve workers in management and, if necessary, suitable fiscal incentives will be provided for this purpose.

Tax-free loans

Under a provision made by the Taxation laws (Amendment) Act 1984, salaried taxpayers are chargeable to tax on the perquisite represented by interest-free loans or loans at concessional rates of interest provided by their employers for certain purposes. As a measure of further relief to salaried taxpayers, I propose to repeal this provision.

With a view to providing further encouragement for indigenous scientific research, I propose to provide that lumpsum consideration received by scientists for the knowhow developed by the industry may write off the lumpsum consideration paid for acquiring knowhow in six annual instalments. In cases where the knowhow has been developed in government laboratories, universities, laboratories owned by public sector companies and other recognised institutions, the write-off would be permitted over a period of three years.

Authors of university level text-books, dictionaries, etc, in Hindi and other Indian languages are entitled to a deduction of 25 per cent of the income by way of royalty, copyright fees, etc, derived by them in respect of such books. This concession is coming to an end with the current assessment year. In order to encourage the writing of such books, I propose to continue this concession for another five years.

I propose to place donations to the Indira Gandhi Memorial Trust at par with donations to other funds of national importance. I also propose to provide that donations to the Prime Minister's national relief fund will qualify of 100 per cent deduction, as against the deduction of only 50 per cent allowed at present.

Tax evasion

In the context of the need to bring tax evaders to book, I see little justification for providing immunity from the penal provisions to those who make disclosure only after incriminating books of account and assets in their possession have been seized by the income-tax department. I, therefore, propose to remove the provisions made by the Taxation Laws (Amendment) Act, 1984, for the grant of immunity from penal provisions in such cases.

I also propose to enter into a dialogue with state governments and other authorities with a view to setting up special courts empowered to try tax evaders in respect of criminal proceedings initiated against them.

As a measure for countering tax avoidance, I propose to plug an existing lacuna in section

167A of the Income-Tax Act by providing that an association of persons shall be charged to income-tax at the maximum marginal rate if the individual shares of the members, in even a part of its income, are indeterminate or unknown. Under a provision made by the Finance Act, 1983, business profits derived by charitable and religious trusts are not exempt from income-tax, except in certain cases. Conformably with this provision, I propose to provide that exemption from wealth-tax will also not be available in respect of business assets of such trusts.

I shall now deal with the proposals relating to corporation tax. For the financial year 1985-86, I propose to reduce the basic rate of income-tax applicable to companies by 5 percentage points. At present, closely-held industrial companies are charged to tax at a lower rate than that applicable to other closely-held companies. I propose to prescribe a common rate for all closely-held companies, except trading and investment companies. In the result, the basic rate of income-tax in the case of certain categories of closely-held companies will stand reduced by 10 percentage points, from 65 per cent to 55 per cent. This will particularly benefit companies carrying on employment-oriented activities, such as, consultancy and advertising services and services for promotion of tourism.

The proposed reduction in tax rates, both for the corporate and non-corporate sectors, would have to go hand in hand with the discontinuance of certain concessions. Under a provision made in 1980, additional depreciation is granted in respect of machinery and plant installed

during the five-year period, from April 1, 1980, to March 31, 1985. In the context of the proposed reduction in the rates of tax and the increase in the general rate of depreciation allowance, from 10 per cent to 15 per cent, with effect from the current assessment year, I do not consider it necessary to continue the grant of additional depreciation in respect of machinery and plant installed after March 31, 1985.

Under an existing provision, expenditure incurred by com-

panies and co-operative societies on approved programmes of rural development is deducted in computing their taxable profits. While the objective is laudable, a fiscal concession is not the right instrument to achieve this objective. I, therefore, propose to discontinue this concession, except in relation to programmes which have been approved by the prescribed authority before March 17, 1985. The tax exemption allowed in respect of profits derived from the publication of books, which would lapse with the assessment year 1985-86, is not proposed to be continued. I also propose to withdraw the tax concession in respect of dividends received by Indian companies from certain foreign companies.

The tax holiday concession is at present available in respect of industrial undertakings that go into production before April 1, 1985, hotels which start functioning and ships which are brought into use before that date are also eligible for this concession. I propose to extend this concession for a further period of 5 years.

It is necessary to provide our exporters with requisite resources for modernisation, technological upgradation, product development and other activities with a view to raising their efficiency and productivity, not only in the export sector but also in the economy as a whole. In view of these considerations, I propose to replace the tax concession under section 80HHC of the Income-Tax Act by a new provision. Under the new provision, exporters will be entitled to a deduction of an amount, not exceeding 50 per cent of their export profits, carried to a reserve account to be utilised for the purposes of their business.

To facilitate the mobilisation of internal resources by the tea industry for purposes of investment in new machinery, fresh planting and replanting etc. I propose to provide that companies engaged in the business of growing and manufacturing tea in India would be entitled to a deduction up to 20 per cent of their profits deposited in a special account with the National Bank for Agriculture and Rural Development. Withdrawals from this account would be allowed

only for specified purposes in accordance with schemes to be approved by the Tea Board.

Interest tax

With a view to leaving larger funds with banks for meeting their increasing social commitments, I propose to discontinue interest-tax in relation to interest accruing after March 31, 1985. I also propose to provide that banks may make tax deductible provisions for their bad and doubtful debts up to an amount equal to 10 per cent of the profits or 2 per cent of the aggregate average advances made by their rural branches, whichever is higher.

I also propose to discontinue the provisions relating to disallowance of 20 per cent of the expenditure, in excess of Rs. 1,00,000 on advertisement, publicity and sales promotion, running and maintenance of aircraft and motor cars, and payments made to hotels. The provision relating to the disallowance of 15 per cent of the interest paid by non-banking non-financial companies on the public deposits raised by them is also proposed to be discontinued.

Taking into account the effect of withdrawal of some of the existing concessions and expected collections on account of the recent Supreme Court judgement regarding section 80J of the Income-Tax Act, of revenue in 1985-86 due to my proposals in respect of relief in tax on corporate sector will be more than offset.

The other modifications proposed by me in the sphere of direct taxes are of relatively minor importance. I would not like to take the time of the House by elaborating them at this stage.

I will now come to my proposals relating to the phased reform of corporation tax to which I made a reference in the earlier part of my speech.

The scheme envisages that next year the basic rate of income-tax in the case of all categories of companies would be further reduced by 5 percentage points. In the third year, I propose to discontinue the surcharge on income-tax payable by companies and to abolish surtax. At

the same time, I propose to discontinue the grant of investment allowance in a phased manner during the next two years. While withdrawal of investment allowance may have an adverse effect on high-growth capital intensive industries, the general reduction in corporation tax would lead to higher retained profits which would benefit all companies. The alternative to the above proposal is to continue the investment allowance with no further reduction in the rates of corporation tax and surcharge. I shall be grateful for the comments of the Hon'ble members.

I now turn to my proposals on the indirect taxes.

Customs duties

Taking customs duties first, my principal proposal is with regard to crude petroleum. Honourable members will recall that in the last year's budget, auxiliary duty on crude petroleum was raised from Rs. 9.50 to Rs 100 per tonne. I propose to increase it to Rs. 300 per tonne. I also propose to levy on crude petroleum a basic customs duty of 10 per cent ad valorem. The revenue yield from these proposals is estimated to be Rs. 620 crore in a full year. Taking this and other factors into account, there will be an increase in the price of POL products. In other cases, I propose to continue the auxiliary duty at the existing rates upto the March 31, 1986.

As a measure of protection to the indigenous bearings industry, I propose to increase the basic customs duty on ball and roller bearings by 50 per cent of the existing rates. This will result in a revenue gain of about Rs. 20 crore in a year.

Over the years, the rate of duty applicable to project imports has gone up and reached the level of 65 per cent. With a view to bringing down capital costs, I propose to reduce the present customs duty of 65 per cent applicable to projects imports in general to 45 cent ad valorem and to provide for a lower rate of 25 per cent to imports for power projects and total exemption from duty for equipment for fertiliser projects. I propose to extend the concessional project imports rate of 45 per cent ad valorem to

the public telephone exchange network project. These measures will totally cost the exchequer Rs. 290 crore in a year.

Honourable members will recall that in the last year's budget, customs duty on imported wood pulp and wood chips for the paper industry was reduced to 30 per cent and nil, respectively. As a measure to relieve the pressure on our forest resources, I now propose to totally exempt imported pulp and wood chips and make this concession available to all user industries. Customs duty on wood in certain specified forms is also proposed to be reduced from the existing level of 100 per cent to 10 per cent ad valorem. These concessions would entail a revenue sacrifice of about Rs. 17.70 crore in a full year.

Not all the proposals in my basket qualify to be described as crude or wooden. To encourage alternative sources of energy, I propose to provide for total exemption from customs duty on exhaust gas analysers and smoke meters in order to help enforce anti-pollution norms. The revenue effect of these concessions will be Rs. 7.54 crore.

I now propose a set of measures aimed at export promotion. I am abolishing the export duties on 12 items which comprise iron ore, managanese ore, raw cotton, chromite ore and concentrate, cotton waste, animal feed, managanse dioxide, sillimanite, bridge mica. With this abolition, export duty will now be leviable only on four items, namely, coffee, unmanufactured tobacco, mica other than bridge mica and hides and skins. Revenue implication of this proposal is Rs. 15.05 crore.

Keeping in view the potential of the leather industry in the field of exports, I am presenting a package of proposals relating to this industry. I propose to reduce customs duties on specified machinery used for leather processing, footwear and other leather goods manufacturing industries, from the general level of 81.5 per cent to 35 per cent ad valorem. I propose to fully exempt raw hides and skins, crust leather and finished cattle leather from import duty. The existing exemption on wet blue leather is also being made avail-

able on a long term basis. The import duty on cattle extract used by the leather processing industry is being reduced from 87 per cent to 40 per cent ad valorem. The proposals involve a revenue sacrifice of Rs. 20.07 crore in a year.

Some concessions were given in the last budget and in January, 1985, on imports of gem and jewellery machinery. I now propose to extend the concession to certain components of gem and jewellery machinery and to some essential tools for operating them. The revenue effect of this proposal is Rs. 53 lakh. I also propose to continue the concessions given in the last budget in respect of specified items of machinery for food and meat processing and packaging.

Textiles

In order to give relief to the woollen textile industry, I propose to reduce customs duty on raw wool from 50 per cent to 40 per cent ad valorem. This relief will cost the exchequer Rs. 4.80 crore in a year.

Honourable members would recall that a few months ago, the government had extended a concessional rate of customs duty of 45 per cent in respect of components to be imported for the manufacture of fuel efficient commercial vehicles under a phased manufacturing programme. I propose to extend this concession to warranty spares for such vehicles. In order to help indigenisation of the parts of commercial vehicles, I also propose to make the same concessional rate available to components imported by specified ancillary industries. The concession is proposed to be extended to components of fuel injection pumps and warranty spares imported by manufacturers of fuel injection pumps. Together, these concessions will cost the exchequer Rs. 24.7 crore in a year.

I propose to totally exempt from customs duties certain advanced type of computers not manufactured in the country. Simultaneously, customs duty on four important components of computers is being further reduced from 75 per cent to 25 per cent ad valorem with a view to

reducing the costs of the indigenous manufacturer of computers. These proposals would involve a revenue sacrifice of Rs. 20.40 crore.

The demand of health and medical care has not escaped my attention. I propose to reduce the duty on certain important items of medical equipment such as nuclear magnetic resonance scanner, cat scanner and linear accelerator, to 45 per cent ad valorem. Three specified intermediates used in the manufacture of the anti-T.B. and anti-leprosy drug, rifampicin, are being totally exempted from import duty. I also propose to reduce the customs duty on eight other drug intermediates as also on homeopathic medicines. The revenue effect of these concessions is Rs. 14.09 crore.

The government has already exempted from the levy of customs duty scientific and technical instruments, apparatus and appliances imported by research institutions subject to certain conditions. As a measure of further encouragement to research in the country, I propose to exempt from customs duty consumable items of research materials to be imported by public funded research institutions upto a value of Rs. 50,000 in a year. This would entail a revenue sacrifice of about Rs. 2.5 crore in a year.

In order to encourage domestic production of zip fasteners and discourage their smuggling, I propose to fully exempt zip fasteners from excise duty. This is in keeping with the other measures taken by me in this direction. Honourable members will recall that recently the import duty on watch components, horological machines and raw materials was reduced, as also the excise duty on watches. This measure will cost the exchequer Rs. 3.07 crore.

In this context, the honourable members are aware of the various measures being taken by government to tighten the implementation of anti-smuggling measures. We have also recently announced a liberalised scheme of rewards and incentives in this connection. I hope honourable members of the House will help to create a vibrant public opinion which alone, in the ultimate

analysis, can help to reduce and eliminate the anti-national activities of smugglers.

With a view to giving encouragement to our sportsmen winning awards in events of international significance, we have evolved a scheme by which they are given suitable concessions in respect of taxes due on the awards.

Certain changes in the Customs Tariff Act, 1975 are also proposed. The details of these proposals are in the budget papers.

Before I deal with my proposals in respect of excise duties, there is one matter which I would like to mention. It relates to the recommendation of the eighth finance commission that there was scope for increasing the rates of stamp duty on bills of lading, letters of credit and general insurance policies. I accordingly propose to raise the rates of stamp duty on the instruments of bills of lading and letters of credit. I propose, however, now to disturb the existing rates of stamp duty on general insurance policies. The new rates of duties would be effective only from the 1st July, 1985. The accrual of additional revenue to the states and the Union territories during the next financial year would be Rs 12.24 crore.

Coming now to the excise duties, let me begin with my proposals for additional resource mobilisation.

The rate of duty in respect of item 68 of the excise tariff is being raised from the existing level of 10 per cent to 12 per cent. This is likely to yield an additional revenue of Rs 125 crore by way of central excise duties and Rs 60 crore by way of countervailing duty in a full year. I must hasten to add that this increase will not affect the raw materials and manufactured inputs which are intermediates, as the existing provisions for the set off of the duty paid on goods falling under item 68 used in the manufacture of other excisable goods, would continue.

The basic excise duty on cement is being raised from Rs 205 per mt to Rs 225 per tonne for the common varieties of cement. This will result in an additional revenue gain of Rs 66 crore on the excise side and Rs 1.60 crore

on the customs side by way of increase in the countervailing duty.

Four new items are being introduced in the excise tariff which will yield additional revenue of Rs 19 crore in a year. The first three items are marble blocks, slabs and tiles, travel goods and organic-chemicals. The last item is a preparation 'containing betel nuts and any one or more of other ingredients such as lime, catechu, cardamom, copra and menthol, put up for sale in unit containers.' Honourable members will recognize this 'coalition' as pan masala.

The extent of duty differential enjoyed by mini steel plants is being reduced. However, they will still have a duty advantage of Rs 50 per tonne. This measure is expected to yield an additional revenue of Rs 18 crore in a full year.

I propose to increase the basic excise duty on aerated waters from 25 paise to 30 paise per bottle of 200 ml. And on soda water from 5 paise to 10 paise per bottle. There will be proportionate increase for bottles of higher capacity. I also propose to increase the basic duty on crown corks from 2 paise to 5 paise per unit. These proposals are expected to yield an additional revenue of about Rs. 16.75 crore in a full year.

As a measure aimed at reducing evasion, I propose to provide for purely specific rates of duty in respect of flat glass. I also propose to rationalise the tariff structure relating to glass. These measures will result in a revenue gain of Rs. 12.5 crore.

I propose to raise the basic excise duty on printing and writing paper and kraft paper, of specified varieties, by Rs. 200 per tonne and to increase the basic excise duty on certain speciality papers like coated paper, glassine paper and cigarette tissue. The revenue gain from these measures will be Rs. 10.50 crore.

I have also included in the Finance Bill some provisions designed to achieve rationalisation, simplification and clarity in the tariff nomenclature in respect of cosmetic and toilet preparations, iron and steel and non-ferrous metals. This measure in the case of cosmetics and toilet preparations is estimated to re-

sult in a revenue gain of about Rs. 5 crore. There are certain other minor proposals with not much revenue significance, which include revision of rates of duty in some cases and readjustment of duties.

I propose to raise the total duty on biris from Rs. 3.74 to Rs. 4 per thousand, on metal jacketed batteries from 20 per cent to 25 per cent ad valorem, and on storage batteries from 5 per cent to 20 per cent. These measures are expected to result in a revenue gain of Rs. 16.84 crore.

My next few proposals are rationalisation measures.

In the case of household, laundry and toilet soaps, duty rates depending only on the value of the soap are being prescribed. The present value limit of Rs. 7,800 per tonne for qualifying for the lower rate of duty is being raised to Rs. 10,000 per tonne. All soaps of value below Rs. 10,000 per mt will be charged to concessional duty of 5 per cent and other higher priced soaps will be charged to 15 per cent ad valorem. There will be an incidental revenue gain of about Rs 1 crore from this measure.

My next two proposals are a measure of simplification as well as relief. The first relates to special excise duty. This duty, as honourable members are aware, is levied as a percentage of the basic excise duty, the maximum being 10 per cent. The present system entails maintenance of separate account in respect of this levy. As a first step towards abolition of special excise duty, I propose to exempt as many as 100 items from this levy merging the special excise duty in some cases with the basic duty. Only 32 items will now be subject to this levy. This measure will cost the exchequer Rs. 38.20 crore.

The second proposal regarding simplification concerns the licence fee on television sets, VCRs and radios. While the requirement of taking out a licence in the case of radios, television sets and VCRs is being dispensed with, a new one-time levy is being introduced on television sets alone at a uniform rate of Rs. 100 per set in lieu of the present licence fee of Rs. 50 payable every year till the TV set lasts. Henceforth, people will not have to go to the post offices for taking out or renewing li-

cences. This levy would be an additional duty of excise, so far as TV sets are concerned. The additional duty of excise collected from this will accrue to the centre only and will not be shareable with the states. Additional duty of customs of an equal amount would be levied on television sets when imported into India. The collection on this account is expected to be Rs. 18 crore in a year on the excise side and Rs. 2 crore on the customs side.

Now I come to my proposals regarding textiles. I propose to partly shift the cotton fabrics duty to the yarn stage. Unprocessed cotton fabrics are being fully exempted and duty burden on cotton yarn is being increased generally by about 25 per cent. However, cotton yarn in straight reel hanks, which is generally used by handlooms, will continue to be exempted. The concessional rates for yarn in cross reel hanks supplied to registered handloom cooperative societies, are also being continued. Power processing of fabrics, whether in composite mills or elsewhere, will now attract the same processing stage duty generally at a lower rate. While lowering the overall rate, I have taken care to ensure that the additional duty component collected in lieu of sales tax which goes to the states is increased. Exemption enjoyed by hand processors is being continued. So also the exemption to handloom fabrics processed by approved independent processors and registered handloom cooperative societies is being continued.

In order to simplify assessment of excise duty on television sets, I propose to fix specific rates of duty relatable to the size of the TV screen. While doing so, I am also exempting from excise duty black and white television sets of screen size not exceeding 36 cms. These proposals will cost the exchequer Rs 7.72 crore in a year.

I propose to increase the basic excise duty on commercial vehicles from 10 per cent to 15 per cent ad valorem and on three-axled vehicles from 7.5 per cent

to 10 per cent ad valorem. This would yield about Rs 45 crore in a year. However, I propose to provide for credit of the duty paid on tyres and batteries used in the manufacture of all commercial vehicles including three-axled vehicles. I also propose to allow a reduction of duty by 2 percentage points in respect of commercial vehicles if such vehicles are turbo-charged. This concession will also be extended to passenger cars if these are turbo-charged. These two proposals will cost the exchequer Rs 82 crore in a year. The net loss of revenue would, therefore, be Rs 37 crore. I hope these measures would help manufacturers to reduce the prices of commercial vehicles.

My last proposal relates to the excise duty exemption for the small scale sector. As the honourable members are aware, the excise duty mechanism has been used to encourage the growth of this sector. Under the present general scheme relating to 67 specified groups of commodities, full exemption is available up to first clearances of Rs 7.5 lakh and clearances thereafter up to Rs 25 lakh are charged to duty at 75 per cent of the duty otherwise payable. However, a unit whose clearances had exceeded Rs 25 lakh in the preceding financial year is not eligible for the concession. In order to see that the cut-off limit of Rs 25 lakh does not inhibit the growth of the small scale sector, I propose to raise the eligibility limit to Rs 75 lakh. I also propose to further liberalise the scheme by providing for slab rates. For clearances between Rs 7.5 lakh and Rs 15 lakh the rate will be 25 per cent, for clearances between Rs 15 lakh and Rs 25 lakh the rate will be 50 per cent and for clearances between Rs 25 lakh and Rs 40 lakh the rate will be 75 per cent, of the duty otherwise payable. The revised scheme envisages that even when a manufacturer exceeds the limit of Rs 40 lakh, he does not lose the concessional rates applicable at the lower slabs, till he exceeds Rs 75 lakh.

A similar scheme with some modifications is being introduced in respect of goods falling under Item 68.

My proposals relating to the small scale sector entail a revenue sacrifice of Rs 20 crore.

My proposals in respect of customs and excise duties outlined above are likely to yield an additional revenue of Rs. 707 crore from customs duties and Rs. 424.29 crore from excise duties. The concessions and reliefs aggregate Rs. 419.88 crore on the customs side and Rs. 164.75 crore on the excise side. The net additional revenue from customs duties thus would be Rs. 287.12 crore and that from excise duties Rs. 259.54 crore. In the excise duties, the Centre's share would be Rs. 139.59 crore and that of the states Rs. 119.95 crore.

I would like to mention that the states' share has been calculated at the rate of 45 per cent of the net proceeds from basic excise duties and that steps have been taken to increase the incidence of additional duty in lieu of sales tax.

Copies of notifications giving effect to the changes in customs and excise duties effective from the 17th March, 1985, will be laid on the table of the house.

I had earlier mentioned that the budget deficit at the existing rates of taxes would be Rs. 3660 crore. The proposed tax measures, taken together with reliefs and concessions, are estimated to yield net additional revenue of Rs. 311 crore to the centre and Rs. 132 crore to the states during 1985-86. This will leave an uncovered deficit of Rs. 3,349 crore. This deficit is lower than that in the current year and is reasonable. I am confident that various policies and measures, which we have proposed, will further stimulate the economy and contribute to the welfare of the common man.

Let me end, Mr Speaker, as I began, with the words of the late Prime Minister, Mrs Indira Gandhi: "We all have faith in new India. Let us put our shoulder to the wheel".

TIMES Leading Article

Bombay THE TIMES OF INDIA in English 17 Mar 85 p 1

[Text]

The new government has kept its promise. It has moved boldly to usher in an era of greater social justice within a self-generating modern economy. With a bit of luck and benevolence from the weather gods, it should be able to achieve in time its objectives and end the stagnation nurtured by the permit-control raj. The Union finance minister, Mr. V. P. Singh, has drawn the right lessons from the country's economic performance in the recent past and imaginatively rationalised the fiscal structure to give substantial relief to almost all categories of tax-payers — individual and corporate —, a measure of social security to the poorest of the poor, generate more employment and break many of the decades-old shackles on the initiative and enterprise of the Indian people. The net effect of his proposals is to reduce the rate of increase in plan expenditure from about 25 per cent during 1984-85 to less than seven per cent next year and leave a budgetary deficit of over Rs. 3,300 crores uncovered. But neither development need cause undue alarm. The wide-ranging incentives that Mr. Singh has provided to stimulate savings and investment, to promote technological innovations in industry through selective cuts or abolition of customs and excise duties — notably on computers and other electronic products — and to dismantle controls, will enable the private enterprises to more than make up the possible slack in the public sector. In any case, most of the state-owned undertakings are heavily losing money; they need a period for consolidation to improve capacity utilisation, productivity and profits. Likewise, the budgetary gap for 1984-85 was originally pegged at Rs. 1,773 crores but it actually widened to nearly Rs. 4,000 crores. Yet inflation was effectively controlled; the price rise this year is down to five per cent or less. In the light of this experience, Mr. Singh can hardly be said to have taken an excessive risk by envisaging a deficit of the order he has.

The structural reforms in the system of personal taxation are, by any reckoning, impressive. He has abolished the surcharge on income-tax, lowered the effective tax rate in the highest bracket from 67.5 per cent to 50 per cent, given reliefs all down the line, reduced the number of slabs from nine to just four and raised the exemption limit from Rs. 15,000 to Rs. 18,000 a year. Thus, at one stroke the tax structure has been vastly simplified and, what is more, nearly one million out of four million taxpayers will now be out of the tax net altogether. Estate duty, whose yield was hardly worth the cost of collection, has been done away with. For years economists and experts have been saying that the best way to reduce tax evasion and the proliferation of black money will be to cut the marginal rate of tax to no more than half of the incremental income; Mr. Singh has done it. Indeed, the decision to permit donations by companies to political parties would also go a long way towards eradicating both political corruption and plugging a main source of black money. The deft changes in the legislation relating

8 May 1985

to corporate tax, wealth tax and the payment of minimum bonus will likewise stimulate savings and encourage their canalisation through legitimate banking channels. Perhaps more to the point, the new crop insurance scheme, if it can be rapidly and efficiently implemented, will benefit millions of farmers, big and small.

Mr. Singh has moved across a broad front to boost the growth of Indian industry and, at one remove, to enable it to acquire a competitive edge in the world markets. He has realistically exempted inter-connected companies with total assets of Rs. 100 crores or less from the crippling provisions of the Monopolies and Restrictive Trade Practices Act, the earlier ceiling, ordained in 1969, being only Rs. 20 crores. He has promised to relieve a number of industries from the requirements of licensing altogether. He has also reduced or abolished customs duties on a wide range of capital goods, raw materials and components. The proposed establishment of a new corporation to rehabilitate sick units or promote the merger of profitable and weak enterprises is equally welcome. Moving in concert, the Reserve Bank has cut the maximum lending rate by commercial banks, though marginally. It is, however, aware of the need to restrain excessive expansion of the money supply. So it has taken care to impound a part of the banks' loanable funds by raising the statutory liquidity ratio in a phased manner by one per cent. For similar reasons, the government has postponed the repayment of compulsory deposit made by the taxpayers in the past, though the scheme itself has been abolished with effect from April 1. In sum, the budget is a courageous exercise tempered by a measure of caution. Provided the government is able to put employer-employee relations on an even keel and run its own administrative machine as well as enterprises efficiently, the economy can look forward to a period of sustained progress.

Analyst on 'Innovative Budget'

Madras THE HINDU in English 17 Mar 85 p 5

[Article by G.K. Reddy]

[Text] New Delhi, March 16--The Finance Minister, Mr V.P. Singh, presented today what has been widely described by some economic experts as an innovative budget that has broken new ground in matching a wide range of tax concessions with additional levies to raise extra revenues.

Almost every segment of society, from agriculturists and industrial workers, government servants and professional classes, to entrepreneurs and investors, technologists and even sportsmen, have had their share of reliefs along with incentives for increased earnings and higher production.

The reduction of income-tax and wealth tax rates, and the abolition of Estate Duty and Compulsory Deposit Scheme, followed by the proposed introduction of crop insurance for agriculturists and several benefits for industrial workers, increased allocations for rural development and social welfare, have helped to focus attention on the beneficial aspects of the

budget, while spelling out the many steps the Government intended to take to delicense many industries and liberalise MRTP controls to help improve the private sector performance.

But at the same time the Finance Minister has chosen to increase the price of petroleum products, in the wake of the latest hikes in railway passenger and freight rates, along with increased duties on commercial vehicles, which will push up transport costs and produce a multiplier effect on prices. The Government economists persuaded the Prime Minister and the Finance Minister to agree to these unpopular measures with the apologia that increased productivity and greater export earnings were not incompatible with higher wages and prices.

Apparently the Government did not want to antagonise the rural community by accepting the advice of some idealogues to impose agricultural income-tax to raise additional revenues. Nor did it succumb to the pleas of vested interests to offer yet another amnesty to tax evaders to induce them to disclose their black money holdings and wash off their sins with some token tax payments.

The Finance Minister has, on the contrary, threatened to set up special courts to deal with tax evasion. But at the same time he has also announced the Government's decision to legalise company contributions to political parties to enable the corporate sector to play a "legitimate" role in the functioning of democracy.

Rajiv budget

It was in every sense a Rajiv Gandhi budget designed to redeem his basic pledge to liberalise the economy within reasonable limits. The Finance Minister has held out the hope of further steps before long to follow up this bold initiative with some more imaginative moves to streamline the tax structure, remove irksome controls, encourage production and generate resources for development.

But in his anxiety to mobilise more resources, the Finance Minister has gone in for a very wide range of new levies through increased customs and excise duties on many products that are difficult to administer and therefore, open to greater corruption. The effect of a well drafted budget speech was lost when he meandered through the voluminous text for 105 minutes which could have been cut down by half to make the same points more precisely and with better impact.

The former Finance Minister, Mr Pranab Mukherjee, sat impassively in the gallery reserved for Rajya Sabha members, following intently every word of what his successor was saying in his first budget presentation, which had aroused such high expectations.

The Prime Minister, Mr Rajiv Gandhi, was closely watching the reactions of the members as Mr V.P. Singh reeled out the many concessions followed by equally wide-ranging indirect taxes, as though it was his own budget designed to set the right tone for other follow-up measures in due course.

PTI reports:

The former Finance Minister, Mr Pranab Mukherjee, described it as a "good and imaginative budget." He said various measures introduced will have far-reaching consequences in reforming the fiscal and economic situation in the country.

Mr Mukherjee said it was not a departure from past budgets. Every Finance Minister had ideas and tries to put them into practice. On the whole it was a very good budget.

More Changes Predicted

Madras THE HINDU in English 18 Mar 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 17.
Those close to the Prime Minister, Mr. Rajiv Gandhi, are hinting that the latest budget concessions are only the first instalment of economic liberalisation measures promised by him and that he can be expected to come forward with more fiscal and policy changes in the course of this year without waiting for the next budget.

According to them, the Government is still working on a detailed scheme for flushing out black money, while offering further reliefs to the honest taxpayers to make it both honourable and profitable in the long run to pay their dues.

The proposal to abolish gift tax has been deferred since it was likely to be misused for diversifying assets to reduce wealth tax obligations. It was also feared that the Opposition parties might misinterpret its abolition as a recompense for the rich for their support to the Government.

But the idea itself has not been altogether abandoned, since it is open for further reconsideration at a later stage. At some point of time, perhaps a couple of years later, the Government might review the social significance of retaining the wealth tax. If the administrative costs involved are not justified by the collections.

U.K. pattern for IT

There are some influential people around Mr. Rajiv Gandhi with corporate background, who feel that India should gradually switch over to

the British system of standard income-tax rates, with or without surcharge at the higher slabs of income, with a well-defined system of basic allowances for different categories of taxpayers depending on their personal or professional obligations. But this might take time since the Indian psychology cannot be easily attuned to such radical departures from established procedures, without running the risk of a big outcry that those in the higher income brackets are being rewarded at the expense of the more modestly placed sections of the people.

The dynamic package promised by the Prime Minister is not aimed so much at providing further reliefs in personal taxation as at offering all possible incentives for increased production to generate more jobs, augment the purchasing power of the middle classes and encourage savings and investment. The latest budget concessions were decided upon to assure the people that the new Government had kept its promise by moving boldly to create an atmosphere of liberalisation, while many more follow-up measures of wider impact are still under consideration.

The senior officials dealing with economic administration concede that resources for the next Plan cannot be raised only through heavier taxation or more efficient collection, if suitable steps are not taken to prune wasteful expenditure, improve the performance of the public and private sectors, reduce subsidies wherever possible and improve the industrial infrastructure. It is for this reason that Mr. Rajiv Gandhi has been seeking expert advice on what could be done immediately to increase power generation, since industry continues to languish because of acute shortage of power in many States.

The Prime Minister and the Finance Minister have also been placing greater emphasis on larger exports, maintaining that if the high rate of the dollar was making imports more expensive, it also held out the opportunity to increase exports by taking full advantage of it. The next Commerce Minister, when appointed, will be given greater freedom to adopt a more pragmatic approach to foreign trade.

The fact that neither Mr. Rajiv Gandhi nor Mr. V. P. Singh is an economist, has not proved to be a disadvantage, since the two have been able to sense and respond to the feelings of the people better than their predecessors who allowed themselves to be influenced unduly by their advisers who simply played safe by shirking bold and innovative measures. The result is that many sound suggestions made by the Jha Commission have remained unimplemented with the excuse that the pleas for rationalisation of tax structure involved sacrifice of revenue.

And the same sort of apologia was offered for inaction on other economic fronts with the excuse that any appearance of relaxation of even those controls that have outlived their utility might be mistaken for concessions to big business that would be detrimental to the prestige of the party in power in a populist atmosphere.

CSO: 4600/1452

INDIA

INDIA REFUSES TO BACK UN DRAFT ON AFGHANISTAN

Calcutta THE TELEGRAPH in English 26 Mar 85 p 3

[Article by Tilottama Tharoor]

[Text]

Geneva, March 25: India was the only non-Soviet bloc country to vote last week against a United Nations Human Rights Commission resolution condemning the violation of human rights in Afghanistan. The Commission adopted the resolution by 28 votes to 8 (with 8 abstentions).

The resolution approves the report of Prof Felix Ermacora, an Australian law professor engaged by the Commission to investigate human rights abuses in Afghanistan.

The report found "grave and massive violation of human rights in Afghanistan" and "widespread violations of the right to liberty and security of person, including the commonplace practice of torture against the regime's opponents, indiscriminate bombardments of the civilian population and the deliberate destruction of crops."

Prof Ermacora based himself in Pakistan as he was denied access by the government of Afghanistan to the country. The Commission also renewed his mandate as special rapporteur.

The Indian representative made no statement during the

voting, and the negative vote indicated India's objection in principle to the appointment of a special rapporteur to investigate the human rights situation in a sovereign state. According to diplomatic sources, this position corresponds to the Prime Minister, Mr Rajiv Gandhi's recently voiced "hands off" policy regarding Afghanistan.

The Commission's expose of human rights abuses in Afghanistan are construed by New Delhi as politically motivated. The report is seen as merely apportioning blame, rather than making constructive suggestions on ways to improve the situation.

This view is, however, contested by the report's supporters, who point to a 10-paragraph section of recommendations. These include the involvement of the Red Cross, the withdrawal of foreign troops and negotiations under the auspices of the United Nations. Some observers expressed surprise at the Indian vote, since even "progressive" nonaligned nations like Nicaragua and Yugoslavia had only abstained.

CSO: 4600/1469

INDIA

THREE NEW DISTRICTS CREATED IN TAMIL NADU

Madras THE HINDU in English 16 Mar 85 p 1

[Text]

RAMNAD, March 15.

The three new districts, Ramnad with headquarters at Ramnad, Pasumpon Muthuramalingam (Sivaganga) and Kamarajar (Virudhunagar), came into being today.

The works relating to the trifurcation of the unwieldy Ramnad district into the new districts, were inaugurated by the Chief Minister, Mr. M. G. Ramachandran, on July 15, 16 and 17 last year, and the inauguration of the new districts took place today.

The new Ramnad district was inaugurated by Mr. T. Ramaswamy, Minister for Rehabilitation. Earlier he, along with Mr. S. Gurumurthi, District Collector, and Rani Indirani Nachiar, visited the Rajarajeswari temple in Ramnad and conducted prayers.

Talking to newsmen, the Minister said he was happy that the long-cherished dream of the people of Ramnad could be fulfilled only by Mr. M. G. Ramachandran as Chief Minister.

Mr. Gurumurthi, who assumed charge today here as the first Collector (the first Collector of the composite Ramnad district was Mr. J. F. Bryant in 1910-1912) of the new Ramnad district and the last Collector of the composite Ramnad district, said the offices of the Collector, Superintendent of Police, Ex-Servicemen's Directorate, Treasury and a few other offices have started functioning from today itself.

Priority to housing: While priority would be given to providing houses to the employees of the Government departments shifted from the Madurai headquarters of Ramnad district, 42 flats had been allotted for officials and 56 for the economically weaker section, he said. The State Government would pay Rs. 12 lakhs to the Housing Board and take over its project to provide houses for the Government staff at the lower levels.

He said there was a proposal to take over 1.6 acres and the Housing Board would construct 96 flats for different groups, delinking it from the master plan proposed for the development of Ramnad district.

DRO for Mandapam camp: The Collector said there would be a separate District Revenue Officer holding the post at the Mandapam refugee camp to take care of the problems of the refugees and repatriates.

Mr. Gurumurthi said that apart from the existing 700 dwelling units and 300 more under construction for refugees and repatriates at Mandapam, it had been proposed to build 2,000 more units in the same place at a cost of Rs. 4 crores.

Pasumpon Muthuramalingam district: The Pasumpon Muthuramalingam district was inaugurated today and Mr. Naresh Gupta, the first Collector, took charge at the District Headquarters town, Sivaganga.

Mr. Naresh Gupta told newsmen that nine district-level offices including the Collectorate and the Office of the Superintendent of Police would function in Sivaganga from today. He said that 258 flats were under construction and these would be ready by October for occupation by Government servants of the new district. For the benefit of the Government servants who are now living in Madurai, but could not move immediately to Sivaganga, special buses would be run daily both from Madurai and Melur, and back.

Police requirements: Mr. K. Ramanujam, Superintendent of Police, said 29 police stations were already functioning in the district and eight outposts were located. Five more police stations had been sanctioned. A majority of the ministerial staff of the Police Department had been brought to the new district from Madurai.

Kamarajar district: The Kamarajar district with headquarters in Virudhunagar came into being today. The Collectorate is housed in the place, where an elementary school in which Kamaraj studied was located.

Mr. L. N. Vijayaraghavan, first Collector of the district, took over today to the accompaniment of nadaswaram playing and singing of hymns by Oduvars.

INDIA

ANTARCTIC TEAM RETURNS, FUTURE PLANS TOLD

Team Leader Meets Press

Madras THE HINDU in English 26 Mar 85 p 7

[Text] Panaji, March 25--Members of the fourth Indian Antarctica expedition were accorded a rousing reception when they arrived at Mormugao port this morning by m.v. Finn Polaries, after a 3-1/2 month stay on the icy continent. The Goa Law Minister, Mr Sheikh Hassan Haroon and Dr S.Z. Qasim, Secretary, Department of Ocean Development, were present.

Twelve members of the third expedition led by Lt Col S.S. Sharma, who had manned for 15 months, the permanent Indian Antarctica station, Dakshin Gangotri, also returned with the fourth expedition team.

The station will now be manned by a 13-member team, headed by Lt Col P. Kumaresh.

The Fourth expedition led by Prof B.M.B. Bhattacharya of the Indian School of Mines has brought back various samples and data from the icy continent. Lt Col J.K. Bajaj headed the reconnaissance team which tested vehicles for the South Pole expedition.

Talking to newsmen, Prof Bhattacharya said that the entire expedition was free from incidents though the climate was often hostile. The team completed work on three cottages and a big garage on rocky terrain, about 75 km south of Dakshin Gangotri.

Mr Prabhu Matondkar, a young microbiologist attached to the National Institute of Oceanography (NIO) who has participated in all the four expeditions, said that the research carried out by him would be useful for developing new industrial processes.

Fifth mission: The Department of Ocean Development has decided to send the fifth Antarctica mission this year-end. Dr Qasim said that the fifth team would be a bigger one. More than 40 scientific organisations besides the defence services would had participate in the massive task and the expedition would be more comprehensive and broadbased. The team would create many other additions like the air-link and better communication and living conditions in the permanently manned station, he said.

PRL Scientist: Dr V.N. Nijampurkar of the Physical Research Laboratory (PRL) Ahmedabad, is in the team for the fifth mission, which will search for meteorites.

American scientists who have collected Antarctic meteorites have predicted the existence of a large number of meteorites on Dakshin Gangotri, according to Prof M.N. Rao of Geo-Cosmophysics unit of PRL.

Unknown pieces: Mr Rao hopes the next Indian expedition in November/December would come across some still unknown pieces in our backyard. Scientists all over the world would be eager to work on them to understand the mysteries of the universe.

The Indian team is expected to collect 50g of meteorite samples, of which some will be supplied to the U.S., Soviet Union and Japan.

The PRL is said to be the first laboratory to find a gas-rich meteorite in these collections which contained records of the ancient solar wind and solar flares which occurred 4.5 billion years ago.

At PRL, scientists have developed sophisticated particle track detectors, radioactivity counting methods and gas mass spectrometric techniques to identify and analyse these meteorites.

The results of the tests on the meteorites obtained so far have an important bearing on several disciplines of cosmology such as the origin and evolution of the solar system, galactic and solar cosmic rays research, the evolution of planetary atmospheres, the dynamics of planetary interiors and the evolution of life on earth, according to Mr Rao.

Poor man's probes: Describing meteorites as poor man's space probes sporadically falling from the heavens, Mr Rao said these meteorites served as an important source for the ground truth, critical for interpreting the planetary data.--PTI

More on Leader's Remarks

Madras THE HINDU in English 28 Mar 85 p 14

[Text] Panaji, March 27--Prof B.B. Bhattacharya, leader of the fourth expedition to the Antarctica, which returned yesterday, said that experiments in meteorology, molecular biology oceanography, geographical and polymer studies had been carried out by the expedition.

Talking to newsmen after the 85-member expedition was accorded a rousing reception at the Mormugao port, Prof Bhattacharya said an automatic picture transmission system had been installed to receive data from satellites, which would be used to forecast weather conditions.

The team had done considerable work in the study of temperature and salt content of micro-organisms. Over 150 soil and water samples had been collected and 13 cultures developed which could survive and be active in sub-zero temperature.

Logistic support for the expedition was provided by a service team led by Lieut-Col J.K. Bajaj, who told the news conference that army engineers had constructed a large garage for parking vehicles and storing heavy equipment. They had also built a small field station consisting of three cottages on rocks 96 km into the hills of the "Dakshin Gangotri," the permanent Indian base camp. Situated beside a lake, the station would accommodate 12 people, he said.

Wireless Link

Lieut-Col Bajaj said with the help of two Chetak helicopters, the Indian naval contingent flew reconnaissance sorties and transported men and material from the ship to the station. They also established a high-frequency wireless link in addition to the satellite link which had been in operation for the last three years.

He said the Indian Air Force transported men and heavy equipment from the ship to construction sites on the Antarctica with the help of Mi-8 helicopters. The Defence Research and Development Laboratory had supplied containerised accommodation with toilets, kitchens, snow-melting plants and generator all fully insulated and mounted on sledges.

The Defence Food Research Laboratory and the Central Food Technology Research Institute, both located in Mysore, had provided dehydrated and canned food while frozen food was provided by MAFCO at Bombay.

Lieut-Col Bajaj said there were hardly any medical problems though there was one instance of dehydration and two cases of eye injuries. All the members of the expedition took turns at cooking, cleaning and laundry work.

Earlier, the expedition members aboard the M.V. Finn Polaris, which docked at the Mormugao port, were received by Goa's minister for protocol, Mr Francisco Sardinha, the secretary to the Ocean Development Department, Dr S.Z. Qasim, and Senior representatives of the armed services. Also present were the ambassador of Finland Mr Jan Groop, his wife and the chairman of the Mormugao Port Trust, Mr Cecil Noronha.

CSO: 4600/1470

INDIA

CORRESPONDENT SUMMARIZED POINTS IN RAILWAY BUDGET

Madras THE HINDU in English 15 Mar 85 p 1

[Text]

NEW DELHI, March 1

A 12.5 per cent surcharge on all classes of passenger tickets and a 10 per cent supplementary charge on freight for all commodities were proposed in the Railway budget presented to Parliament today by Mr. Bansi Lal. The proposed passenger fare hike will fetch Rs. 153 crores a year and freight rate increase Rs. 342 crores.

The Railway Minister, who announced in the Lok Sabha that the increases will take effect from April 15, did not spare season ticket holders. The rise for second class monthly season ticket will vary from Rs. 3 to Rs. 12 for different distance slabs ranging between one and 150 km. The first class monthly season ticket will cost four times as much as the revised second class monthly rate.

The second class sleeper surcharge goes up from Rs. 8 to Rs. 10 for the first night, but no surcharge will be payable for the subsequent nights of travel. In the case of Rajdhani Express trains between New Delhi and Calcutta and New Delhi and Bombay, the hike will be rounded off to the next higher Rs. 5, while the surcharge for air-conditioned sleeper berths will go up by Rs. 5 for all the four distance slabs.

Some exemptions

Exempted from the passenger fare surcharge is travel up to a distance of 50 km in second class trains (Mail, Express or ordinary). Similarly, all commodities will invite the higher freight only for distances beyond 500 km.

Free travel for children, which had been allowed for those up to five years from three on an ad hoc basis in 1979, has now been fixed at five on a regular basis. Youth between 13 and 33 years can travel second class by paying 50 per cent of the fare if they are in groups of ten and the journey extends beyond 1,000 km. Indrail pass fares have been reduced by 25 per cent for such youth.

The minimum chargeable distance for goods has been raised from 75 km to 100 km. There would be a 33 per cent concession for sugarcane traffic moving up to 100 km.

The concessions announced for youth will be available till December 31 this year.

The Minister announced the abolition of Rail Traffic Enquiry Committee (RTEC) classifications of commodities in classes 65, 70 and 75 for carriage by railway as they are uneconomic. The commodities covered by these three classes are rice and wheat, grain and pulses and salt for human consumption and are carried in train loads. The revised classification for all train loads for all these commodities will be class 80. For wagon loads the classification will be 85.

The Railways expect a two per cent growth in non-suburban passenger traffic and a four per cent increase in suburban traffic in 1985-86.

The target set for revenue earning freight traffic for 1985-86 is 250 million tonnes against the revised estimate of 237 million tonnes in 1984-85.

An additional earning of Rs. 495 crores is expected to accrue in 1985-86 from the fresh levies now announced.

Disclosing an allotment of Rs. 1,650 crores towards Plan funds for 1985-86 (no change from 1984-85), the Minister said in view of the resource constraint greater emphasis would be laid on replacement and rehabilitation, and on the completion of projects in an advanced stage of progress.

The acquisition of new assets like wagons would be kept at a low level, and there would be greater emphasis on improved utilisation so as not to affect the carrying capacity.

He said the tempo of introduction of new trains was maintained in 1984-85 and already 121 non-suburban trains had been introduced, but promised no new passenger train services.

Matters affecting the comfort, security and safety of passengers continued to receive close attention and punctuality was being continuously monitored. Great emphasis had been placed on cleanliness both on trains and at stations. A 10-point action plan had been launched to strengthen safety of rail travel.

Technological improvements had been made gradually in the form of track circuiting, route relay inter-locking, manning of level crossing gates, etc. The 12.5 per cent departmental charge realised from local bodies towards the cost of foot overbridges had been waived.

The budget proposals also include a provision of Rs. 27 crores for the accident compensation, safety and passenger amenities fund, which is three times the provision in 1984-85. The higher provision for safety and accident compensation has been occasioned by the growing requirements of expenditure on this count and by the need for streamlining passenger amenities.

Investments having been around Rs. 6,572 crores, 1,600 km of track electrification, over 700 km of new line construction, 1,500 km of gauge conversion and 600 km of doubling were expected to be completed during the Sixth Plan period. Track renewal was expected to aggregate 9,200 km.

In comparison with 1979-80, the increase in passenger and freight traffic in 1984-85 would be 11 per cent and 17 per cent respectively.

The Minister listed four new lines completed in 1984-85. These were Wani-Pimpalkutti (Central), Nalgonda-Miryalguda (South Central), Santragachi-Bargachia (South-Eastern) and New Bongaigaon-Guwahati (Northeast Frontier). Four other lines—Milavitten-Tirunelveli (Southern), Manikgarh-Chandru (South Central), Pen-Nagothana (Central) and Nangal Dam-Mehtapur (Northern)—were expected to be completed shortly. New lines aggregating 201 km were expected to be completed in 1986. These are Miryalguda-Vishnupur (South Central), Karur-Palayam (Southern), Koraput-Machilguda (South Eastern) and Dharmanagar-Pecharthal (Northeast Frontier).

West coast line

Mr. Bansi Lal said he attached great importance to the construction of the west coast line between Bombay and Mangalore as this would shorten the distance between the north and the south and also serve as an important alternative route.

The expenditure on electrification in 1984-85 would be Rs. 150 crores, and with this a total of 6,500 km of railway routes in the country

would have been electrified. Due to constraint of resources, the concentration in 1985-86 would be on high density routes linking Delhi and Madras and Delhi and Bombay, and certain coal carrying routes.

He spoke of the good progress maintained by the Railways' production units. The Integral Coach Factory at Perambur near Madras had created a record by producing 817 coaches in 1983-84. It was expected to produce 825 coaches, including electric multiple units, in 1984-85.

The Chittaranjan Locomotive Works was expected to produce 81 locos and the Diesel Locomotive Works 114 locos in 1984-85.

Gross traffic receipts in 1985-86 are estimated at Rs. 6,151 crores against the revised estimate of Rs. 5,390 crores for 1984-85 and the actual of Rs. 4,986 crores in 1983-84. On the other hand, total working expenses next year are estimated at Rs. 5,615 crores against Rs. 5,226 crores this year and Rs. 4,661 crores last year.

The revised estimate of gross traffic receipts for 1984-85 (Rs. 5,390 crores) is marginally lower than the budget estimate of Rs. 5,457 crores. On the other hand, the revised estimate of total working expenses (Rs. 5,226 crores) is Rs. 144 crores higher than the budget estimate of Rs. 5,082 crores for 1984-85.

Out of the total working expenses budgeted for 1985-86, the appropriation to the depreciation reserve fund amounts to Rs. 920 crores and the pension fund appropriation is Rs. 260 crores. The rest is made up to ordinary working expenses.

The Minister said there was a shortfall of eight million tonnes in revenue freight traffic during the current financial year against the target of 245 million tonnes due to decreased offers from the core sector as well as disturbed civil conditions which affected passenger traffic.

This reduced the earnings and with the increase in working expenses, the net revenue had gone down from Rs. 420 crores in the budget estimate to Rs. 209 crores in the revised estimate.

The target for revenue earning traffic in the coming year had been fixed at 250 million tonnes while growth in passenger traffic had been assumed at four per cent in suburban and two per cent in non-suburban areas.

INDIA

DEFENSE MINISTER TELLS PLANS FOR NAVY MODERNIZATION

New Delhi PATRIOT in English 29 Mar 85 p 8

[Text]

Simla, March 28 (UNI)— Defence Minister P.V. Narasimha Rao yesterday said modernisation of navy was receiving full attention in view of "our large coastal line and increasing tension in Indian Ocean".

He told newsmen there would be nothing wanting to the attention being given to the Navy.

Replying to a question about arms acquisition by Pakistan, Mr Rao said India did not like the mini arms race in the sub-continent and had been telling the US and Pakistan about it. As they had not appreciated India's stand, "we have to be prepared to meet any eventuality," he added.

About the supply of Harpoon missiles to Pakistan, he said "they (Pakistan) have got something but we can at the best watch their activities."

Asked about the reported exchange of fire between India and Pakistan troops over Narboo glacier, the Minister said there had been "provocation from other side to dislodge us from that place."

In reply to a question, Mr Rao said he presumed that the "whole gamut of Indo-Pakistan relations will be discussed during foreign secretary Romesh Bhandari's coming visit to that country."

Official sources in the Defence Ministry add: The naval headquar-

ters have also taken into consideration the build-up of Pakistan navy. Recently Pakistan received four Chinese-built Huangfen class fast attack craft. They were carried on board self-propelled dry dock "Honghekou". The Huangfen class is a Chinese version of the Soviet OSA-1 class fast attack craft, armed with four SS-N-2 missiles, and two twin 25 mm gun turrets.

Under the new naval plan for 1985-90, the capabilities of the Navy would be considerably upgraded with the introduction of more Kashin class destroyers, three of which have already been acquired from the Soviet Union. New long range surface-to-surface missiles for warships and air-launched sea-skimming missiles would also be introduced.

A contract is now being finalised for the acquisition of 11 more sea harrier jump jets from Britain. The package would include 10 sea harrier jets and one trainer aircraft.

The Indian naval warships now under construction will be fitted with latest "sensing systems" to increase their capabilities of surveillance, detection and sight.

India is also looking for new anti-shipping missiles and some of the Indian Air Force Jaguar fighter aircraft have been earmarked for the maritime strike role.

The Soviet Union has proposed to retrofit some of foxtrot class submarines supplied by them to the Indian Navy several years ago. Out of the eight, at least three submarines are to under go complete refit to increase their life and capabilities.

The sources said the decision to shore up India's defences along its vast coastline had been taken in view of "definite" reports of introduction of sophisticated and nuclear weaponry in the Indian Ocean region.

While finalising the new five-year defence plans for the Army, Navy and the Air Force (1985-90), the Government has also taken into consideration the lethal weapons that Pakistan is going to acquire from the US and other sources over the next few years.

Pakistan is going to get several more — harpoon missiles from the US shortly and Indian defence authorities have rejected Pakistan's reasoning that it was acquiring them to meet the threat from Afghanistan.

Sources said Afghanistan did not have even one kilometre of coastline, and "it is clear that the target of the Harpoons would be no other country than India." The Harpoons could threaten very strategic and high value targets in India.

INDIA

LONG-TERM FISCAL POLICY TO BE ANNOUNCED IN SEPTEMBER

Calcutta THE STATESMAN in English 3 Apr 85 p 1

[Text] New Delhi, April 2--A long-term fiscal policy will be announced along with the draft Seventh Plan (1985-90) document in September, the Finance Minister, Mr V.P. Singh, announced here today, reports UNI.

Reforms in indirect taxation would also be carried out in the Budget for next year (1986-87), Mr V.P. Singh said while addressing the members of the forum of financial writers.

Mr V.P. Singh said the Government was keen on having a long-term fiscal policy "co-terminus with the Plan." The subject was discussed at a meeting in the Finance Ministry yesterday.

A group would be set up to carry out and coordinate studies required to formulate such a long-term fiscal policy. He said it was fair to indicate the direction in which the economy was being taken.

Such a long-term policy would help create a stable regime of investment and improve the climate for investment.

He said on the direct taxes side major changes had been brought about. "We want to start a similar exercise in indirect taxes."

Though some changes had been effected regarding indirect taxes, "our indirect taxation needs much greater study and the need of reform is very much there," Mr V.P. Singh said.

Mr V.P. Singh was asked whether a long-term fiscal policy would also mean that the deficit of Rs 3,349 crores visualized for 1985-86 would continue in the remaining four years of the Seventh Plan.

The Finance Minister said the public sector would have to raise internal resources. The Government was also banking on buoyancy in the economy following this year's Budget proposals.

Referring to the criticism of the Budget, Mr V.P. Singh said the basic objective was to step up growth in the economy. He said even administrative decision was being given ideological interpretations. The Budget proposals should not be viewed from too much of an ideological angle, he added.

CSO: 4600/1477

INDIA

HINDU ANALYST REPORTS ON ARMACOST VISIT

Madras THE HINDU in English 16 Mar 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, March 15.

The visiting U.S. Under-Secretary of State for Political Affairs, Mr. Michael Armacost, has met many senior personalities in the Government to get an idea of the current thinking in Delhi on Indo-American relations. These included the Defence Minister, Mr. P. V. Narasimha Rai, the Chairman of the Policy Planning Committee, Mr. G. Parthasarathy, the Minister of State for External Affairs, Mr. Khurshid Alam Khan, the Cabinet Secretary, Mr. P. K. Kaul and the Foreign Secretary, Mr. Romesh Bhandari.

He is likely to meet the Prime Minister, Mr. Rajiv Gandhi, tomorrow before returning to Islamabad to see the Pakistan President, General Zia-ul-Haq, who left for Moscow to attend Konstantin Chernenko's funeral on the day Mr. Armacost got there.

Tour programme changed: His travel schedule was changed because the Chinese Government wanted him to reach Beijing a few days later than he had planned. As a result, Mr. Armacost has begun his trip with visits to Pakistan and India before going to China, South Korea and Japan. He flew to Bombay today to meet some representatives of Indian industry and others interested in an improvement of Indo-American relations.

Mr. Armacost's visit to India and Pakistan has been overshadowed to some extent by the talks the U.S. Vice-President, Mr. George Bush, and the Secretary of State, Mr. George Shultz, have had with Mr. Rajiv Gandhi and Gen. Zia

in Moscow. But he has nevertheless tried to make full use of this opportunity for in-depth discussions with Indian personalities on Pakistan, Afghanistan, Sri Lanka and other issues before Mr. Gandhi goes to Washington.

The U.S. President, Mr. Ronald Reagan, in his letter to Mr. Rajiv Gandhi last week, indicated almost three months in advance the subjects he would like to discuss during their talks in Washington. A number of important Americans, including the Secretary of Commerce, Mr. Malcolm Baldrige, will be visiting India in the next few weeks for talks on different aspects of Indo-American relations.

Known positions restated: During his talks in Delhi, Mr. Armacost has merely restated the known U.S. views on Afghanistan and justified the supply of American arms to Pakistan, while assuring India of its cooperation in urging Sri Lanka to seek a lasting political solution to the Tamil problem. But he has not held out any hope of a modification of the American policy of arming Pakistan to mollify India's misgivings that the weapons may be used against it.

Mr. Armacost has not, however, tried to foreclose discussion on the subject. He has left it open for a fuller exchange at a higher level with Mr. Reagan himself when Mr. Gandhi goes to Washington.

After meeting the Prime Minister tomorrow, he will have a further round of talks with Mr. Bhandari before leaving for Pakistan. He also intends to make a brief statement before his departure, reiterating the American desire for better relations.

CSO: 4600/1450

INDIA

WORLD BANK, IDA PROMISE LOANS FOR DEVELOPMENT

Bombay THE TIMES OF INDIA in English 14 Mar 85 p 1

[Text] Washington, March 13 (Reuter)--The World Bank and the International Development Association (IDA) said yesterday that they will provide \$698 million in loans and credit for three development projects in India.

The two agencies will provide a loan and two credits totalling \$450 million to support construction of dams on the Narmada river.

The two river projects, which will provide hydroelectric power and irrigation, are expected to cost about 2.5 billion dollars.

The hydropower project will be backed by a 200-million-dollar World Bank loan and a 100-million-dollar credit from IDA, the bank's concessionary lending affiliate. IDA will also offer a 150-million-dollar credit for the irrigation project.

The bank also said it will provide a 248-million dollar loan to develop two coal mines and associated facilities in Bihar state. The total cost of the mining project is estimated at 696 million dollars.

The bank said its 200-million-dollar loan for construction of the Sardar Sarovar dam and power project and the 248-million dollar loan for the coal mines are for 20 years with five years' grace and a variable interest rate currently set at 9.29 percent. They also carry annual commitment charges of 0.75 percent on undisbursed balances.

The IDA credits are for 50 years with a ten-year grace period. They carry no interest, but have annual charges of 0.5 percent on the undisbursed balances and 0.75 percent on the disbursed balances.

The bank said the water projects are the first phase of a 40 to 50-year plan to develop the Narmada basin and will mean reliable and efficient supplies of power and irrigation water to drought-prone areas in Gujarat and Rajasthan.

It said other financing will be provided by the Indian government in the states of Gujarat, Maharashtra, Madhya Pradesh and Rajasthan.

The coal mines are expected to provide 5.5 million tonnes of raw coking coal a year and will also be backed by the government of India, Britain's Overseas Development Administration, and Coal India Ltd., a holding company that accounts for 90 percent of India's coal production.

CSO: 4600/1449

INDIA

BRIEFS

POOR HARVEST OUTLOOK--Bombay, March 15--There will be a shortfall of 50 to 60 percent in the kharif crop in 13,143 villages in 22 districts due to scarcity conditions, the revenue minister, Mr Sudhakar Naik, said here today. He told newsmen that the government had earmarked Rs 29.40 crores for various relief schemes including the digging of wells and bore wells, supplying water by tankers and bullock-carts and laying permanent and temporary pipelines. Nearly 16,000 villages have been identified as famine-stricken, affecting some 14 million people and 6 million animals in 22 districts. Relief in payment of revenue and a stay on repayment of back loans has also been extended. The state government had requested Central assistance to the tune of Rs 66 crores for various famine-relief schemes, including the EGS, and had received Rs 36 crores so far, he said. [Text] [Bombay THE TIMES OF INDIA in English 16 Mar 85 p 1]

VISITING CHINESE MINISTER--"The border issue between India and China will be resolved sooner or later," Mr Liu Shu Qing, Vice-Foreign Minister of China, said at Calcutta airport on Monday. He said that India and China had taken a friendly and realistic approach to the issue and a solution would be found. Mr Liu said that talks on the issue were being held at the official level. Asked if there was any possibility of high-level talks between the two countries on the border issue, Mr Liu said that there was no difficulty in holding talks as far as China was concerned. China had already extended an invitation to the Indian Foreign Minister. Mr Yao Yi Lin, Chinese Vice-Premier, had also extended an invitation to the Prime Minister, Mr Rajiv Gandhi, when Mr Yao visited Delhi in November last year, he added. Mr Liu, who was leading a nine-member delegation to Bhutan for talks with the Bhutanese Government on the Sino-Bhutanese border, came to Calcutta from Beijing. He said that this was the second round of talks with Bhutan on the border issue. The first round was held in Beijing in April 1984. Mr Liu was received at the airport by Mr Liang Boo Shan, second Secretary in the Chinese Embassy, and other Chinese officials, who had flown to Calcutta from Delhi, and also big representatives of the Bhutanese Government and officials of the West Bengal Government. Mr Liu and the members of the delegation are scheduled to leave for Bhutan on Wednesday. [Text] [Calcutta THE STATESMAN in English 2 Apr 85 p 9]

NEW ZEALAND ENVOY--New High Commissioner of New Zealand Edmund Hillary presented his credentials to President Zail Singh at the Rashtrapathi Bhavan on Wednesday, reports PTI. Welcoming the High Commissioner, the President said New Zealand and India shared common values and institutions that bind the two countries together. Referring to bilateral relations between the two countries, the President said that both India and New Zealand could identify new areas of cooperation specially in the field of trade, culture and science and technology and work together for mutual benefit. [Text]
[New Delhi PATRIOT in English 28 Mar 85 p 6]

AKALI DAL (TALWANDI)--The Akali Dal (Talwandi) on Monday split with 16 of its 32 SGPC members resigning and defecting en bloc to Akali Dal led by Sant Harchand Singh Longowal, report agencies. The group led by a senior leader, Mr Shiv Singh Kueshipur who is also president of the Gurdaspur unit, announced its defection after meeting Sant Longowal and the head priests in Amritsar in the morning. This group had voted for Mr G.S. Tohra in the presidential elections of the SGPC in November last year by defying the party directive to vote for Mr Atma Singh, who was defeated. [Text]
[New Delhi PATRIOT in English 26 Mar 85 p 1]

INDO-SOVIET OIL PACT--New Delhi, March 26--India and the Soviet Union today signed a protocol providing for "mutually agreed areas" in a hydrocarbon-bearing basin to be given to the Soviet Union for intensive and integrated exploration. Under the agreement an exploration programme will be carried out with Soviet experts and materials within a defined time frame. The areas to be taken up under the agreement will be finalised within a month. The expenditure for the exploration programme will be financed out of Rouble credit. The protocol was signed by Mr V.M. Yudin, Soviet deputy minister for oil and Mr G.V. Ramakrishna, petroleum secretary. During the exchanges between the Indian and Soviet delegations bilateral cooperation in the field was reviewed. It was noted that the geophysical surveys being carried out in West Bengal had progressed satisfactorily. [Text] [Calcutta THE TELEGRAPH in English 27 Mar 85 p 4]

GANGES WATER PLAN--New Delhi, March 21 (UNI)--The government has chalked out a six-point action plan to improve the quality of the Ganga water, minister of state for environment, Mr Vir Sen, informed the Rajya Sabha today. The plan includes renovation of existing sewage pumping and treatment plants and installation of new plants in selected towns. These plants would also enable resource recovery in terms of biogas and manure, besides providing for irrigation and aquaculture. Providing waste water sub-pumping stations at the outfall points of open drains not yet covered by the existing sewage system and extending it to cover the unsewered areas in towns are the other features of the plan. Construction of large community cattle heads in urban areas to facilitate collection of animal and human wastes at suitable places and generating biogas and manure at these points will also be taken up under the plan. The programme would be implemented in two phases. [Text] [Calcutta THE TELEGRAPH in English 22 Mar 85 p 6]

TRADE WITH FRG--Bombay, March 17--Bilateral trade between India and West Germany increased by 20 percent in 1984 after a year of virtual stagnation. For the first time, trade between the two countries exceeded the DM 4 billion mark (about Rs 1.56 crores). India's remarkable presentation as an industrialised nation at the Hanover Fair 1984 contributed to this increase according to the Indo-German Economic News and Feature. India's export to the FRG increased by Rs 55 lakhs by December 1984. This is higher than the average rise in German imports in 1984, which was 11 percent and also higher than the average rise in German imports from developing countries (other than Opec) which was 12 percent. [Text] [Calcutta THE TELEGRAPH in English 18 Mar 85 p 9]

EEC TRAINING AID--Hyderabad, March 17 (PTI)--The European Economic Community (EEC) has agreed to provide assistance to India for state-level institutes to train personnel for rural development schemes, Mr Buta Singh, minister for agriculture and rural development said here today. This would give a fillip to research and training activities. Composite rural training technology centres are now being set up in each district, the minister said addressing the general council meeting of the National Institute of Rural Development (NIRD). He said the government proposed to strengthen and establish extension training centres also for grassroot functionaries, which should go a long way in fulfilling their training needs. He said he was happy that the NIRD had established a regional centre at Gauhati for providing training to administrative personnel in that region. Rural development programmes would be continued in the Seventh Five Year Plan with added vigour. [Text] [Calcutta THE TELEGRAPH in English 18 Mar 85 p 6]

EXPLOSIVES SEIZED--Silchar, March 15--The Army seized a truckload of explosives and 1,700 detonators from an Al-zawl-bound Border Road Task Force vehicle and arrested two persons including a BRTF grade II supervisor, as they could not produce any valid documents here yesterday, according to official sources, reports PTI. The seizure included 30 metres of safety fuse, two kg of gunpowder and high potency gelignite which were procured from an arms dealer in Rajasthan, it was revealed during interrogation of the two persons who were handed over to the police. It was suspected that the two were members of an inter-State gang of gun runners. This was the biggest ever arms haul, the sources said, in this border district of Assam. The Mizoram police had been informed of the seizure and investigations had been started. [Text] [Calcutta THE STATESMAN in English 16 Mar 85 p 11]

NEW PAKISTAN ENVOY--New Delhi, (PTI)--Mr Shailendra Kumar Singh, at present India's ambassador to Austria, has been appointed ambassador to Pakistan, it was officially announced here on Friday. He will take over from Mr K.D. Sharma shortly. Mr Singh was spokesman of the external affairs ministry and additional secretary (UN) before being posted to Austria. [Text] [Calcutta THE TELEGRAPH in English 16 Mar 85 p 1]

REQUEST FROM JAPAN--New Delhi, March 15 (PTI)--Japan has urged India to ease market restrictions and liberalise licensing procedure to enable setting up of more joint ventures both in the public as well as private sectors, and prompt transfer of advanced technology into India. The Japanese request was made during the just-concluded two-day joint meeting of the Indo-Japanese study committee. The 18-member Japanese delegation to the joint session of the study group was headed by Mr Shinsaku Hogan and the nine-member Indian delegation by Mr Abid Hussain, member, Planning Commission. Mr Hogan and Mr Abid Hussain, who are co-chairmen of the study group, told newsmen here that the Japanese were now more happy with easing of certain restrictions and hopeful of closer cooperation between the two countries in diversified fields. [Text] [Calcutta THE TELEGRAPH in English 16 Mar 85 p 5]

ASSAM STUDENT BODY--Guwahati, March 12 (PTI)--A new students body--the All Assam Elected Students Representatives Union, was formed at a convention here today. The convention was attended among others by the general secretaries of 51 colleges. The convention constituted a 12-number ad hoc executive committee headed by Mr Dulu Dutta, general secretary of J.B. College, Jorhat in upper Assam. [Text] [Calcutta THE TELEGRAPH in English 13 Mar 85 p 4]

MORE MADHYA PRADESH MINISTERS--Bhopal, March 22--The Madhya Pradesh Chief Minister, Mr Motilal Vora, today expanded his eight-member Ministry, inducting 14 more Ministers. The Cabinet Ministers who were administered the oath of office and secrecy by the Governor, Mr K.M. Chandy, at a function in the Raj Bhavan here are: Mr Shiv Vhanu Singh Solanki, Dr K.L. Sharma, Mr Balendu Shukla and Mr Durgadas Suryavanshi. The new Ministers of State are: Captain Jalpal Singh, Mr Chitrakant Jaiswal, Mr Tanwant Singh Keec, Mr Mahesh Joshi, Dr Ranvir Singh Shastri, Mr Harihar Prasad Sharma, Mr Vithhal Bhai Patel, Mr Chandra Kumar Bhanot, Mr Shivpratap Singh and Mr Rasool Ahmed Siddiqui. 11 old faces: Barring Dr Shastri, former principal of a private college in Raipur, Mr Siddiqui and Mr Jaiswal, all those sworn in today had been members of the Arjun Singh Ministry. While Dr Shastri and Mr Siddiqui became ministers for the first time, Mr Jaiswal had served as Minister of State in the Government of Mr Shyama Charan Shukla.--UNI [Text] [Madras THE HINDU in English 23 Mar 85 p 9]

INDO-NEPAL PACT EXTENDED--New Delhi, March 22--The existing treaty of transit between India and Nepal which is due to expire on March 24 has been extended on an ad hoc basis, for six months. A decision regarding the renewal of the treaty on a regular basis will be taken by the inter-Governmental committee which is likely to meet in May this year. The treaty contains detailed procedures on the movement of Nepal's third country trade through India, including entry and exit points and documentation requirements. Under this treaty, India has granted low-cost, long-lease of land to Nepal at Calcutta and Haldia ports for storing its transit cargo. Nepal has also been granted preferential treatment by way of a free time of seven days for loading, as compared to three days allowed to Indian importers at Calcutta and a free time of three days for Nepalese users as compared to 24 hours allowed to Indian users. In addition, the Government of India has offered facilities for constructing railway siding and warehouses at Narayanpur Anant and also agreed in principle for extending the railway terminal from Raxaul to Birgunj. [Text] [Madras THE HINDU in English 23 Mar 85 p 9]

IRAN

TABRIZ RADIO COMMENTS ON FOREIGN MEDIA PROPAGANDA

GF041908 Tabriz Domestic Service in Armenian 1730 GMT 4 Apr 85

[Unattributed commentary]

[Excerpts] The foreign radios along with other information media subject to international imperialism last year constantly waged their propaganda struggle against the Islamic Republic of Iran. The propaganda field, which considers radios to be one of its main tools, is one of the fronts opened by international imperialism against the Islamic Republic of Iran. Islamic Iran has confronted the aggression of the Iraqi regime's forces on the battlefronts and has also met on the political and economic fronts economic sanctions, conspiracies, and propaganda pressures by the international communities under the influence of the superpowers, depending on its beliefs and its invulnerable political and propaganda positions, and is continuing the struggle.

The imposed war, which began with the aggression of the Saddamist regime's forces, since its beginning constituted the main news and reports of foreign radios and it has become an important factor in recognizing the nature of foreign radios and detecting the contradictions and lies of those information means.

During the aggression of the Iraqi regime in the Persian Gulf, the foreign radios adopted two contradictory stances, and a review of their news reports over the last year in this regard reveals certain examples of their contradictions. In spite of the fact that the Iraqi regime had always declared in its official statements that it will attack tankers in the war zone, the radios controlled by international imperialism from the first months of the tanker war endeavored through an organized propaganda campaign to represent the Islamic Republic of Iran as the one expanding the war and creating insecurity in the Persian Gulf.

The efforts of the foreign radios in this regard were aimed at representing the Iraqi attacks on tankers in the Persian Gulf as a legal and an inevitable act to end the imposed war. They instead advocated that the Islamic Republic of Iran is the main threat to the Persian Gulf countries and the reactionary countries of the region increased their support to the Iraqi regime.

CSO: 4605/137

PAKISTAN

OBJECTION VOICED TO INDIA SEEKING U.S. ARMS

GF291730 Lahore NAWA-E WAQT in Urdu 28 Apr 85 p 3

[Editorial: "Objections Only for Pakistan!"]

[Text] According to reports received from New Delhi, the under secretary of the U.S. Department of Defense, Mr Fred C. Ikle, is due to arrive on 1 May in New Delhi on a 3-day trip, where he will discuss U.S. arms sales to India. As soon as he leaves, the secretary of the U.S. Air Force, Mr Verne Orr, will visit New Delhi on the same mission. According to this news report, India desires negotiating the purchase of such modern armaments as missiles, long-range artillery, and radar systems.

Although India depends on the Soviet Union for armaments and has acquired many aircraft and submarines from France and the FRG, it has always craved modern U.S. arms. A few years ago, India agreed to purchase \$300 million worth of long-range artillery from the United States, but this was held up as the United States was not willing to transfer the relevant technology to India then. But now the United States hopes that Mr Rajiv Gandhi will not lean so much toward the Soviet Union as Mrs Gandhi did. In order to fulfill this dream, it has agreed to transfer the technology for the manufacture of these weapons to India, which the latter desires.

The high-level officials of the U.S. Department of Defense and the Air Force are due to visit New Delhi in this connection shortly. Mr Rajiv Gandhi will visit the United States in June. The general impression is that an agreement will be signed between the United States and India.

The United States and India are fully authorized to forge relations for their mutual benefit. The fundamental issue is the Soviet Union and whether it will permit such an alliance and purchase of U.S. arms in light of the nature of its relations with India. The other basic question is, why does India then continue its whining against the arms purchased on a limited scale by Pakistan from the United States? India's persistent objections to Pakistan's purchase of arms are only because it cannot bear to see Pakistan strengthen its defenses. If it were on the basis of some principle, then it should not have followed the policy of purchasing arms itself from the United States--something for which it has always criticized Pakistan.

CSO: 4656/118

PAKISTAN

FORMATION OF ANTI-REGIME FRONT IN LONDON REPORTED

BK261105 Delhi THE HINDUSTAN TIMES in English 18 Apr 85 p 1

[By Rakshat Puri]

[Text] London, 17 Apr--Some prominent Pakistani leaders from Sind, Baluchistan and the North-Western Frontier Province [NWFP], living in exile here, have formed a "Sind-Baluch-Pakhtoon Front" with the purpose of working jointly for the sovereignty and independence of their provinces.

The leaders included Pakistan People's Party [PPP] leader Hafeez Pirzada, who drafted Pakistan's 1973 Constitution, former PPP Federal Minister Mumtaz Ali Bhutto, former Baluchistan Chief Minister Ataullah Mengal, the Pakistan Mazdoor-Kisan Party leader Afzal Bangash, and PPP leader Khalid Laghari. Dr Laghari will initially preside over the Front.

A Sindhi-Baluchi Association has been in existence for close on two years, but has remained primarily a cultural organization. The Front formed now is unambiguously political in intent and goes very much beyond the association in its aims and purposes.

The formation of the Front--a formal declaration of whose aims and objects is due to be issued tomorrow--has, according to one of its members, been hastened by the "farfical election that Gen Zia has staged" recently in Pakistan.

The formation of the Front by some leaders who have been prominent in the Pakistan People's Party formerly is interpreted here as a sign that the PPP has been fragmented more or less irredeemably.

It may be recalled that at a Press conference on the eve of Pakistan's recent "election" addressed by Benazir Bhutto, daughter of the late Zulfikar Ali Bhutto, Mr Pirzada, when called upon to comment on the prevailing constitutional position in Pakistan, indicated that Gen Zia's abrogation in effect of the 1973 Constitution had for all practical purposes removed any obligation on the part of the four regions to remain in the federation called Pakistan.

At her press conference, Miss Bhutto hastily interrupted Mr Pirzada's commentary, but the trend in Pakistani politics here was nevertheless clear.

It has now culminated in the formal setting up of the "Sind-Baluch Pakhtoon Front."

Spokesmen for the new Front insist that there is much greater support for its aims and objects in Sind, Baluchistan and the NWFP than the Islamabad authorities everywhere and the Pakistani press are prepared to acknowledge.

CSO: 4600/404

PAKISTAN

PPP REPEATS STANDS ON ISSUES

GF291457 Karachi DAWN in English 26 Apr 85 p 20

[Excerpt] Lahore, 25 Apr: The Central Executive Committee [CEC] of the outlawed Pakistan People's Party [PPP], has resolved not to accept the February election and the assemblies coming into being as a result of "neither the election can be termed as fair and free" not the assemblies were sovereign and nothing could be expected from "subservient" legislators.

The PPP also rejected the constitutional amendments carried out by President Zia in March, on the grounds that they have not only introduced a unitary presidential form of government but also amount to introducing a new constitution, altogether. A resolution passed by the CEC of the PP, said the amendments had damaged the unity of the Federation of Pakistan.

The PPP declared it believed that the struggle of the masses would have to continue outside the assemblies, "in every nook and corner of the country, in every street, village, factory and city," adding that, together with other MRD parties the struggle would continue till the realisation of the democratic rights of the people.

The decisions and resolutions adopted by the Central Executive Committee were announced by Secretary General Gen (Retd) Tikka Khan and Sheikh Rafiq Ahmad at a crowded press conference on Thursday evening, in the presence of a number of the Central Executive members. The party also adopted a declaration which spelled out "the dangers looming over the political horizon" and while calling for a "united front" of all the democratic and patriotic forces for a struggle against the prevailing exploitative system, it stated that the party was bound to safeguarding the 1973 Constitution and hold elections under the electoral law in force in July 1977.

It also stated that the party wanted to redetermine the quantum of provincial autonomy and evolve a formula with the help of other parties, under which the elected representatives coming from political parties were able to amend the constitution in accordance with the aspirations of the people of smaller provinces.

The PPP declaration supported parliamentary democracy and the inalienable right of political parties to work freely. It stated that the PPP was

committed to ending exploitation of man by man, and providing social justice, fundamental rights and equitable distribution of wealth besides Roti-kapra and makaan [bread, clothing and housing].

It also declared that the party was opposed to violence in politics and favoured the resolution of problems through a political and democratic process. The party declared its adherence to its four basic points viz Islam, Democracy, Socialism and people, and viewed that a programme of political, economic and social freedom evolved under the four principles could alone ensure people's rule, and socio-economic justice.

Reiterating that the party stood for "a genuine federal system," with adequate rights for the provinces, the Central Executive endorsed the MRD stand in this respect and stated that it would make all out efforts to protect the political unity of the country on the basis of equality and justice among provinces.

The PPP Executive described the present economic conditions as "under unprecedented crisis," and stated that dropping industrial and agricultural output, power loadshedding and diminishing remittances from abroad presented a "bleak economic situation."

It expressed concern over dependence on foreign loans and debts and stated that debt servicing alone had touched an alarming figure of 30 percent of the export earnings.

The party proposed the launching of an atomic energy programme, curtailment of the defence budget and expenditure on establishment and other non-development activities, ban on import of luxury goods and reducing the deficit in balance of payments as remedies to overcome the economic crisis.

The People's Party also constituted 17 committees to formulate reports on wide ranging subjects and they have been advised to submit their reports before the next meeting on the Central Executive after 'Id al-Fitr.

CSO: 4600/404

PAKISTAN

BRIEFS

MANUFACTURE OF CHINESE TRACTORS--The small-sized Chinese tractor will be completely manufactured locally in the next 2 to 3 years. Recently, such tractor is being manufactured by a private concern in Lahore in equity participation with China. Twenty percent parts are currently being manufactured locally. [Excerpt] [Karachi Domestic Service in English 1005 GMT 19 Apr 85 BK]

MEDICAL AID FOR SOMALIA--Pakistan has rushed a consignment of 100,000 doses of cholera vaccines to Somalia in aid of victims where the epidemic is spreading. The consignment has been airlifted to Mogadishu in response to a call for help by the Somalian Government. [Text] [Karachi Domestic Service in English 1700 GMT 19 Apr 85 BK]

CSO: 4600/404

END